

**STATEMENT OF KEN SALAZAR, SECRETARY OF THE INTERIOR
BEFORE THE SUBCOMMITTEE ON INTERIOR, ENVIRONMENT
AND RELATED AGENCIES,
SENATE COMMITTEE ON APPROPRIATIONS
ON THE 2013 PRESIDENT'S BUDGET REQUEST**

February 29, 2012

Mr. Chairman and members of the Committee, I am pleased to be here today to present the details of the 2013 budget request for the Department of the Interior. I want to thank the members of this Committee for your efforts to enact a 2012 appropriation. The 2012 appropriations process was challenging for the Congress and the agencies – it required a coming together of diverse philosophies and views. We appreciate the support of this Committee for our priorities including America's Great Outdoors, which enhances our efforts to be responsible stewards of the Nation's lands and resources, expanded responsible development of domestic energy sources with reforms in the oil and gas programs, high levels of youth hiring and education in all of our programs, and support for improved living and economic conditions for American Indians and Alaska Natives. Lastly, I appreciate the ongoing support of this Committee and your strong interest in our programs. Although we may not always share the same views, we have been able to accomplish a lot in these last three years.

The 2013 budget builds on this strong foundation with \$11.5 billion requested in the President's budget for the Department of the Interior. This includes \$10.5 billion for programs under the jurisdiction of the Interior, Environment and Related Agencies Subcommittee and included in the Interior bill. The budget for current appropriations is \$140.3 million or one percent above the 2012 level. The request includes reductions and savings of \$516.8 million. We made difficult choices in this budget, sacrificing in many areas, deferring projects, and programming savings for efficiencies in order to maintain funding for key priorities and investments that will contribute to strengthening the economic vitality and well-being of the Nation.

As the President has detailed in his *Blueprint for an America Built to Last*, the budget proposes investments in an economy that works for everyone. Our budget request supports responsible domestic energy development, advances an America's Great Outdoors strategy to maintain our legacy and stimulate new opportunities, applies science to address the most formidable natural resource challenges, and invests in self-determination and economic development to strengthen tribal Nations. This Committee has been an active partner in advancing these priorities. I look forward to our continued collaboration during the 2013 appropriations process.

Introduction

The mission of the Department of the Interior is to protect and manage the responsible use of America's natural resources, support our cultural heritage and honor the Nation's trust responsibilities to American Indians and Alaska Natives.

Interior's people and programs impact all Americans. According to a Department study, in 2010, Interior programs and activities supported over two million jobs and approximately \$363 billion in economic activity. The Department is the steward of 20 percent of the Nation's lands. Interior man-

ages the resources of the national parks, national wildlife refuges, and public lands and assists States, Tribes, and others in the management of natural and cultural resources.

Interior manages many of the Nation's natural resources, including those that are essential for America's industry – oil and gas, coal, and minerals such as gold and uranium. On public lands and the Outer Continental Shelf, Interior provides access for renewable and conventional energy development and manages the protection and restoration of surface mined lands. The Department of the Interior oversees the responsible development of 24 percent of America's domestic oil and gas supplies, while striving to ensure safety and environmental protection and the effective collection of revenue from this development. We estimate that energy and minerals development on Federal lands supported 1.3 million jobs and \$246 billion in economic activity in 2010.

The Department is also the largest supplier and manager of water in the 17 Western States, promotes and assists others to conserve water and extend water supplies, and provides hydropower resources used to power much of the Country. The Department estimates that the use of water, timber, and other resources produced from Federal lands supported about 370,000 jobs and \$48 billion in economic activity.

Interior works to ensure that America's spectacular landscapes, unique natural life, and cultural resources and icons endure for future generations, tells and preserves the American story, and maintains the special places that enable the shared American experience. In 2012, visitors made 476 million visits to Interior-managed lands and supported an estimated \$47 billion in economic activity.

Interior manages and delivers water, arbitrates long-standing conflicts in water allocation and use, and actively promotes water conservation. As one of the Nation's primary natural and cultural resource stewards, the Department makes decisions regarding potential development on the public lands and offshore coastal areas that can greatly impact the Nation's energy future and economic strength. Factored into this balance is the Department's unique responsibility to American Indians and Alaska Natives. The Department supports cutting edge research in the earth sciences – geology, hydrology, and biology – to inform resource management decisions at Interior and organizations across the world and in earthquake, volcano, and other hazards to protect communities across the Nation. Maintaining and building the capacity to carry out these responsibilities on behalf of the American people is Interior's primary focus.

Powering America's Economy

Stewardship of America's lands and natural resources is at the heart of the national spirit and the economy – from the responsible management and development of natural resources and increasingly, the economic power of outdoor recreation.

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 fees, royalties, rents and bonuses from mineral, timber, and other natural resource development. The Department estimates that conventional and renewable energy produced on Interior lands and waters results in about \$230 billion in economic benefits each year. In 2011, of the total receipts generated by Interior, \$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 and revenues shared among Federal, State, and tribal governments.

Since 2008, oil production from the Federal OCS has increased by 30 percent, from 450 million barrels to more than 589 million barrels in 2010. Balancing the need for safety and environmental enforcement, Interior currently manages over 35 million acres of the OCS under active lease. A recently proposed five-year oil and gas leasing program would make more than 75 percent of undiscovered technically recoverable oil and gas estimated on the OCS available for development.

Onshore, the Bureau of Land Management held 32 onshore oil and gas lease sales in 2011. The BLM offered 1,755 parcels of land covering nearly 4.4 million acres. Nearly three-quarters or 1,296 of those parcels of land offered were leased, generating about \$256 million in revenue for American taxpayers. This was a 20 percent increase in lease sale revenue over 2010, following a strong year in which leasing reform helped to lower protests and increase revenue from onshore oil and gas lease sales on public lands. The BLM recently has seen a 50 percent jump in industry proposals to lease for oil and gas exploration. Oil and gas companies nominated nearly 4.5 million acres of public minerals for leasing in 2011, up from just under 3 million acres the year before. Industry nominations are the first step in the BLM leasing process. After evaluating the parcels, BLM may offer them at auction. Successful bidders can then apply to drill for oil and gas.

