

**STATEMENT OF DIRK KEMPTHORNE, SECRETARY OF THE INTERIOR
BEFORE THE HOUSE APPROPRIATIONS SUBCOMMITTEE
ON INTERIOR, ENVIRONMENT, AND RELATED AGENCIES
ON THE 2008 PRESIDENT'S BUDGET REQUEST**

March 6, 2007

It is a pleasure to appear before you today to discuss the President's FY 2008 budget for the Department of the Interior. This is my first appearance before this Subcommittee. I hope to work with all of you as we chart the future course for what I consider to be one of the most interesting and important cabinet agencies: the Department of the Interior.

Since becoming Secretary, I have traveled extensively in order to see Interior at work and to talk with Interior employees. I have addressed thousands of Interior employees. I have been impressed by the dedication and experience of the talented and dedicated Interior workforce. Every day, a Bureau of Indian Education teacher, a park ranger, a biologist, geologist, naturalist, or land manager is making a difference to help Interior fulfill its responsibilities.

Developing a budget for the Department of the Interior is an extraordinary exercise. We have an extensive mandate that rivals just about any governmental agency in its breadth and diversity – and its importance to the everyday lives of our citizens. Our 73,000 employees live and work in communities across America and its territories. We have 2,400 field offices. We manage 145,000 assets – second only to the Department of Defense. Our work stretches from pole to pole, from wildlife refuges in the Arctic to scientific research at the South Pole.

Managing one in every five acres in the United States, we oversee land and resources that stretch across 12 time zones from the Caribbean to the Pacific Rim. The sun literally never sets on the Department of the Interior. We have the third largest contingent of Federal law enforcement officers, with 3,400 officers and agents. Interior-managed lands and water generate one-third of the Nation's domestic energy supply. The Department serves American Indians, including 561 federally recognized Tribes, Alaska Natives, and our Nation's affiliated island communities. We undertake research and provide information to understand the Earth and to assist us in the management of the Nation's water, biological and mineral resources, and monitor all manner of natural hazards including volcanoes, earthquakes, and landslides. We also work with States to restore abandoned mine land sites and protect communities.

Our overall 2008 request for the Department of the Interior is \$10.7 billion. Included within that is \$9.7 billion for programs that this Subcommittee oversees. Taking into account the shift of funding for the Abandoned Mine Land program from discretionary to mandatory, the budget is \$35.4 million below the 2007 Joint Resolution, enacted on February 15, 2007.

The 2008 budget was carefully crafted within the President's commitment to continue to fund the nation's highest priorities while eliminating the deficit in five years. The administration is on track to achieve this goal.

At the heart of our budget are four major initiatives:

- The National Parks Centennial Initiative to enhance National Parks as we approach their 100th anniversary in 2016;
- The Healthy Lands Initiative, which will allow access to public lands for a number of uses and provide for energy for the nation while also protecting critical lands and habitat;
- The Safe Indian Communities Initiative to combat the methamphetamine crisis on Indian lands; and
- The Improving Indian Education Initiative that will enable Indian children to grow up in an environment that allows them to achieve their dreams.

The National Parks Centennial Initiative

The President's 2008 parks budget totals a historic \$2.4 billion. The park operating budget, at \$2.1 billion, the largest budget for park operations ever, an increase of \$219 million over the level funded in the Joint Resolution. This is \$258.3 million over the 2006 level.

Last August, in honor of the 90th Anniversary of the National Park Service, and with an eye on the upcoming centennial in 2016, President Bush directed me to establish specific performance goals to help prepare the national parks for another century of conservation, preservation and enjoyment. In addition, the President asked that I identify signature projects and programs consistent with these goals and that continue the NPS legacy of leveraging philanthropic, partnership, and government investments for the benefit of the national parks and their visitors.

The President's budget for FY 2008 sets the stage for the next 100 years of our national parks. It includes the National Parks Centennial Initiative, one of my highest priorities. This Initiative proposes up to \$3 billion in new funds for the national park system over the next ten years.

