S. HRG. 114–35

THE FISCAL YEAR 2016 BUDGET REQUEST FOR THE DEPARTMENT OF THE INTERIOR

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

ONE HUNDRED FOURTEENTH CONGRESS

FIRST SESSION

ON

THE FISCAL YEAR 2016 BUDGET REQUEST FOR THE DEPARTMENT OF THE INTERIOR

FEBRUARY 24, 2015

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THE FISCAL YEAR 2016 BUDGET REQUEST FOR THE DEPARTMENT OF THE INTERIOR

TUESDAY, FEBRUARY 24, 2015

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:05 a.m. in room SD–366, Dirksen Senate Office Building, Hon. Lisa Murkowski, Chairman of the committee, presiding.

OPENING STATEMENT OF HON. LISA MURKOWSKI, U.S. SENATOR FROM ALASKA

The CHAIRMAN. I call the hearing to order.

We are here this morning with Secretary Jewell and Mr. Connor. Thank you both for being here to review the President's budget request for the Department of the Interior for Fiscal Year 2016.

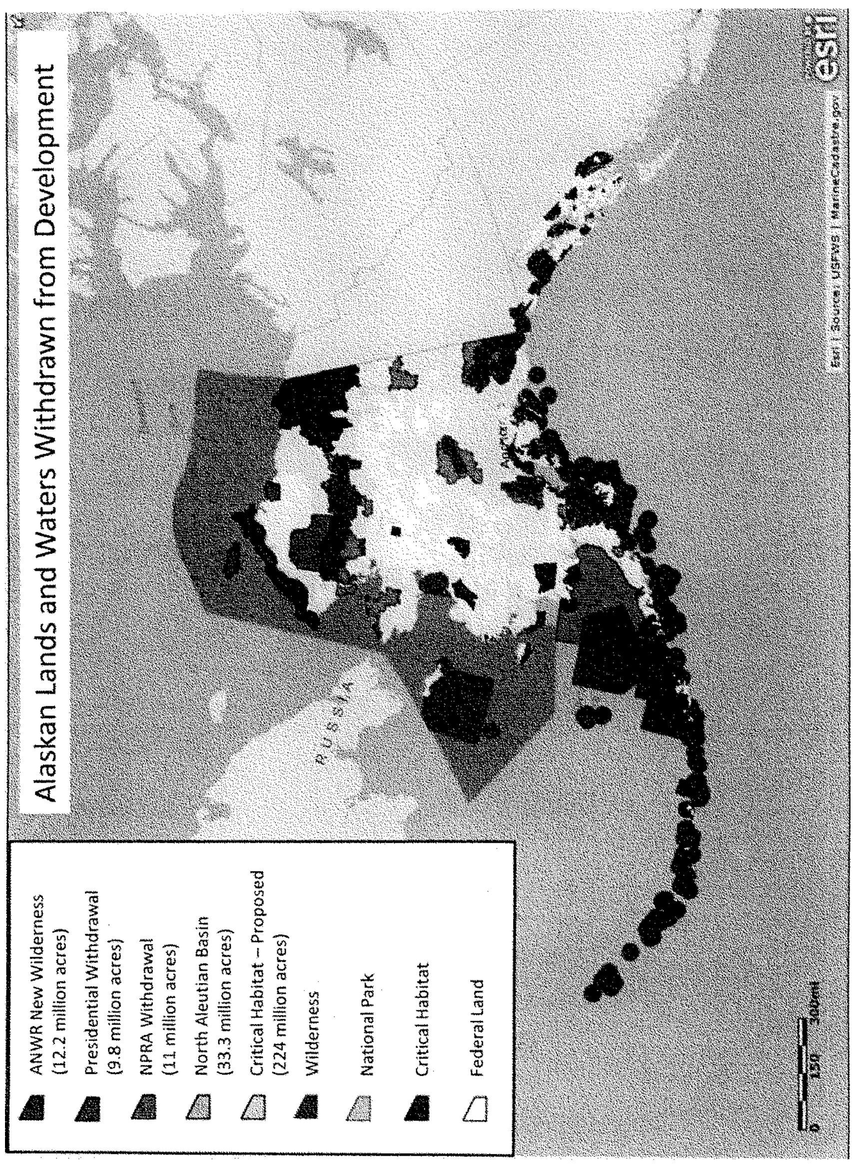
I am going to spend a little bit of my time in opening comments to talk about the many ways in which this Administration's actions are having a negative impact on my state.