Interior is moving aggressively to put the President’s energy strategy, *Blueprint for a Secure Energy Future*, into action and expand secure energy supplies for the Nation – a strategy that includes the responsible development of renewable energy sources on the public lands. At the start of this Administration, there were no solar energy facilities sited on the public lands, and wind energy development was relatively limited compared to development on private lands. 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. The 2013 budget reflects an expansion of these accomplishments with the goal of permitting 11,000 megawatts by the end of 2013.

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.

Growing the Economy Outdoors

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. International travel to the U.S. is the Nation’s largest service export industry, with seven percent of total exports and 24 percent of service exports. The Bureau of Economic Analysis estimates that every additional 65 international visitors to the United States can generate enough exports to support an additional travel and tourism-related job. According to the travel industry and Bureau of Economic Analysis, international travel is particularly important as overseas or “long-haul” travelers spend on average \$4,000 on each visit.

President Obama has asked me 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. The Department of the Interior manages iconic destinations in the national parks, wildlife refuges, cultural and historic sites, monuments, and other public lands that attract travelers from around the country and the globe. 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.

Interior is working to maximize the benefit of the outdoors for the millions of Americans at home. Hunting, fishing, and outdoor recreation contribute an estimated \$730 billion to the U.S. economy each year. More than 12 million Americans hunt; more than 30 million Americans fish; and three out of four Americans engage in some kind of healthy outdoor activity. One in twenty U.S. jobs is in the recreation economy.

Through the America's Great Outdoors initiative, the Administration continues to expand opportunities for recreation – through partnerships with States and others and the promotion of America's parks, refuges, and public lands. The 2013 budget requests \$5.1 billion in support of this initiative, a \$145.6 million increase compared to 2012. Funding is focused on programs supported through the Land and Water Conservation Fund, land management operations, and other grant and technical assistance programs that promote conservation and improve recreational access.

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.

An example of a multi-state partnership project is the Blackstone River Valley Greenway. This project, completed in partnership with Rhode Island and Massachusetts, will create a 50-mile blueway and greenway trail along the Blackstone River and the historic Blackstone Canal, connecting Providence, RI and Worcester, MA, and 12 cities and towns in between. Visitors and residents will experience the history of the American industrial revolution, enjoy nature and take advantage of numerous outdoor recreation options, including bicycling, walking and canoeing. The project will celebrate and preserve what makes the Blackstone River Valley National Heritage Corridor a special place to live, work and visit.

A key component of nearly all of the 101 projects is to increase access to the outdoors for the public. In Alaska, the Kachemak Bay Water Trail is proposed as a 125-mile designated water route, a key

component of which is to maintain access to the bay. For the communities near Kachemak Bay, the water trail is envisioned as a new and sustainable economic driver. The trail would provide a logical route for boaters to explore the bay, promoting outdoor recreation, connecting people along the Bay, and expanding a culture of marine stewardship.

The America's Great Outdoors initiative is being implemented in partnership with communities and stakeholders across the Country. In January of this year, I accepted the first donation of land in south-central Florida to officially establish the Everglades Headwaters National Wildlife Refuge and Conservation Area – conserving one of the last remaining grassland and longleaf pine savannah landscapes in eastern North America. The new refuge and conservation area – the 556th unit of the national wildlife refuge system – was established with the support of local ranchers, farmers, and landowners who are working cooperatively with Interior and the Fish and Wildlife Service to conserve the wildlife values on their lands while retaining their right to raise livestock or crops, an approach championed by the Obama Administration.

The Everglades Headwaters National Wildlife Refuge and Conservation Area is one example of the new parks and refuges Interior has recently established to protect key natural and cultural resources for future generations. In addition to 650 miles of new national trails, designation of several national natural and historic landmarks, Interior welcomes the Martin Luther King, Jr. Memorial in Washington, D.C.; the Paterson Great Falls National Historical Park in New Jersey; the Fort Monroe National Monument in Virginia; the Dakota Grassland Conservation Area in North and South Dakota; New Mexico's first urban national wildlife refuge, the Middle Rio Grande National Wildlife Refuge in Albuquerque; and a signature America's Great Outdoors project in the Crown of the Continent Conservation Area in Montana. Interior launched significant efforts to protect America's enduring icons including upgrading the Statue of Liberty, initiating repairs to earthquake damage at the Washington Monument, and withdrawal of over one million acres in the vicinity of the Grand Canyon from additional uranium and hardrock mining, to protect and preserve the natural beauty of the Grand Canyon.

Interior's 2013 budget request for appropriations from the Land and Water Conservation Fund includes a total of \$450 million for Interior and Forest Service Program. The budget requests \$212.0 million for Federal land acquisition within national parks, national wildlife refuges, and BLM public land boundaries, including \$83.6 million for a collaborative program to support landscape-scale conservation projects developed in a collaborative process conducted by the Forest Service and Interior land management bureaus. Investments in ecologically important landscapes will be coordinated with State and local efforts to maximize ecosystem benefits, support at-risk species, and create wildlife corridors. The request includes \$128.4 million for acquisition to facilitate protection of parks, refuges, and BLM designated areas based on bureau mission-specific priorities.

The 2013 Federal land acquisition budget for BLM includes funding to will improve access for hunters and anglers to the public lands. Often these sportsmen and women are frustrated by complicated "checkerboard" land ownership and are unable to access BLM lands that provide recreation opportunities. The budget includes \$2.5 million that will be used to purchase easements to alleviate these challenges and provide improved access for public recreation.

An additional \$120 million is proposed for key grant programs supported by the LWCF, including \$60 million each for the Cooperative Endangered Species Conservation Fund program and State LWCF grants.

Spurring Growth and Innovation Through Science

Investments in research and development promote economic growth and innovation, ensure American competitiveness in a global market, and are critical to achieving the mission of the Department of the Interior. Investments in Interior's research and development will improve management of U.S. strategic energy and mineral supplies, water use and availability, and natural hazard preparedness. Sustainable stewardship of natural resources requires strong investments in research and development in the natural sciences.

Research and development funding is increased by nearly \$60 million in the 2013 budget, with R&D funding increases among all of the DOI bureaus, and particularly USGS, FWS, BSEE, BLM and BOR. With these investments, Interior will support research that addresses critical challenges in energy production and the management of ecosystems, invasive species, public lands, and water.