Within our operating budget increase, we propose a \$100 million Centennial Commitment over 10 years, for a total of \$1 billion dedicated to park operations. Our Centennial Initiative will also inspire philanthropic organizations and partners to donate \$100 million per year over 10 years to the National Park Service. The Centennial Challenge Federal Fund will match all private donations up to an amount of \$100 million. These Federal mandatory matching funds and philanthropic contributions, together with

the \$100 million annual Centennial Commitment in discretionary funds for park operations, would infuse up to \$3 billion into the park system over the next decade.

During the last five years, the NPS has built a strong foundation of improving parks, with more than 6,600 park improvements completed or underway. The Centennial Initiative funds are in addition to the nearly \$1 billion in the President's budget for National Park maintenance and construction programs. The proposed FY 2008 budget will further improve our national parks during the next decade leading up to the 2016 centennial celebration.

The 2008 budget and the National Parks Centennial Initiative emphasize three key goals:

- To engage all Americans in preserving our heritage, history and natural resources through philanthropy and partnerships, with a special emphasis on linking children to nature. An increase of \$100 million is proposed for these programs, plus another \$100 million in mandatory funds to match donations.
- To reconnect people with their parks through enhanced technology and the seamless network of the trails system.
- To build capacity for critical park operations to sustain these efforts over the next century.

Our Centennial Challenge offers an outstanding opportunity to engage this Nation's youth with the outdoors. Our initiative will link children with nature through an expanded Junior Ranger program, increased visitor services, an improved trail system, and relevant interpretive programs for our young people. The Parks Centennial will help ensure that our parks offer improved physical activity, play and recreation, and opportunities for learning and social interaction.

Each year, the NPS welcomes more than 270 million visitors as they discover America the beautiful, the historical, the cultural. Our national parks preserve majestic natural wonders. They keep watch over battlefields hallowed by red badges of courage. They keep culture alive at sites dedicated to the performing arts, poetry, and music. Parks offer recreation and discovery through spectacular backcountry hiking and climbing. They honor great leaders like Thomas Jefferson, Abraham Lincoln, Frederick Douglass, Chief Joseph, John Muir, Eleanor Roosevelt and Martin Luther King, Jr. As havens of enjoyment, recreation, learning and personal renewal, national parks must endure. Our budget sets the stage for a new century of park excellence.

Healthy Lands Initiative

Another priority for me is my Healthy Lands Initiative, which will ensure continued access to public lands for traditional uses and recreation, while maintaining strong environmental protections for wildlife and habitat. This Initiative builds on the Department's strong track record in cooperative conservation to undertake landscape-scale conservation efforts and focus on the needs of species that cross jurisdictional boundaries.

As activities on public land increase, we are seeing growing conflicts among recreation users, energy developers, hunters, ranchers, and others all competing to protect, access, and use these public lands. BLM will join with the U.S. Geological Survey and the Fish and Wildlife Service to identify, restore, and mitigate the potential impacts of increased energy production in wildlife-energy interface areas and potentially prevent the listing of certain species such as sage grouse.

The potential listing of sage grouse as an endangered species could severely constrain public land use, particularly for current and future energy production. The habitat of the sage grouse covers over 100 million acres. Our Healthy Lands Initiative of \$22.0 million will implement a strategic vision to protect and restore sage grouse habitat, maintain migratory corridors for other species, and assure continued access to energy. These investments will support new land use planning techniques and new policy tools that will complement current activities and enable us to work with non-Federal partners to restore and conserve habitat and maintain access for energy and other uses.

Focused on six strategic areas, these funds will transform land management from the current parcel by parcel approach to landscape-scale decision making, drawing upon partnerships and new policy tools to help BLM provide increased access for energy and other uses, while simultaneously preserving important habitat corridors and sites for the benefit of species. In 2008, including this increase, over 400,000 acres will be restored in partnership with Federal leaseholders, private landowners, state, local, and tribal governments – to benefit wildlife. The Healthy Lands Initiative includes \$15.0 million for BLM to conduct landscape-scale conservation, \$2.0 million for FWS, and \$5.0 million for USGS.