Secretary Jewell, you and I have had many opportunities to visit, one on one, as well as during your trip to Alaska which I appreciate you making last week. I don't want to make this personal, but the decisions from Interior have lacked balance and, instead of recognizing the many opportunities that Alaska has with regard to resource production, you have enabled an unprecedented attack on our ability to responsibly bring these resources to market.

The President has withdrawn over 22 million more acres of Alaska from energy production just in recent weeks. That has occurred on top of many other restrictions and regulations being imposed on us. It has occurred despite the tremendous energy opportunity and potential in those areas, despite our "no more" clause, despite the pressing need to refill our pipeline and despite strong opposition from most Alaskans.

The map that I have behind us is one that my colleagues are going to become familiar with because I am going to be pointing it out quite frequently.

[The information referred to follows:]


Alaskan Lands and Waters Withdrawn from Development
ANWR New Wilderness (12.2 million acres)
Presidential Withdrawal (9.8 million acres)
NPRA Withdrawal (11 million acres)
North Aleutian Basin (33.3 million acres)
Critical Habitat – Proposed (224 million acres)
Wilderness
National Park
Critical Habitat
Federal Land
RUSSIA
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The CHAIRMAN. The colors on the map represent those areas that are withdrawn from any development opportunity, whatsoever. Some are, in fact, proposed critical habitat areas and so they are not fully withdrawn at this point in time.

We have the ANWR New Wilderness proposal, the Presidential withdrawal offshore, the NPRA withdrawal onshore, the North Aleutian Basin offshore, then the critical habitat, the wilderness that is already in place, the National Parks areas as well as the federal lands.

I would like to remind my colleagues, this is one fifth the size of the United States of America. So when you take off all of these areas for any development at all, how do your states operate? What do you do?

I have expressed my frustration, privately and in public. I will continue to express my frustration and try to achieve some positive results for the people of Alaska, which is really for the good of the country because as an energy producing state, this is what we do. We share these resources with the rest of the country.

I want to be very clear today that it is not just me banging the table. I do not think that I am overreacting. I think I am speaking clearly and articulating concerns expressed by most Alaskans.

We had an opportunity last week to be in a northwestern community of Kotzebue and the Secretary joined us, the entire Alaska delegation, all three of us, the governor, the lieutenant governor, the leadership of the House and of the Senate, and numerous native leaders. It was very clear that there is no daylight amongst the elected leaders in terms of how they are viewing these decisions coming out of the Administration.

Again I just want to make it very clear that I oppose this Administration's decision on ANWR. I oppose its decision offshore. I oppose its costly restrictions and endless delays within the NPRA. I oppose what it is doing to our placer miners, to our timber industry and to many other resource producers who are ready to provide good jobs to hard working Alaskans.

The state of Alaska was actively ignored, the North Slope borough, the community of Kaktovik, Alaska native corporations and many Alaskans, all of whom asked for an oil and gas alternative in Interior's ANWR plan by claiming that it requires an act of Congress, even though an act of wilderness requires the very same.

The actions from this Administration seem destined to shut down our Trans-Alaska pipeline, weakening our economy, forcing our state to make steep budget cuts, and violating the promises that were made to us at statehood and since then.

Now, Madam Secretary, I had hoped that Interior's budget would not make this situation any worse, but it fails to clear even that low bar. It violates the Budget Control Act ignoring the statutory caps and proposing new spending as if we had already lifted sequestration. I think that it amounts to wishful thinking and not responsible governance.

It would impose billions of dollars worth of new fees and higher taxes on oil, gas, coal and mineral production regardless of the consequences. It would eliminate offshore revenue sharing which many of us believe should be expanded. The Department did not identify realistic offsets for its spending requests such as the National Park Centennial, and it has proposed no serious reforms for the Land and Water Conservation Fund.