Recent technology and operational improvements have led to increased use of hydraulic fracturing in developing natural gas resources. To ensure the prudent and sustainable development of this important source of domestic energy, economic development, and job creation, the 2013 budget invests in research and development that proactively addresses concerns about the potential impacts of hydraulic fracturing on air, water, ecosystems, and earthquakes. The 2013 budget supports a \$45 million interagency research and development initiative by the USGS, the Department of Energy, and the Environmental Protection Agency aimed at understanding and minimizing potential environmental, health, and safety impacts of shale gas development and production through hydraulic fracturing.

The BOEM is working with the University of Texas and a team of arctic researchers on a five year comprehensive study of the Hanna Shoal ecosystem in the Chukchi Sea off Alaska's northwest coast. Past studies have identified this area as an important biological ecosystem, which supports a high concentration of marine life. Valuable data on physical and biological processes in the area obtained from this research effort will be combined with the results of previously conducted studies. The resulting information will be used by industry, as well as by BOEM in decisions regarding energy development in this region, and will be included in future National Environmental Policy Act analyses.

In 2011, USGS used cutting edge technology to complete the genome sequencing of the fungus that causes the skin infection that is a hallmark of the white-nose syndrome, which is decimating bat populations across the country. This sequencing will support further research that is necessary to develop management strategies to mitigate the spread of the syndrome among bats. Recognizing the impact of this is not limited to wildlife health, USGS and university partners produced a study which determined that bats contribute \$3.7 billion to the agricultural economy by eating pests that are harmful to agricultural and forest commodities. The 2013 budget provides \$1.8 million for USGS to conduct further research and development to address this critical issue.

In 2013, the Budget requests a \$2 million increase in the BLM Wild Horse and Burro program to fund research on contraception/ population control. Research may include topics such as studies on herd genetics, animal behavior and overall rangeland use as it relates to sterilization and other population growth suppression techniques. The goal of the research will be to develop additional methods to minimize wild horse population growth and maintain herd health.

Delivering Sustainable Growth through Water

Although the Bureau of Reclamation is within the jurisdiction of the Energy and Water Subcommittee, it plays a critical role in addressing the Nation's water challenges which are of interest the Subcommittee. Reclamation maintains 476 dams and 348 reservoirs with the capacity to store 245 million acre-feet of water. The bureau manages water for agricultural, municipal, and industrial use, and provides flood control and recreation for millions of people. Reclamation's activities, including recreation, generate estimated economic benefits of over \$55 billion and support nearly 416,000 jobs.

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

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 program has provided more than \$85 million in funding to non-Federal partners, including Tribes, water districts, and universities, including \$33 million in 2011 for 82 WaterSMART grant projects. In December, Interior released a report on the effectiveness of the WaterSMART program, which demonstrates the importance of this work to the sustainability of resources in the Colorado River Basin.

Another example of Interior's efforts to stretch water resources is the Yuma Desalting Plant in Arizona. Reclamation recently completed a year-long pilot operation of the Plant in collaboration with California, Arizona, and Nevada water agencies. The pilot demonstrated the capability of the Plant to augment Lower Colorado River supplies and produced sufficient water for use by about 116,000 people in a year. Reclamation and the regional water agencies are reviewing the results of this effort to evaluate the potential for long-term and sustained operation of the desalting plant.

Encouraging Economic Development in Indian Country and Honoring Trust Responsibilities

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. The Department and the President hosted the third White House Tribal Nations Conference in December 2011, bringing together tribal leaders from across the United States and enabling tribal leaders to interact directly with Administration representatives and identify priority actions for American Indians and Alaska Natives.

In 2011, Interior began 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

and tribal trust funds – with the goal of making trust administration more transparent, responsive, customer focused, and accountable.

The Department held regional consultations across the Country to set the framework for the Cobell land consolidation program. The Settlement establishes a \$1.9 billion fund for the voluntary buy-back and consolidation of fractionated land interests to provide individual American Indians with an opportunity to obtain cash payments for divided land interests and consolidate holdings for economic and other uses, a significant benefit for tribal communities. Almost four million individually owned interests involving nearly nine million acres have been identified as part of this effort.

To further encourage and speed up economic development in Indian Country, the Department took a significant step forward announcing the sweeping reform of antiquated, “one-size-fits-all” Federal leasing regulations for the 56 million surface acres the Federal government holds in trust for Tribes and individual Indians. The proposed rule identifies specific processes – with enforceable timelines – through which the Bureau of Indian Affairs must review leases. The regulation establishes separate, simplified processes for residential, business, and renewable energy development, so that, for example, a lease for a single family home is distinguished from a large solar energy project. The proposed regulation incorporates many changes requested by tribal leaders during extensive consultations this past year to better meet the goals of facilitating and expediting the leasing process for trust lands. During the initial consultation period more than 2,300 comments were received from more than 70 Tribes as well as several Federal agencies, including the Departments of Housing and Urban Development, Agriculture, and the Internal Revenue Service. The BIA regulatory drafting workgroup is expected to review the comments and publish the final rule in 2012.

The Claims Resolution Act of 2010 settled the Cobell lawsuit and four settlements that will provide permanent water supplies and economic security for the five New Mexico Pueblos of Taos, 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 the Bureau of Reclamation and BIA is responsible for the majority of the trust funds.

Reclamation is requesting \$21.5 million in 2013 for the continued implementation of these four settlements and \$25.0 million for the Navajo-Gallup Water Supply project. In total, the Indian Affairs budget includes \$36.3 million for ongoing Indian land and water settlements, which includes \$9.5 million for the seventh and final payment for the Nez Perce/Snake River Water Rights Settlement.

A key responsibility for Indian Affairs is ensuring and improving the safety of Indian communities. Some Indian reservations experience violent crime rates that are twice the national average. The high crime rates are a key issue for tribal leaders as they degrade the quality of life for residents, attract organized crime, and are a real disincentive for businesses to consider these communities for economic development. FY 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. The 2013 budget includes \$353.9 million for

Public Safety and Justice programs, a program increase of \$8.5 million to support this expansion and other public safety activities.

Interior's Budget in Context

President Obama has challenged agencies to encourage American innovation, employ and educate young people, rebuild America, and promote economic development. Interior's 2013 budget invests in areas that are responsive to these challenges and more. This budget continues funding for important programs that will protect the Nation's significant natural resources and cultural heritage, makes strategic investments in energy development, advances partnerships to leverage resources, and seeks improved outcomes for Indian communities. At the same time, this budget recognizes the need for fiscal responsibility. The priority programs that are level funded with 2012 and limited strategic investments proposed in 2013 are balanced by reductions in lower priority programs, deferrals and planning efficiencies.