The Methamphetamine Crisis in Indian Country

I would like to highlight two other 2008 priorities, our Safe Indian Countries and Indian Education Initiatives. While I recognize that the Senate Indian Affairs Committee has jurisdiction over these matters, I also know many of you represent States and Tribes that are struggling with the impacts associated with methamphetamine.

Methamphetamine is a highly addictive synthetic stimulant that creates intense euphoric highs for periods up to 24 hours. It is inexpensive and, unfortunately, has rapidly become the drug of choice for an increasing number of Americans. Organized drug cartels have targeted reservations to establish methamphetamine operations.

The President of the National Congress of American Indians has stated, “Meth is killing our children, affecting our cultures and ravaging our communities.” Many tribal leaders have told us methamphetamine is destroying lives in Indian country. Some leaders believe that on their reservations a whole generation of young people may soon be lost to this one drug.

The social effects of methamphetamine use are tragic. Addicted mothers are giving birth to drug-addicted babies. The drug is fueling homicides, aggravated assaults, rape, child

abuse, and other violent crimes. Violent crime in Indian Country is reaching crisis levels at twice the national average.

Our budget includes \$16 million for a Safe Indian Communities initiative that reconfigures and tailors our focus to combat organized crime, break up drug trafficking, and interrupt the drug supply.

Improving Indian Education

Improving Indian education is also a priority. One of only two school systems operated by the Federal government, the Bureau of Indian Education should oversee schools that are models of performance for the No Child Left Behind Act. Yet only 30 percent of the schools in the Bureau of Indian Education system are meeting NCLB goals.

In recent years, we have improved school facilities by replacing 32 schools and renovating another 39 schools. It is now time to focus on the classroom. Our 2008 budget proposes to invest \$15.0 million to improve the performance of students in Indian schools. Additional funding will provide educational program enhancements and tools for lower performing schools and educational specialists to guide Indian schools in achieving academic success. The request also provides additional funding for transportation to reduce the redirection of education dollars to pay for buses and fuel.

Supporting the Department's Mission

The 2008 budget aligns resources to achieve these and other high-priority goals guided by the Department's integrated strategic plan. Recently revised for 2007 – 2012, the Department's strategic plan links the Department's diverse activities into four common mission areas: Resource Protection, Resource Use, Recreation, and Serving Communities. A fifth area, Management Excellence, provides the framework for improved business practices, processes, and tools and a highly skilled and trained workforce.

Using our strategic plan as the blueprint for improved performance and accountability, since 2001, the Department has:

- Increased access to meet the Nation's energy needs and enhanced energy security by more than doubling the approval of applications for permits to drill; provided greater opportunities for development of alternative energy, including wind energy; advanced oil shale and methane hydrates for potential future domestic use; and significantly expanded environmental protections with inspection and monitoring programs.
- Collected \$56.4 billion in revenues from offshore and onshore mineral leases that provided income for Indian communities, funded State infrastructure, and helped to finance Federal programs.

- Expanded relationships with partners to restore, improve, and protect three million acres of wetlands and other habitat for migratory birds, anadromous fish, and threatened and endangered species.
- Reduced risks to communities from the threat of fire, conducting over 6.7 million acres of fuels treatments through the President's Healthy Forests Initiative.
- Improved park facilities for visitors by undertaking more than 6,600 projects at national parks and earned a 95 percent satisfaction rate from park visitors.
- Completed condition assessments and performance measures for all park facilities and nearly all Interior facilities.
- Improved the educational environment for Indian children by funding 32 new Bureau of Indian Education replacement schools and 39 major school repair projects.