I, personally, was stunned to see Interior's request increase by almost $1 billion on a net basis with no funding dedicated to cleaning up abandoned legacy wells which were drilled by the Federal Government. They walked away from it. They walked away from the mess and the responsibility, and we have been trying now for decades to get them cleaned up.

Beyond energy there is King Cove, still totally unresolved. Yesterday marked 14 months since this road was rejected. Yet again, we have seen nothing in this request to help those whose lives are in danger.

I see a request for about $40 million for adaptation projects for tribal communities, but by my calculation that is about 12 times less funding than was requested for international adaptation projects, just this year alone. So what I can't figure out is why the needs of Americans are coming second.

Interior's decisions are hurting Alaskans. You are depriving us of jobs, revenues, security and prosperity. Alaskans are not alone in this.

I want my colleagues to understand that I think what we are seeing in Alaska is a warning for those in the West. The fact is almost every other Western state already has multiple, legitimate complaints against Interior. In Wyoming and Idaho, it is the sage grouse. In Utah and Colorado, it is Interior's refusal to facilitate oil shale development. In Arizona, it is the permitting of new copper mines. Across our states, except for Alaska, where there is no production on Federal lands, it is the significant decline in APDs and oil wells that are drilled on our Federal lands.

This Administration is actively impeding many of the best economic opportunities in the West. It is depriving thousands who live in our states of the ability to find a good job, earn a good wage, and live a good life.

As Chairman of this Committee and the Appropriations Subcommittee with control over the Interior budget, I do want to work with you, Secretary Jewell. I do. I also want to work with others in the Administration, but my complaint here is that you hear from us, but you do not actually hear us.

In looking at the request I do not see a substantive effort to work with Congress. Instead what I am seeing is a disregard for enacted law, and I think that has to change and the challenge is to find common ground working together. What we have seen is very, very discouraging.

With that, I will turn to the Ranking Member.

STATEMENT OF HON. MARIA CANTWELL, U.S. SENATOR FROM WASHINGTON

Senator CANTWELL. Thank you, Madam Chair, and thank you for holding this hearing.

I am pleased to see Secretary Jewell here and to be able to have conversations with Mr. Connor as well on the President's proposed budget for the Department of the Interior.

In my view this budget represents a balanced and forward leaning proposal. It creates jobs and long term economic opportunity.

It builds strong partnerships with states and tribes and local communities when it comes to managing our infrastructure and ecosystem resources. It invests in public lands for the next generation of Americans to enjoy.

It is probably no surprise that the Chairwoman and I do have different views on a variety of the issues that are being discussed here this morning, and many of those do relate to the Administration's energy and conservation proposals in the Arctic.

Secretary Jewell, I know you have a very tough job. One of the reasons I think the President appointed you is because you have a background as an executive in the oil industry as an engineer, so it does involve striking an appropriate balance between increasing energy production, both onshore and offshore in the United States, as well as being sensitive to environmental areas.

I have long supported the Arctic National Wildlife Refuge and especially in the coastal plain. The Fish and Wildlife Service recently released a comprehensive conservation plan that takes an important step of recommending that a significant portion of the refuge be designated as wilderness. This conservation plan is required by law and had not been updated for a quarter of a century. I believe the new plan is a more accurate reflection of the values for which the wildlife refuge was designated.

Similarly there has been criticism in the new five year leasing plan for the Outer Continental Shelf for excluding too many areas from potential development. Others have opposed the Secretary's decision to open up areas that have been, up until now, off limits from oil and gas development where the environmental damage would be extreme. So the Secretary has done her best to balance these competing interests.

Likewise, the Department's recent decision to approve oil and gas development in the National Petroleum Reserve in Alaska was criticized on the one hand for approving development near an area that the NPRA proposed for protection and criticized on the other hand for requiring ConocoPhillips to incorporate mitigation measures because of those sensitive areas. So, yes, you have a very tough day job.

Protection of these ecological treasures such as the Arctic National Wildlife Refuge is an issue of national importance, and I thank you and the Administration for making these important decisions.