Taking Fiscal Responsibility – Interior made its 2013 budget decisions in the context of the challenging fiscal environment. The 2013 budget of \$11.5 billion, including Reclamation, eliminates and reduces lower priority programs, defers project start-ups, reduces duplication, streamlines operations, and captures savings. The 2013 request is \$97.9 million, essentially level with 2012 enacted and \$280.4 million below 2011.

The 2013 budget contains \$516.8 million in program terminations, reductions, and savings from administrative efficiencies. Staffing reductions of 591 FTEs are planned for 2013, a reduction of 741 FTEs from 2011 levels. These personnel reductions are focused on areas where there are funding reductions. Staffing reductions will be achieved through attrition, and buy-outs in order to minimize the need to conduct reductions in force to the greatest extent possible.

This budget is responsible, with strategic investments in a few, targeted areas, and maintains the core functions that are vital to uphold stewardship responsibilities and sustain key initiatives. The budget also continues efforts to shift program costs to industry where appropriate. Permanent funding that becomes available as a result of existing legislation without further action by the Congress results in an additional \$6.0 billion, for \$17.5 billion in total budget authority for Interior in 2013.

Administrative Savings – As part of the Administration's Campaign to Cut Waste, the Department will achieve additional administrative efficiencies that result in cumulative savings of \$207.0 million from 2010 to 2013. These reductions are being implemented throughout Interior and result from changes in how the Department manages travel, employee relocation, acquisition of supplies and printing services, and the use of advisory services. The proposed savings in administrative functions will not have an impact on programmatic performance, and to the greatest extent possible savings will be redirected into priority programmatic areas.

The Department's 2013 budget reflects a freeze on Federal salaries for 2012 and a 0.5 percent pay increase in 2013. The budget fully funds fixed costs for the civilian pay increase, anticipated changes in the Federal contributions to health benefits, rent increases, changes in workers and unemployment compensation costs, programs financed through the Working Capital Fund, and specific contract requirements for P.L. 93-638 agreements with Tribes.

Cost Recovery – Significant portions of Interior’s budget are funded by cost recovery, offsetting collections, and discrete fees linked to uses of lands and resources. The budget proposes to increase cost recovery to offset the cost of some resource development activities that provide clear benefits to customers. The proposed fees on oil and gas inspections are consistent with the recommendations of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling. The Commission’s report stated the oil and gas industry should be “required to pay for its regulators” so that the costs of regulation “would no longer be funded by taxpayers but instead by the industry that is permitted to have access to a publicly owned resource.”

The budget includes \$48.0 million from new inspection fees to be paid by onshore oil and gas producers. Instituting these fees will allow for a \$10.0 million program increase to be used to strengthen the BLM inspection program, along with a \$38.0 million decrease in current appropriations for BLM as a whole. Similar fees were proposed in 2012 but not adopted due to concerns about impacts on the producers. The fees would be on average, 0.2 percent of the annual income collected by the producers. In addition to the proposed onshore inspection fees, estimated fee collections from the offshore oil and gas inspections instituted in 2012 are slightly increased in 2013 to \$65.0 million. This fee-based funding is critical to maintaining the Administration’s aggressive implementation of a robust offshore safety program.

The 2013 budget proposes a new grazing administrative fee of \$1.00 per animal unit month on a three-year pilot basis. The fee is estimated to generate \$6.5 million in 2013 and will be used to assist BLM in processing grazing permits. During the period of the pilot, BLM would work through the process of promulgating regulations for the continuation of the grazing fee as a cost recovery fee after the pilot expires.

The 2013 budget continues an offsetting collection initiated in 2012, allowing the Office of Surface Mining to retain coal mine permit application and renewal fees for the work performed as a service to the coal industry. An estimated \$3.4 million will be collected in 2013.

Major Changes in the 2013 Request

The Department’s 2013 budget request totals \$11.5 billion in current authority including \$10.5 billion for programs funded by the Interior, Environment, and Related Agencies Appropriations Act. This is \$140.3 million, or 1.4 percent, above the 2012 level. The 2013 request for the Bureau of Reclamation including the Central Utah Project Completion Act, funded in the Energy and Water Development Appropriations Act, is \$1.0 billion in current appropriations, \$42.4 million or 3.9 percent below the 2012 level.

Interior continues to generate more revenue for the U.S. Treasury than its annual appropriation. In 2013, Interior will generate receipts of approximately \$13.9 billion and propose mandatory legislation with a total net savings of roughly \$2.5 billion over ten years.

Bureau of Land Management – The 2013 request is \$1.1 billion, essentially level with the 2012 enacted budget. This includes a decrease of \$8.2 million for BLM’s two operating accounts, an increase of \$11.2 million for Land Acquisition, and a reduction of \$3.6 million that eliminates the Construction account.

To advance the America's Great Outdoors initiative, the request includes \$6.3 million in programmatic increases for recreation, cultural resources, and the National Landscape Conservation System for BLM to expand and improve opportunities for recreation, education, and scientific activities while enhancing the conservation and protection of BLM managed lands and resources.

The BLM will continue to promote and facilitate the development of renewable energy on public lands, as part of the New Energy Frontier initiative. The 2013 budget includes a program increase of \$7.0 million for renewable energy to support wind, solar, and geothermal energy. An additional \$13.0 million in program increases are requested to maintain and strengthen management of the oil and gas program, along with a requested \$10 million increase in mandatory funding specifically focused on strengthening BLM's oil and gas inspection program. These increases would be more than offset by \$48.0 million in proposed inspection fees to shift the cost of the oil and gas inspection and enforcement activity from taxpayers to the oil and gas industry.

The other major program increase is \$15.0 million to implement sage grouse conservation and restoration measures to help prevent the future listing of the species for protection under the Endangered Species Act. The BLM will use \$10.0 million of the requested increase to incorporate the necessary protections into BLM's land use plans to address conservation of the sage grouse. These plans will guide energy development, transportation, and other uses and ensure conservation of sage grouse habitat. The remaining \$5.0 million funds on-the-ground projects to restore and improve sage grouse habitat and additional inventory, monitoring, and mapping efforts to delineate areas of highest priority habitat in the range of the sage grouse. Other program increases in the BLM budget include \$1.5 million for the Secretary's Western Oregon Strategy, \$2.0 million for research and development on population control in the Wild Horse and Burro Management program, and \$4.4 million in the Resource Management Planning program to support high priority planning efforts.