Looking to the future, the Department of the Interior is committed to achieving the goals of our four initiatives and other priorities. Our budget will:

- Prepare the national park system for another century of conservation, preservation and enjoyment through the President's National Park Centennial Initiative.
- Encourage increased donations for signature projects and programs in our national parks with up to \$100.0 million a year in matching funds through the National Parks Centennial Challenge.
- Increase energy security for the Nation through a new Outer Continental Shelf five-year plan (2007-2012).
- Launch a Healthy Lands Initiative to help meet the Nation's needs for access to public lands for energy and other uses while protecting wildlife and habitat in the West.
- Leverage Federal funds through partnerships and cooperative conservation to restore 800,000 acres and 734 stream/shoreline miles. These efforts will support the President's government-wide goal of increasing the Nation's wetlands by three million acres by 2009.
- Improve educational programs and meet the requirements of the No Child Left Behind Act by completing educational reforms in the Bureau of Indian Education.
- Help Indian Country reduce methamphetamine crime and the afflictions it has brought to many Tribes through a new Safe Indian Communities Initiative.
- Manage a network of parks, sanctuaries, reserves, and refuges to protect ocean and coastal resources as envisioned in the President's Ocean Action Plan.

Budget Overview

The 2008 budget request for current appropriations is \$10.7 billion. Permanent funding that becomes available as a result of existing legislation without further action by the Congress will provide an additional \$5.1 billion, for a total 2008 Interior Budget of \$15.8 billion.

The 2008 request includes \$9.7 billion for programs funded within the Interior, Environment and Related Agencies Appropriations Act.

The 2008 budget reflects the changes made in financing for the Abandoned Mine Land Reclamation Fund in the Office of Surface Mining that were required by the Surface Mining Control and Reclamation Act Amendments of 2006. Funding for State and tribal AML grants are no longer subject to appropriation and are funded as a mandatory appropriation. Federal AML components continue to be subject to appropriation.

The change results in a reduction of \$134.2 million in discretionary budget authority in 2008. After taking into account the AML shift of funding from discretionary to mandatory funding, the 2008 budget request reflects a decrease of \$35.4 million, or four-tenths of one percent below the 2007 Joint Resolution and \$68.7 million below the 2006 enacted level.

With enactment of the Joint Resolution, we now have a full year appropriation for 2007 of \$9.7 billion. Based on direction in the Joint Resolution, we are preparing detailed operating plans for each bureau for 2007. We are not at liberty to disclose the details of our operating plans until they are approved and submitted to Congress on March 17. At that time we will be able to provide comparisons at the program level with the 2008 budget request. The comparisons in our 2008 budget are with the third 2007 continuing resolution, which was in effect through February 15. Except where noted, comparisons throughout this testimony are on that basis.

In 2008, Interior will continue an exemplary record of producing revenue for the Treasury. Estimated receipts collected by the Department in 2008 will be \$15.6 billion, a record level of collections that offsets Interior's discretionary budget by nearly 1.5 to one.

The 2008 budget assumes enactment of a number of proposals for which legislation will be transmitted to the Congress. The Centennial Challenge would provide up to \$100 million a year for ten years in mandatory funds to match private donations for signature projects and programs. These projects and programs will be identified in the Secretary's report to the President this May, after a number of public listening sessions and recommendations from park professionals. The costs for this proposal, contained in a legislative proposal transmitted to Congress, are offset within the President's 2008 budget.

The budget also assumes enactment of proposals to change the manner in which bonus bids for coal sales are received consistent with oil and gas programs, institute a net

receipt sharing provision to return to a more equitable Federal-State distribution of onshore mineral revenues, and repeal deep gas and deep water OCS incentives that were included in the Energy Policy Act of 2005.

The 2008 budget also contains proposals that were assumed in the 2007 President's budget. Included are proposals to discontinue mandatory appropriations from the Range Improvement Fund and amend the Federal Land Transaction Facilitation Act to update the public lands available for disposal, authorize the use of receipts for restoration projects, and change the distribution of revenue. As in 2007, the 2008 budget proposes repeal of authorizations provided in the Energy Policy Act of 2005. Repeal of Section 365 would redirect rental receipts to the General Fund and authorize BLM to promulgate regulations to phase in cost recovery for energy permits, repeal of Sections 224 and 234 would restore the historical formula for distribution of geothermal energy receipts.