As a whole the President's proposed $13 billion investment represents roughly a six percent increase over current funding levels. It proposes significant funding increases for many of the important conservation programs including the Land and Water Conservation Fund and the National Park Centennial initiative, both very important. I know there are many on this Committee who believe that protecting these public lands and increasing recreational opportunities are greatly important.

America's public lands generate over $40 billion of recreation use every year, so whether you are visiting a national park or hunting or fishing, the opportunities on these federal lands are important. We also enjoy the protection of our national special places while still maintaining a high level of energy production on federal lands.

The President's budget reflects a strong commitment to increasing energy development, and I'm especially pleased to see the Department is also increasing production of renewable energy resources on public lands.

I want to bring up something, though, that is missing in the budget. Secretary Jewell is taking an important step in proposing reforms on how royalties are collected on federal resources, but I am concerned that the discussion ends there.

You can typically lease a ton of coal off of federal land for $1.00 or less. The taxpayers get $1.00. Years later we have to deal with almost two tons of carbon dioxide from that one ton of coal, and the government's current best guess is that two tons of carbon pollution will cost the American public over $70 in damages.

Our fossil fuel leasing laws were passed long ago, before we knew how bad these impacts were, and I intend to follow up on this issue. I know my colleagues, Senators Wyden and Murkowski, the GAO, and the Interior Inspector General have concerns. Many press articles have been raised about this issue, and I plan to raise my own concerns about this as well.

Similarly, I am concerned that we adequately consider the real impacts of climate change on our public lands. This is an issue that's important to places like Washington and Alaska, to many places in our country. The Tacoma News Tribune recently pointed out many of the related climate impacts at Mount Rainier National Park—in the past decades about glaciers melting and snow pack decreasing as much as 18 percent between 2003 and 2009.

These are real issues, everything from mud slurries to floods to repairing park infrastructure. We all know historic drought conditions in California and the West have now demonstrated climate related changes are present challenges to businesses, to the government, and to families. Because of this I am pleased that the budget includes a 15 percent increase for climate related research. I hope that this will help us bring better understandings about how to prepare for these issues.

Similarly, the issue of wildfire impacts throughout the community, last year our state experienced one of our worst wildfires, the Carlton Complex, which the destruction there represents, I think, seven percent of all wildfire destruction last year in just this one fire. 156,000 acres burned in 24 hours—that's approximately five acres a second.

Again, the micro climates and the changes—we are really starting to understand the grave impacts of all of these things. My Western colleagues have, in recent hearings, brought up various stories. I hope we can get to some of these issues.

I also strongly support the President's proposal to fully fund the Land and Water Conservation Fund and provide a permanent mandatory funding stream beginning next year. This is something, as I said, many of our colleagues here on the Committee agree with but every year Congress appropriates only a fraction of the authorized funding. Right now the unappropriated balance is almost $20 billion.

I hope that, since this fund expires in September—we had a pretty good vote on the Senate Floor about this—we'll work together in a bipartisan fashion to address these issues.

When I get to the Q and A, I'm definitely going to ask you about the Yakima River Basin watershed and the area to protect it. After years of negotiation, users of irrigated water such as farmers and ranchers, along with tribes and conservation groups, planned to develop and utilize, in a better fashion, the resources of the Yakima River watershed in a time of increased demand and growing scarcity. The reason I bring this up is because I believe this effort will be successful. I also believe that it is a model for how other watersheds in the West are experiencing these challenges and how, if they work together and we work with them, we can have better resolution of these issues.

I look forward to discussing these and many other issues when we get to the questions. Again, I appreciate your commitment and the President's to creating jobs and building partnerships, and investing in our public lands for future generations.

Thank you.

The CHAIRMAN. Thank you, Senator Cantwell.

With that, let's turn to the Secretary for your comments. Thank you and good morning.