A \$15.8 million program decrease is proposed in the Rangeland Management program, however, the impact of this funding decrease will be mitigated by a new grazing administrative processing fee of \$1.00 per animal unit month that BLM proposes to implement on a pilot basis through appropriations language, estimated to raise \$6.5 million in 2013. The 2013 budget reduces programmatic funding for the Alaska Conveyance program by \$12.4 million from the 2012 level. Interior will explore opportunities to further streamline the program. A \$3.5 million program reduction is proposed in the Public Domain Forest Management program.

Bureau of Ocean Energy Management – The 2013 operating request is \$164.1 million, including \$62.7 million in current appropriations and \$101.4 million in offsetting collections. This is an increase of \$3.3 million above the 2012 enacted level.

The 2013 budget includes program increases of \$2.0 million from the 2012 enacted level for activities to promote offshore conventional and renewable energy development that is safe and environmentally responsible. Increased funding will be used to develop baseline characterization and monitoring capabilities in the Gulf of Mexico that are required as a result of the Deepwater Horizon incident, as well as to support renewable energy lease auctions.

Bureau of Safety and Environmental Enforcement – The 2013 operating request is \$222.2 million, including \$96.3 million in current appropriations and \$125.9 million in offsetting collections. This is an increase of \$24.8 million above the 2012 enacted level. The \$4.8 million increase for off-

setting collections includes an estimated \$3.0 million increase in inspection fee collections.

The 2013 budget includes funds to increase operational safety capabilities, develop the National Offshore Training and Learning Center for inspectors, and conduct research and development activities on critical safety systems associated with offshore oil and gas development.

Office of Surface Mining – The 2013 budget request is \$140.7 million, a decrease of \$9.5 million from the 2012 enacted level. The reduction reflects decreases in grants to States and Tribes to encourage regulatory programs to recover costs from fees charged to the coal industry and finalize the transition of abandoned mine land reclamation from discretionary to mandatory funding.

I signed a Secretarial Order on October 26, 2011, to review certain functions of OSM and BLM for potential consolidation. As part of this effort, I asked the Directors of OSM and BLM and other Interior officials to report by February 15, 2012 on the results of discussions with the bureaus' employees, congressional committees, and interested parties, such as Tribes, State regulatory officials, industry representatives, and representatives of communities affected by coal mining. Our efforts in consolidation will respect existing law and identify actions that will strengthen these two bureaus.

U. S. Geological Survey – The USGS budget request is \$1.1 billion, \$34.5 million above the 2012 enacted level. The President's budget supports science, monitoring, and assessment activities that are critical to understanding and managing the ecological, mineral, and energy resources that underlie the prosperity and well-being of the Nation. The 2013 budget includes a program increase of \$51.0 million to fund research and development priorities in disaster response, hydraulic fracturing, coastal and ocean stewardship, and ecosystem restoration. The budget also supports the Secretary's initiatives in responsible energy development and further resolution of water challenges with funding above the 2012 enacted level.

The USGS budget also includes investments in important science programs to help meet societal needs. A program increase of \$13.0 million above 2012 for the WaterSMART Program will be used to conduct research on predictive models on regional water availability, explore methods of integrating and disseminating data through science platforms, and establish a National Groundwater Monitoring Network.

A program increase of \$8.6 million is requested to improve rapid disaster response to natural disasters. Funding will be used to improve capacity to provide timely and effective science and information products to decision makers, in order to minimize the risks hazards pose to human and natural systems. Funding will be invested in capability improvements to the USGS monitoring networks for rapid response to earthquakes, volcanoes, volcanic ash, debris flow, tsunamis, floods, hurricanes, and other potential threats to populations and infrastructure.

The budget includes a program increase of \$13.0 million to support the hydraulic fracturing research and development effort with the Department of Energy and Environmental Protection Agency to understand and minimize potential adverse environmental, health, and safety impacts of shale gas development through hydraulic fracturing. New work will build on existing efforts and address issues such as water quality and quantity, ecosystem impacts, and induced seismicity.

With a program increase of \$16.2 million, USGS will conduct science in support of ecosystem management for priority ecosystems such as the Chesapeake Bay, California Bay-Delta, Columbia River, Everglades, Puget Sound, Great Lakes, Upper Mississippi River, and the Klamath Basin. With an increase of \$2.0 million, the USGS will address overarching ecosystem issues related to the invasive brown tree snake, white-nose syndrome in bats, and coral reef health. These increases will provide information management and synthesis and land change science support for these ecosystem activities. Included in the total above is \$500,000 identified for research efforts through the DOI Climate Science Centers to enhance work with Tribes to understand the impacts of climate change on tribal lands. Funding increases will also support priorities in sustaining our National environmental capital, including development of the first coordinated multi-departmental effort of its kind to develop a standardized ecosystem services framework.

The 2013 budget also provides a program increase of \$6.8 million to sustain and enhance existing activities and for a new initiative on Science for Coastal and Ocean Stewardship that supports priority objectives of the National Ocean Policy in the areas of marine and coastal science, resource and vulnerability assessments, ecosystem based management, and providing science based tools to inform policy and management. The USGS will work with partners to provide access to comprehensive maps and assessments of seabed and coastal conditions and vulnerability. The increase will improve the integrated science needed to inform development of resources while conserving the Nation's coastal and marine ecosystems.

Fish and Wildlife Service – The 2013 budget includes \$1.5 billion, an increase of \$72.0 million above the 2012 enacted level. In addition, the budget includes a \$200.0 million cancellation of prior year unobligated balances in the Coastal Impact Assistance program. The budget includes America's Great Outdoors increases of \$20.9 million in the Resource Management account and \$52.3 million for land acquisition. There is a \$3.9 million increase in the North American Wetlands grants program, a component of the AGO initiative. State and Tribal Grants are funded at \$61.3 million, level with 2012. Funding for the Construction account is reduced by \$3.9 million.