The budget also proposes leasing in the 1002 area of the Alaska National Wildlife Refuge, which significantly increases anticipated revenues in 2009 and later years. These proposals, in conjunction with the revenue enhancements described above, will increase revenues by \$136.3 million in 2008 and a total of 5.0 billion through 2012.

Maintaining Core Programs

Department of the Interior programs encompass 390 parks and 547 wildlife refuges; 261 million acres of multiple use public land; 12 regional offices, 83 Indian agencies locations, and 184 elementary and secondary schools in Indian Country; and numerous laboratories, field research facilities, and other offices.

At each of these sites, the Department's 73,000 employees maintain facilities and resources and provide services to those who use or rely on them: park visitors, wildlife watchers and hunters, stockmen and miners, Tribes and individual Indians, farmers and electric power users. In my travels, Interior's managers have told me that funding for fixed costs is their highest priority need.

Pay and benefits for the Department's workforce are a significant cost component of Interior's core programs, comprising 58 percent of operating budgets. The proportion of Interior's budget committed to personnel costs places it among the top three Federal agencies. Only the Departments of Justice and Commerce have a higher proportion of salary and benefit costs to total budget. Maintaining this dedicated cadre of professionals is essential for the uninterrupted delivery of programs and services.

The Department's 2008 budget request includes \$214.2 million to fully fund increases for pay and other fixed costs. Of this amount, nearly 85 percent, or \$184.4 million, supports increases in employee compensation, including scheduled 2008 pay raises; two additional paid days; and projected increases in health benefits. The budget assumes a three percent pay raise in January 2008. The request also funds increases in workers' and unemployment compensation; rental payments for leased space; and centralized

administrative and business systems, services and programs financed through the Working Capital Fund.

Other Budget Priorities

In addition to the four key initiatives I have already highlighted, the budget includes the funding for key goals and objectives.

Achieving Energy Security – In his State of the Union address, President Bush underscored that America must enhance energy security. The Department of the Interior plays a key role in advancing this goal. Nearly one-third of the energy produced in the United States each year comes from public lands and waters managed by Interior. To carry out the goals of the Energy Policy Act and enhance the availability of affordable oil, gas, and alternative energy sources, the 2008 budget for Interior programs includes \$481.3 million for energy programs. With these resources, the Department will enhance energy security through increased production, protect the environment, promote conservation, and expand the use of new technologies and renewable energy sources.

The BLM 2008 budget request for energy is \$142.9 million. Included in the BLM request is an increase of \$3.1 million for inspection and monitoring to ensure environmentally responsible energy development on public lands and proper reporting of production. The additional funds will provide BLM with the capacity to conduct an additional 1,572 inspections by 2009, with 522 additional inspections occurring in 2008. Also included is an increase of \$2.0 million for the Mining Law Administration program. This increase is expected to be fully offset by anticipated mining claim maintenance fees.

In 2008, BLM will implement fees for processing drilling permit applications to fully replace rental revenue currently available for processing oil and gas use authorizations, thereby maintaining BLM's capacity for timely permit processing. A legislative proposal will be transmitted to the Congress that proposes to repeal Section 365 of the Energy Policy Act. Section 365 redirected rental revenue deposits to the Treasury to fund BLM pilot offices. Estimated collections of permit processing fees in 2008 is \$21.0 million.

The MMS 2008 budget request for energy is \$290.8 million, \$16.7 million above 2007. The budget includes increases to facilitate OCS development and deepwater activities by implementing the 2007-2012 Five-Year OCS Oil and Gas Leasing program and completing environmental analyses necessary for newly available areas where data are old and for future OCS lease sales.

The Gulf of Mexico Energy Security Act of 2006, signed into law on December 20, 2006, significantly enhances OCS oil and gas leasing activities and production potential in the Gulf of Mexico. The Act opens up 8.3 million acres in the GOM for leasing, including 5.8 million acres previously withdrawn under Congressional and Presidential moratoria. The Act also shares revenues with Gulf-producing States and with the Land and Water Conservation Fund, with the first distribution estimated to take place in 2009.