STATEMENT OF HON. SALLY JEWELL, SECRETARY, U.S. DEPARTMENT OF THE INTERIOR; ACCOMPANIED BY HON. MIKE CONNOR, DEPUTY SECRETARY, U.S. DEPARTMENT OF THE INTERIOR

Secretary JEWELL. Good morning, Chairman Murkowski, Ranking Member Cantwell and members of the Committee. Thank you for the opportunity to testify today on the Department of the Interior's Fiscal '16 budget request. Joining me is Deputy Secretary Mike Connor, who is certainly no stranger to this chamber or the Senate.

I've submitted a detailed statement for the record that discusses a number of important investments we're proposing, so I'll be relatively brief in these opening remarks.

This is a forward looking budget that provides targeted investments to grow our domestic energy portfolio, creating jobs here at home, to build climate resilience and revitalize our national parks as they approach their 100th anniversary.

It invests in science to help us understand natural resources on a landscape level and to apply that understanding to better manage America's assets for the long term.

Importantly the budget also helps fulfill our nation's commitments to American Indians and Alaska natives including a much needed and historic investment to help improve education for Indian children.

I want to first talk about our investments in the lands and historic places that make our nation proud and serve as economic engines for local communities.

On the 50th anniversary of the Land and Water Conservation Fund Act, the budget proposes full funding of $900 million annually for LWCF programs. This is, dollar for dollar, one of the most effective government programs we have.

Next year we mark another important milestone in our nation's history. The National Park Service will celebrate its 100th anniversary, and this budget makes investments to launch a historic effort to celebrate and revitalize national parks and public lands.

The discretionary and mandatory portions of the budget include a $150 million matching fund to leverage private donations to parks and $859 million to provide critical maintenance investments in high priority assets.

Additional funding of $43 million will provide staff to improve the visitor experience and support the expected influx of visitors during and after the centennial.

A third milestone we commemorate this year is the 50th anniversary of the Voting Rights Act. The budget proposes $50 million to restore and highlight key sites across the country that tell the story of the struggle for civil rights such as the Selma to Montgomery National Historic Trail and the Martin Luther King Junior National Historic Site.

One of my top priorities is connecting young people to the great outdoors and our rich history and culture. We need to inspire and engage the next generation to be scientists, engineers and stewards of our nation's most prized assets, particularly as 40 percent of the Department's work force is soon to be eligible to retire.

This budget proposes over $107 million for Interior's youth programs to provide opportunities for our nation's youth to play, to learn, to serve and to work on public lands. We will accomplish this through cooperative work with youth conservation corps, schools, organizations like the YMCA and the National League of Cities, and enlightened private businesses that are supporting our efforts.

Next I want to talk about the Administration's continued commitment to tribal self-determination and strengthening tribal communities. I recently visited Arizona to launch the Administration's Native American Youth Listening Tour, to give young people in Indian Country the opportunity to engage with Cabinet members directly about the challenges they face. My recent trip to the Arctic also included a meeting with youth leaders in Kotzebue who are helping their classmates cope with personal challenges.

Across the federal family agencies are committed to working together to better coordinate our services to more effectively serve American Indians and Alaska natives. This budget holds the promise for a brighter future for Indian youth through education for Native American communities through economic growth and social services and for improving the stewardship of trust resources. We're requesting $2.6 billion for Indian Affairs, an increase of 12 percent which includes full funding of contract support costs that tribes incur as they deliver direct services to tribal members.

When it comes to powering our nation, the budget continues to invest in both renewable and conventional energy so that we can diversify our domestic energy portfolio, cut carbon pollution and reduce our dependence on foreign oil. The budget includes $94.8 million for renewable energy activities and a total of $658 million for conventional energy programs.

This budget also invests in science and technology initiatives that will support energy development, create economic opportunities and help communities build resilience. The budget includes $1.1 billion for research and development activities that range from scientific observations of the Earth to applied research to better understand problems such as invasive species and coastal erosion.

The budget also includes a total of $147 million to fund programs that help coastal communities such as Kivalina, Alaska where I visited recently and heard directly from residents about how they're concerned for their personal safety as encroaching storms threaten to wash away their village. Tribes, insular areas, communities and land management agencies use this science and technology to strengthen climate resilience.

Finally I want to touch on two other specific areas that are impacted by a change in climate, water and fire.