The budget proposes a program increase of \$4.0 million for activities associated with energy development. This enables FWS to participate fully in priority landscape level planning and assist industry and State fish and wildlife agencies as they plan for renewable energy projects and transmission corridor infrastructure. The 2013 budget continues the commitment to ecosystem restoration by including \$13.5 million for the Everglades, an increase of \$3.0 million; \$4.9 million for California's Bay-Delta, level with 2012; \$10.2 million for the Gulf Coast, level with 2012; \$10.3 million for the Chesapeake Bay, a program increase of \$145,000; and \$47.8 million for the Great Lakes, a program increase of \$2.9 million. Funding for the Cooperative Landscape Conservation and Adaptive Science activity is \$33.1 million, an increase of \$856,000. This funding supports the operation of 14 Landscape Conservation Cooperatives.

The budget includes \$994.7 million available under permanent appropriations, most of which will be provided in grants to States for fish and wildlife restoration and conservation.

The 2013 budget proposes a reduction of \$14.0 million to eliminate the discretionary contribution to the National Wildlife Refuge Fund payments to counties to offset local tax loss due to Federal land ownership. An estimated \$8 million in mandatory receipts collected and allocated under the program would remain. Payments collected by counties can be used for non-conservation purposes and

as such, this Fund does not provide the high priority conservation benefits delivered by other FWS programs. The budget also proposes the cancellation of \$200 million in prior year balances within the Coastal Impact Assistance Program.

National Park Service – The 2013 budget includes \$2.6 billion, \$1.0 million below the 2012 enacted level. Within the total available for NPS in 2013, \$2.4 billion is for programs that support the goals of the America’s Great Outdoors initiative. The budget proposes strategic increases to advance the goals of the initiative, including increases of \$13.5 million for park operations and \$17.5 million for Land Acquisition and State Assistance. The budget proposes reductions of \$7.8 million in the National Recreation and Preservation account from the National Heritage Areas program, and \$24.2 million from Construction. The request for the Historic Preservation Fund is level with 2012 – grants to States and Tribes are continued at the 2012 level of \$55.9 million.

Select programmatic increases in the park operations account include \$5.0 million for Climate Change Adaptive Management tools, \$2.0 million for U.S. Park Police operations including \$1.4 million in support of the Presidential Inauguration, \$1.2 million for National Capital Area parks in support of the Presidential Inauguration, and \$610,000 for the Challenge Cost Share program. These increases are offset with strategic reductions of \$24.8 million to park operations and service-wide programs.

Funding for Land Acquisition and State Assistance totals \$119.4 million and includes a programmatic increase of \$2.5 million for Federal land acquisition. The Land Acquisition proposal includes \$9.0 million for matching grants to States and local entities to preserve and protect Civil War battlefield sites outside the national park system. The budget also requests a programmatic increase of \$15.1 million for the State Assistance grant program. The \$60.0 million request for State grants includes \$20.0 million for competitive grants that support urban parks and green spaces, blueways, and landscape level conservation projects in communities that need them the most.

Funding for Construction includes a programmatic reduction of \$25.3 million for line-item construction projects, however, the budget proposes funding for the most critical health and safety projects in the national park system. It also includes programmatic reductions of \$1.5 million from construction program management and planning, \$760,000 from the housing improvement program, \$443,000 from construction planning, \$450,000 from management planning, and \$228,000 from equipment replacement.

Indian Affairs – The 2013 budget includes \$2.5 billion for Indian Affairs programs, a decrease of \$4.6 million from the 2012 enacted level. This includes an increase of \$11.7 million for Operation of Indian Programs and a decrease of \$17.7 million in the Construction account. The budget includes an increase of \$3.5 million in Indian Land and Water Claim Settlements and a decrease of \$2.1 million in the Indian Guaranteed Loan program.

In 2013, the largest increase, \$8.8 million, is in Contract Support Costs and the Indian Self-Determination Fund, both high priorities for Tribes. Public Safety and Justice activities receive a program increase of \$8.5 million to support additional police officers and detention corrections staff.

The budget proposes program increases of \$7.8 million for the Trust Natural Resources programs and \$7.0 million for Trust Real Estate Services programs. Funding increases for Trust Land Man-

agement programs are proposed to assist Tribes in the management, development, and protection of Indian trust land and natural resources. The budget proposes a \$2.5 million program increase to support increasing enrollment at tribal colleges.

The 2013 request reflects a reduction of \$19.7 million as the bureau will undergo a consolidation in 2013 to streamline and improve oversight operations. The BIA will engage in extensive consultation with Tribes to identify strategies that will ensure tribal needs and priorities are addressed. Following consultation, Indian Affairs will construct an implementation plan for a streamlined, cost-effective organization. The budget also includes \$13.9 million in administrative savings from reductions to fleet, travel, contractors, and awards.

Departmental Offices and Department-wide Programs – The 2013 request for the Office of the Secretary is \$261.6 million, a reduction of \$266,000 from the 2012 enacted level. Of this, \$119.6 million is for Office of Natural Resources Revenue including a program increase of \$1.2 million to complete termination of the Royalty-in-Kind program and a program decrease of \$2.3 million for completed information management system upgrades. The budget for OS includes a program increase of \$1.6 million for minerals receipts modeling development to improve revenue estimation and reporting capabilities and a program increase of \$2.0 million for facilities rent necessitated by the delay in the Main Interior Building modernization project. Other changes include a general program reduction of \$3.7 million and the transfer of the Indian Arts and Crafts Board from OS to BIA resulting in a reduction of \$1.3 million.

The Department's 2013 request for the Working Capital Fund appropriation is \$70.6 million, an increase of \$8.7 million from the 2012 enacted level. Within this request is \$62.1 million to continue deployment of the Financial and Business Management System including implementation of the acquisition and financial assistance functionality as recommended by an independent assessment of the program. The budget proposes an increase of \$3.5 million to improve Interior's stewardship of its cultural and scientific collections and an increase of \$2.5 million to expand collaboration similar to the Service First to improve delivery and operating costs. Proposed reductions include \$5.0 million to reflect the shift of the Department's Information Technology Transformation initiative from appropriated funds to the Departmental Working Capital fund and \$2.5 million for completion of the Department's Acquisition Improvement initiative.

Major changes in other Departmental programs include an increase of \$243.0 million in the Wildland Fire Management program. The net increase is comprised of a program increase of \$195.8 million that fully funds the 10-year suppression average and a program reduction of \$39.0 million in the Hazardous Fuels Reduction program reflecting a refocusing of the program toward treatments in the wildland-urban interface.