The budget assumes an increase in the royalty rate for new offshore Federal oil and gas leases. The Department will begin implementing the royalty rate increase in the upcoming 2007 lease sale in the Western GOM planning area (Sale 204) scheduled for August 2007. The new rate is expected to increase royalty revenues by \$4.5 billion over the next 20 years, and substantially more after that.

The President's National Energy Policy aims to improve America's energy security by increasing domestic production of fossil fuels, promoting increased energy conservation, and stimulating the development of alternative fuels. The coastal plain in the Arctic National Wildlife Refuge is the Nation's single greatest onshore prospect for future oil. The 2008 budget assumes enactment of legislation opening the Section 1002 area of the coastal plain in ANWR to energy exploration and development, with a first lease sale occurring in 2009 that would generate \$7.0 billion in bonus receipts. The budget estimates a total of \$8 billion in revenue would be generated through 2012. These receipts would be split 50:50 between the U.S. Treasury and the State of Alaska.

Cooperative Conservation - Through partnerships, Interior works with landowners and others to achieve conservation goals across the Nation and to benefit America's national parks, wildlife refuges, and other public lands. The 2008 budget includes \$324.0 million for the Department's cooperative conservation programs, \$34.6 million over 2007. These programs leverage Federal funding, typically providing a non-Federal match of 50 percent or more. They provide a foundation for cooperative efforts to protect endangered and at-risk species; engage local communities, organizations, and citizens in conservation; foster innovation; and achieve conservation goals while maintaining working landscapes.

The 2008 cooperative conservation budget includes \$21.0 million of the Department's Healthy Lands Initiative. Also new to the suite of cooperative conservation programs highlighted in 2008 are the multi-agency Open Rivers Initiative and the National Fish Habitat Action Plan. These fisheries conservation programs will leverage \$16.2 million in Federal resources with State, Tribal, local, nonprofit and private groups to protect, enhance, and restore aquatic habitats. A program increase of \$6.0 million for the Open Rivers Initiative will allow FWS to enhance its fish passage program by eliminating an additional 190 obsolete stream barriers such as small dams and open an additional 1,300 stream miles. The 2008 budget includes an additional \$2.3 million to implement the National Fish Habitat Action Plan, which will leverage resources provided by State, tribal, local, private, nonprofit, and private groups to protect, enhance, and restore aquatic habitats.

The 2008 budget continues funding for high-priority cooperative conservation activities, including \$13.3 million for the FWS Coastal Program, \$69.5 million for State and Tribal Wildlife Grants, \$4.0 million for Neotropical Migratory Birds, and \$80.0 million for the Cooperative Endangered Species Conservation Fund. The 2008 budget request for the North American Wetlands Conservation Fund is \$42.6 million, an increase of \$6.0 million above 2007. Funding for the Partners for Fish and Wildlife program is \$48.4 million, a net increase of \$5.7 million over 2007. These programs provide an effective,

cooperative approach to conservation and leverage Federal funds. In 2008, these programs will attract over \$274 million in non-Federal matches and restore over 800,000 acres of habitat for species at-risk and migratory birds.

In 2008, Interior does not request funding for the Landowner Incentive and Private Stewardship Grant programs, in order to concentrate conservation funding in a smaller number of high-performing programs. This results in a \$22.0 million reduction from the 2007 level. The conservation of at-risk species would benefit from shifting resources from these two programs to other programs that can demonstrate increased results, such as the Partners for Fish and Wildlife and North American Wetlands Conservation Act programs. The Landowner Incentive and Private Stewardship grant programs will continue to allocate and administer grants from funds appropriated in prior years.