First, as part of the Bureau of Reclamation's $1.1 billion proposed budget to fund Indian water rights settlements, ecosystem restoration, healthy watersheds and sustainable secure water supplies, the Water Smart grant program would receive $58.1 million to address drought and other water supply issues across the West.

And second, this budget renews the call for a new funding framework for wild land fire suppression similar to how the cost for other natural disasters is met. This is a common sense proposal that would help ensure that USDA and Interior don't have to rob our budgets for fire prevention in order to fight the nation's most catastrophic fires.

So in closing this is a smart and balanced budget that enables the Department to carry out these important missions. I look forward to discussing these issues and many other important investment proposals in this budget with you during your questions.

Thank you.

[The prepared statement of Secretary Jewell follows:]

STATEMENT OF SALLY JEWELL,
SECRETARY OF THE INTERIOR
BEFORE THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
ON THE 2016 PRESIDENT'S BUDGET REQUEST

February 24, 2015

Ms. Chairman, Ranking Member Cantwell, and members of the Committee, I am pleased to present the 2016 President's Budget for the Department of the Interior.

This is a forward-looking budget that invests in Interior's key missions so we can continue to serve the American people. This budget provides targeted investments to grow our domestic energy portfolio to revitalize our national parks as they approach their 100th anniversary and celebrate all of our public lands, and to strengthen science and management across all bureaus to support resiliency in our communities and ecosystems. The budget also helps fulfill our Nation's commitments to American Indians and Alaska Natives, including a much-needed and historic investment to help improve education for Indian children.

Interior's programs and activities serve as economic engines in communities across the Nation, contributing an estimated $360 billion to the Nation's economy in 2013 and supporting more than 2 million American jobs. Of this total, energy and mineral development on Interior-managed lands and offshore areas generated more than $237 billion of this economic activity and supported 1.1 million jobs. An estimated 407 million recreational visits to Interior lands – including national parks, wildlife refuges and public lands – contributed $41 billion and supported nearly 355,000 jobs nationwide. Water supply, grazing and timber activities, primarily on public lands in the West, contributed nearly $63 billion and supported more than 400,000 jobs. In 2016, the Department will generate an estimated $13.8 billion in Federal receipts; these funds are deposited in the Treasury and serve to offset the cost of general government services, support a range of specific Federal programs, and support State and local governments through various revenue sharing arrangements.

2016 Budget

The 2016 budget proposal is $13.2 billion, an increase of 8 percent, over the 2015 enacted level. This total includes a proposed $200 million budget cap adjustment to ensure critical funds are available in the event of a catastrophic fire without requiring harmful transfers from other Interior programs that support land management and operations. It includes $11.9 billion for Interior programs funded by the Interior, Environment, and Related Agencies appropriation, and $1.1 billion for Interior's Bureau of Reclamation and the Central Utah Project Completion Act, funded in the Energy and Water Development Appropriations Act. The budget would generate $5.6 billion in savings over 10 years through legislative reform proposals, including oil and gas management reforms to encourage diligent development of Federal energy resources while providing a fair return to taxpayers from royalty and other reforms.

The 2016 budget enables the Department to carry out its important mission by maintaining core capabilities and proposing investments in key priorities. This budget lays the groundwork for the future while meeting current commitments. The programs in this request emphasize partnerships, public engagement in Interior's places and programs, comprehensive upfront resource planning, tribal self-determination and self-governance, and increased scientific understanding leveraged with advanced tools and open access to data. Interior's 2016 budget proposes meaningful investments to advance the Department's mission.

Preserving and Protecting America's Natural and Cultural Resources

The budget makes investments to launch the National Parks and Public Lands Centennial during the 100th anniversary of the National Park Service to celebrate and revitalize national parks and public lands, and connect a new generation to the great outdoors. The budget includes funding in 2016 to allow the National Park Service to make targeted, measurable upgrades over the next ten years to all of its highest priority, non-transportation assets, restoring and maintaining them in good condition. The budget also proposes $150 million in discretionary and mandatory funding for a Centennial Challenge matching program to leverage private donations to parks, and $100 million in mandatory funding for a Public Lands Centennial Fund that competitively awards funds to Federal land management agencies for signature projects and programs. The budget includes complementary initiatives in the Bureau of Land Management and the Fish and Wildlife Service to engage the American public with Interior's broad range of outdoor recreation and natural learning opportunities.