The budget request for the Office of Insular Affairs is \$88.0 million, a decrease of \$16.4 million from the 2012 enacted level. The budget includes \$5.0 million to mitigate the impacts and costs of Compact migration and \$3.0 million to implement energy projects identified by the Territories' sustainable energy strategies. Funding of \$13.1 million for the Palau Compact is not requested for 2013 as it is expected the Compact will be authorized in 2012.

The Office of the Special Trustee request is \$146.0 million, \$6.1 million below the 2012 enacted level. The 2013 request includes a program increase of \$3.0 million for the Office of Trust Review

and Audit to conduct compliance audit reviews for Interior bureaus. The budget includes program decreases of \$9.9 million for streamlining, administrative savings, and the completion of certain trust reform activities.

Mandatory Proposals

In 2013, Interior will collect \$13.9 billion in receipts and distribute \$6.0 billion in permanent funding without further appropriation for a variety of purposes, under current law. The budget includes 13 legislative proposals that will be submitted to the Congress to collect a fair return to the American taxpayer for the sale of Federal resources, to reduce unnecessary spending, and to extend beneficial authorities of law. Together these proposals will save a net total of approximately \$2.5 billion over the next decade.

Reform Coal Abandoned Mine Land Reclamation – The Administration proposes to reform the coal Abandoned Mine Lands program to reduce unnecessary spending and ensure the Nation’s highest priority sites are reclaimed. First, the budget proposes to terminate the unrestricted payments to States and Tribes that have been certified for completing their coal reclamation work because these payments do not contribute to abandoned coal mine lands reclamation. Second, the budget proposes to reform the distribution process for the remaining funding to competitively allocate available resources to the highest priority coal abandoned mine lands sites. Through a competitive grant program, a new Abandoned Mine Lands Advisory Council will review and rank the abandoned coal mine lands sites, so OSM can distribute grants to reclaim the highest priority coal sites each year. These reforms will focus available coal fees to better address the Nation’s most dangerous abandoned coal mines while saving taxpayers \$1.1 billion over the next ten years.

Create a Hardrock Abandoned Mine Reclamation Fund – To address the legacy of abandoned hardrock mines across the U.S., the Administration will propose legislation to create a parallel Abandoned Mine Lands program for abandoned hardrock sites. Hardrock reclamation would be financed by a new abandoned mine lands fee on the production of hardrock minerals on both public and private lands. The BLM would distribute the funds through a competitive grant program to reclaim the highest priority hardrock abandoned sites on Federal, State, tribal, and private lands. This proposal will hold hardrock mining companies accountable for cleaning up the hazards left by their predecessors while generating \$500 million in savings over 10 years.

Reform Hardrock Mining on Federal Lands – The Administration will submit a legislative proposal to provide a fair return to the taxpayer from hardrock production on Federal lands. The legislative proposal would institute a leasing program under the Mineral Leasing Act of 1920 for certain hardrock minerals including gold, silver, lead, zinc, copper, uranium, and molybdenum, currently covered by the General Mining Law of 1872. After enactment, mining for these metals on Federal lands would be governed by the new leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds. Half of the receipts would be distributed to the States in which the leases are located and the remaining half would be deposited in the Treasury. Existing mining claims would be exempt from the change to a leasing system but would be subject to increases in the annual maintenance fees under the General Mining Law of 1872. Holders of existing mining claims for these minerals could, however, voluntarily convert claims to leases. The Office of Natural Resources Revenue will collect, account for, and disburse the hardrock royalty receipts. The proposal is projected to generate revenues to the U.S. Treasury of \$80.0 million over ten years.

Fee on Non-producing Oil and Gas Leases – The Administration will submit a legislative proposal to encourage energy production on lands and waters leased for development. A \$4.00 per acre fee on non-producing Federal leases on lands and waters would provide a financial incentive for oil and gas companies to either get their leases into production or relinquish them so the tracts can be leased to and developed by new parties. The proposed \$4.00 per acre fee would apply to all new leases and would be indexed annually. In October 2008, the Government Accountability Office issued a report critical of past efforts by Interior to ensure companies diligently develop their Federal leases. Although the report focused on administrative actions the Department could undertake, this proposal requires legislative action. This proposal is similar to other non-producing fee proposals considered by the Congress in the last several years. The fee is projected to generate revenues to the U.S. Treasury of \$13.0 million in 2013 and \$783.0 million over ten years.

Net Receipts Sharing for Energy Minerals – The Administration proposes to make permanent the current arrangement for sharing the cost to administer energy and minerals receipts, beginning in 2014. Under current law, States receiving significant payments from mineral revenue development on Federal lands also share in the costs of administering the Federal mineral leases from which the revenue is generated. In 2013, this net receipts sharing deduction from mineral revenue payments to States would be implemented as an offset to the Interior Appropriations Act, consistent with identical provisions included in the Act since 2008. Permanent implementation of net receipts sharing is expected to result in savings of \$44.0 million in 2014 and \$449.0 million over ten years.

Repeal Oil and Gas Fee Prohibition and Mandatory Permit Funds – The Administration proposes to repeal portions of Section 365 of the Energy Policy Act, beginning in 2014. Section 365 diverted mineral leasing receipts from the U.S. Treasury to a BLM Permit Processing Improvement Fund and also prohibited BLM from establishing cost recovery fees for processing applications for oil and gas permits to drill. Congress has implemented permit fees through appropriations language for the last several years and the 2013 budget proposes to continue this practice. Upon elimination of the fee prohibition, BLM will promulgate regulations to establish fees for applications for permits to drill administratively, with fees starting in 2014. In combination with normal discretionary appropriations, these cost recovery fees will then replace the applications for permits to drill fees currently set annually through appropriations language and the mandatory permit fund, which would also be repealed starting in 2014. Savings from terminating this mandatory funding are estimated at \$18.0 million in 2014 and \$36.0 million over two years.

Geothermal Energy Receipts – The Administration proposes to repeal Section 224(b) of the Energy Policy Act of 2005. Prior to passage of this legislation, geothermal revenues were split between the Federal government and States with 50 percent directed to States, and 50 percent to the Treasury. The Energy Policy Act of 2005 changed this distribution beginning in 2006 to direct 50 percent to States, 25 percent to counties, and for a period of five years, 25 percent to a new BLM Geothermal Steam Act Implementation Fund. The allocations to the new BLM geothermal fund were discontinued a year early through a provision in the 2010 Interior Appropriations Act. The repeal of Section 224(b) will permanently discontinue payments to counties and restore the disposition of Federal geothermal leasing revenues to the historical formula of 50 percent to the States and 50 percent to the Treasury. This results in savings of \$4.0 million in 2013 and \$50.0 million over ten years.