Refuge Operations and Species Protection – Targeted increases for the National Wildlife Refuge System and other FWS species conservation programs will focus new resources on conserving and restoring the habitat necessary to sustain endangered, threatened, and at-risk species and prevent additional species from being listed under the Endangered Species Act. A program increase of \$4.7 million for refuge wildlife and habitat management will allow the refuge system to increase the number of recovery plan actions completed in 2008 by 111; protect or restore an additional 57,983 acres; and fill three new positions to manage the new Northwestern Hawaii Marine National Monument. The 2008 budget also includes \$2.2 million in programmatic increases for the recovery of the gray wolf and the Yellowstone grizzly bear.

Healthy Forests Initiative – The 2008 budget for the Healthy Forests Initiative, a total of \$307.3 million, supports the Department’s efforts to reduce the threat of catastrophic wildfire and improve forest and rangeland health. The 2008 budget request funds the Hazardous Fuels Reduction program at \$202.8 million, an increase of \$3.0 million for fixed costs over the 2007 level. An additional \$1.8 million in the hazardous fuels program will be shifted from program support activities to on-the-ground fuel reduction to help treat high-priority acres.

Wildland Fire Management – The 2008 budget proposes \$801.8 million to support fire preparedness, suppression, fuels reduction, and burned area rehabilitation. This amount represents a net increase of \$32.6 million above 2007, including an increase of \$37.4 million for suppression operations. This budget will fully fund the expected costs of fire suppression in 2008 at \$294.4 million, based on the ten-year average. The 2008 Preparedness program is funded at \$268.3 million, a net reduction of \$6.5 million from the 2007 level. A significant portion of this reduction will be achieved by eliminating management and support positions and lower-priority activities. The 2008 Wildland Fire Management program will realign its preparedness base resources to better support initial attack capability, which will include the addition of over 250 firefighters. These actions will help maintain initial attack success.

Oceans Conservation –Interior bureaus conduct ocean and coastal conservation activities that significantly advance understanding of the processes and status of ocean

and coastal resources. The 2008 President's budget includes \$929.5 million to support the President's Ocean Action Plan. This funding will allow Interior bureaus to continue their high-priority work within the U.S. Ocean Action Plan and includes an increase of \$3.0 million for USGS. In 2008, USGS will begin to implement the Oceans Research Priorities Plan and Implementation Strategy by conducting observations, research, seafloor mapping, and forecast models. USGS will also begin to implement an interagency national water quality monitoring network. Also included is \$600,000 for three new positions to support management of the new Northwestern Hawaiian Islands Marine National Monument.

Indian Trust – The 2008 request for Indian Trust programs is \$489.9 million, \$17.6 million above 2007. The Indian Land Consolidation program is funded at \$10.0 million, \$20.7 million below 2007. The 2008 budget also includes \$4.6 million in reductions to reflect efficiencies and improvements in services to beneficiaries, the completion of trust reform tasks, the completion of project task efforts, and management efficiencies. The budget includes a \$3.6 million increase for the Office of Historical Accounting to assist with the increased workload associated with additional tribal trust lawsuits.

The Office of the Special Trustee for American Indians is responsible for financial management of the funds held in trust for tribal and individual Indian beneficiaries. Currently, the sum of all positive Individual Indian Monies account balances is approximately \$6.0 million less than the sum of all financial assets currently invested by OST on behalf of the IIM beneficiaries. To address this imbalance the Department will transmit legislation to balance the accounts that would authorize up to \$6.0 million be made available to credit the investment pool.

Payments in Lieu of Taxes – PILT payments are made to local governments in lieu of tax payments on Federal lands within their boundaries and to supplement other Federal land receipts shared with local governments. The 2008 budget proposes \$190.0 million for these payments. The 2008 request is a reduction of \$8 million from the 2007 level. This level of funding is significantly above the historical funding level for PILT. From the program's inception in 1977 through 2001, the program was funded in the range of \$96 - \$134 million.

Conclusion

I believe that our 2008 budget will – in its entirety – make a dramatic difference for the American people. We will better conserve our public lands. We will improve our national parks. We will protect our wildlife and its habitat. We will help craft a better future for Indian country and particularly for Indian children. And we will produce the energy that America needs to heat our homes and run our businesses. This concludes my overview of the 2008 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.