To mark the 50th anniversary of the Voting Rights Act, the 2016 budget proposes $50 million to restore and highlight key sites across the country that tell the story of the struggle for civil rights. State, local and tribal governments may also apply for grants to document and preserve stories and other sites related to the Civil Rights Movement.

On the 50th anniversary of the Land and Water Conservation Fund Act, the budget requests Congress to support full funding for LWCF programs. The innovative, highly successful program reinvests royalties from offshore oil and gas activities into public lands, enabling access for sportsmen and hunters, protecting historic battlefields and providing grants to States for recreation and conservation projects. In 2016, the budget proposes a total of $400 million in discretionary funding and $500 million in mandatory funding for LWCF programs. From Maine to Kansas and up to Washington and Alaska, the FY 2016 request includes 105 projects in 39 States. The budget also includes a legislative proposal to provide full mandatory funding for LWCF starting in 2017.

The budget continues efforts to manage and promote the sustainability and resilience of ecosystems on a landscape scale, such as the California Bay-Delta, the Everglades, the Great Lakes, Chesapeake Bay, and the Gulf Coast. To protect and restore the American West's vast sage steppe landscape which supports abundant wildlife and significant economic activity, including recreation, ranching and energy development, the budget proposes an investment of $78.1 million.

Interior spends over $140 million in current funding within the Arctic for activities that include science, energy, Indian Affairs and land management. As the United States assumes the 2-year Chairmanship of the Arctic Council in April, we recognize this is an important opportunity to work with all eight Arctic countries to address the impacts of rapid climate change in the region, improve economic and living conditions of the people who live there, and enhance Arctic Ocean safety, security, and stewardship. Interior bureaus will play a significant role in these activities, which provide an important opportunity to build the resilience of Arctic communities and the ecosystems upon which they depend.

Strengthening Community Resiliency in a Changing Climate

As part of the Administration's effort to better understand and prepare the Nation for the impacts of a changing climate, the budget includes targeted increases to strengthen the resilience of communities—including Tribes and insular areas—and ecosystems to impacts, such as increased flooding and drought. The budget builds on the success of DOI's Hurricane Sandy Coastal Resilience Grant Program, proposing a competitive grant program that would restore natural coastal systems to help reduce flood, storm, and sea level rise risks facing coastal ecosystems and communities. To complement that program, the budget proposes an increase of $30 million for the Challenge Cost-Share program, to be split evenly across the BLM, FWS, and NPS. The bureaus will prioritize projects to conserve and restore landscapes and resources vulnerable to change. Project funding will be leveraged with non-Federal investments to build resilience to inland threats posed by climate change, including drought, flooding, and wildfire. Proposed investments in the Bureau of Indian Affairs, FWS and the U.S. Geological Survey specifically address the changing Arctic landscape and offer support to Alaska Native Villages and other critically vulnerable communities in evaluating options for the long-term resilience of their communities. For example, the FWS is developing a demonstration project that will enhance involvement of local people and subsistence users in the decision-making process for resource management on Federal lands. Through a pilot effort based at the Yukon National Wildlife Refuge, FWS and Native Alaskans are developing a draft fisheries cooperative management proposal to improve subsistence uses as the Kuskokwim River drainage changes. Additional funding is also provided for insular areas to address needs related to sea level rise by supporting development of infrastructure and community resilience initiatives.

Tribes and other communities throughout the U.S. are already experiencing the impacts of a changing climate including drought, intensifying wildfires, changes in plants and animals important to subsistence and cultural practices, impacts to treaty and trust resources, and coastal erosion and sea level rise. The budget provides a total of $50.4 million, a $40.4 million increase over 2015, across nine BIA trust resource programs to support tribal communities in preparing for and responding to the impacts of climate change. Funds will provide support for Tribes and Alaska Native Villages to develop and access science, tools, training, and planning; and to implement actions that build resilience into resource management, infrastructure, and community development activities.