Deep Gas and Deepwater Incentives – The Administration proposes to repeal Section 344 of the Energy Policy Act of 2005. Section 344 mandated royalty incentives for certain “deep gas” production on the OCS. This change will help ensure Americans receive fair value for Federally owned mineral resources. Based on current oil and gas price projections, the budget does not assume savings from this change; however, the proposal could generate savings to the Treasury if future natural gas prices drop below current projections.

Repeal of Authorities to Accept Royalty Payments In Kind – The Administration proposes to solidify a recent Departmental reform terminating the Royalty-in-Kind program by repealing all Interior authorities to accept future royalties through this program. This change will help increase confidence that royalty payments will be properly accounted for in the future. The budget does not assume savings from this change because the Administration does not anticipate restarting the program; however, if enacted, this proposal would provide additional certainty that a new Royalty-in-Kind program could not be initiated at some point in the future.

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

Federal Migratory Bird Hunting and Conservation Stamps – Federal Migratory Bird Hunting and Conservation Stamps, commonly known as Duck Stamps, were originally created in 1934 as the annual Federal license required for hunting migratory waterfowl. Today, 98 percent of the receipts generated from the sale of these \$15.00 stamps are used to acquire important migratory bird areas for migration, breeding, and wintering. The price of the Duck Stamp has not increased since 1991, while the cost of land and water has increased significantly. The Administration proposes to increase these fees to \$25.00 per stamp per year, beginning in 2013. Increasing the cost of Duck Stamps will bring the estimate for the Migratory Bird Conservation account to approximately \$58.0 million. With these increased receipts, the Department anticipates additional acquisition of approximately 7,000 acres in fee and approximately 10,000 acres in conservation easement in 2013. Total acres acquired for 2013 would then be approximately 28,000 acres in fee title and 47,000 acres in perpetual conservation easements.

Compact of Free Association – On September 3, 2010, the U.S. and the Republic of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement that includes a package of assistance through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. The conclusion of the agreement reaffirms the close partnership between the U.S. and the Republic of Palau. Permanent and indefinite funding for the Compact expired at the end of 2009. The 2013 budget seeks to authorize permanent funding for the Compact as it strengthens the foundations for economic development by developing public infrastructure and improving health care and education. Compact funding will also support one or more infrastructure projects designed to support Palau’s economic development efforts. The Republic of Palau has a strong track record of supporting the U.S. and its location is strategically linked to Guam and U.S. operations in Kwajalein Atoll. The cost for this proposal for 2013-2022 is \$184.0 million.

Extension of Payments in Lieu of Taxes –PILT payments are currently authorized only through 2012. The budget proposes a one-year extension of mandatory PILT payments at the current authorization levels in 2013. These payments support local government services in counties that have significant Federal lands within their boundaries. The Administration looks forward to working with Congress to develop a longer-term strategy for providing sustainable levels of funding for PILT payments, in light of overall constrained budgets and the need for appropriate offsets for new mandatory spending. This extension utilizes the current PILT payment formula that is prescribed by law and based on population, certain receipt sharing payments, and the amount of Federal land within an affected county. The cost for this proposal in 2013 is estimated at \$398.0 million.

Offsetting Collections and Fees

The budget includes several proposals to increase cost recovery fees, so that industries share some of the cost of regulation.

Fee Increase for Offshore Oil and Gas Inspections – Through appropriations language, the Administration proposes to continue the current offshore inspection fee levels authorized by Congress in 2012. These fees are estimated to generate \$65.0 million in 2013, up from \$62.0 million in 2012, from operators with offshore oil and gas drilling facilities that are subject to inspection by BSEE. The increased fees will fund an expanded inspection program, and as enacted for 2012, operators will now be charged for the inspection of drilling rigs in addition to production platforms. These inspections are intended to increase production accountability, human safety, and environmental protection.

New Fee for Onshore Oil and Gas Inspections – Through appropriations language, the Administration proposes to implement an inspection fee in 2013 for onshore oil and gas drilling activities that are subject to inspection by BLM. The proposed inspection fee is expected to generate an estimated \$48.0 million in 2013, \$10.0 million more than the corresponding \$38.0 million reduction in requested BLM appropriations, thereby expanding the capacity of BLM's oil and gas inspection program. The fee would support Federal efforts to increase production accountability, human safety, and environmental protection.

Onshore Oil and Gas Drilling Permit Fee – The 2013 budget proposes to continue a fee for processing drilling permits through appropriations language, an approach taken by Congress in the Interior Appropriations Acts. A fee of \$6,500 per drilling permit was authorized in 2010, and if continued, would generate an estimated \$32.5 million in offsetting collections in 2013.

Grazing Administrative Fee – The 2013 budget includes a new grazing administrative fee of \$1.00 per animal unit month. The BLM proposes to implement the fee through appropriations language on a three-year pilot basis. The budget estimates the fee will generate \$6.5 million in funds that will assist the BLM in processing grazing permits. During the period of the pilot, BLM would work through the process of promulgating regulations for the continuation of the grazing fee as a cost recovery fee after the pilot expires.

Surface Mining and Reclamation Permit Fee – The 2013 budget continues an offsetting collection initiated in 2012, allowing OSM to retain coal mine permit application and renewal fees for the work

performed as a service to the coal industry. The fee will help ensure the efficient processing, review, and enforcement of the permits issued, while recovering some of the regulatory operations costs from the industry that benefits from this service. The fee, authorized by section 507 of SMCRA, would apply to mining permits on lands where regulatory jurisdiction has not been delegated to the States. The permit fee will generate an estimated \$3.4 million in offsetting collections in 2013.

Conclusion

Thank you for the opportunity to testify on the President's 2013 budget request for the Department of the Interior. We have a tremendous opportunity to invest in America's energy independence and economic growth. This budget balances forward looking investments with fiscal restraint. For America to be at its best, we need lands that are healthy, waters that are clean, and an expanded range of energy options to power our economy. I thank you again for your continued support of the Department's mission. I look forward to working with you to implement this budget. This concludes my written statement. I am happy to answer any questions that you may have.