The budget renews the call for a new funding framework for wildland fire suppression, similar to how the costs for other natural disasters are met. The initiative proposes base level funding of 70 percent of the 10-year average for suppression costs within the discretionary budget and an additional $200 million available in the event of the most severe fire activity, which comprises only one percent of the fires but 30 percent of the costs. Wildland fire continues to be one our most important land management challenges. In January I issued Secretarial Order 3336 that recognizes the critical importance of fire in protecting, conserving, and restoring the health of the sagebrush-steppe ecosystem on which rural economies, wildlife – including the sage grouse – and a way of life depend. Shortly, we will be releasing our strategy for the 2015 fire season, to be followed by a long-term strategy for addressing rangeland fire prevention, management, and restoration. On a broader scale, the Department is firmly committed to the National Wildland Fire Cohesive Strategy and the three goals of restoring and maintaining fire-resilient landscapes, creating fire adapted communities, and safe and effective operations. In support of those goals, the budget reflects an integrated approach to wildland fire management, including $30.0 million for a Resilient Landscapes program to create landscapes that are resilient to wildfire through long-term, landscape scale, place-based projects. Resilient Landscape program projects will be accomplished through collaborative partnerships that include non-fire bureau resources and land management programs along with other Federal, tribal, State and non-governmental partners. The budget continues to include funding for the Fuels Management program to improve the integrity and resilience of forests and rangelands, contribute to community adaptation to fire, and improve our ability to safely and appropriately respond to wildfires.

As part of the Bureau of Reclamation's proposed $1.1 billion budget for FY 2016, the WaterSMART program would receive $58.1 million to support water conservation initiatives and technological breakthroughs that promote water reuse, recycling and conservation, in partnership with States, Tribes, and other partners. Reclamation will continue strong partnerships with local water and conservation managers to conduct ongoing comprehensive water studies of river basins in Arizona, California, Colorado, Montana, Oklahoma and Oregon. In 2015 and 2016, the budget supports one or two new basin studies in the western U.S and one new West-wide climate risk impact assessment. In addition, Reclamation anticipates funding 40 new WaterSMART Grant projects that will contribute to water conservation. As part of WaterSMART, the USGS would receive $31.0 million to continue to advance the National Water Census to create a more accurate picture of the quality and quantity of the Nation's water resources. The USGS will support focus area studies in the Apalachicola-Chattahoochee-Flint Basin, the Colorado River Basin and the Delaware River Basin.

Powering the Future through Balanced Energy Development

To enhance national energy security and create jobs in new industries, the budget invests in renewable energy development programs, providing about $100 million to review and permit renewable energy projects on public lands and offshore waters.

In order to address the continuing legacy of abandoned mine lands on the health, safety, environment and economic opportunity of communities, the budget makes available to States and Tribes $1 billion, over five years, as part of the President's POWER+ Plan. Funding would come by accelerating payments from the unappropriated balances in the AML Reclamation Fund, administered by the Department of the Interior's Office of Surface Mining Reclamation and Enforcement. The budget also includes reforms to strengthen the health care and pension plans that provide for the health and retirement security of retired coal miners and their families.

The budget invests in onshore energy permitting and oversight on Federal lands, with the BLM's oil and gas program receiving a 20 percent increase in funding, compared to the 2015 enacted level. The National Defense Authorization Act included an important authority that allows the BLM to implement increased fees for Applications for Permit to Drill to provide the funding needed to quickly and efficiently process APDs. To further improve responsiveness to industry demand and workload, the 2016 budget proposes a new fee system to meet program needs on the back end through inspections. A strong inspection program fully funded through fees, estimated to be $48 million, will provide assurance BLM would not have to divert funds from processing permits or leasing activities in the event that appropriations for inspections did not keep pace with the workload associated with this critical responsibility. The inspection fee authority proposed for BLM is comparable to that already in place for offshore inspections. Coupled with the transition to the implementation of a new automated permitting system that eliminates paper applications, these budget resources will significantly strengthen the BLM's program management capacity.

The budget request would fund Interior agencies overseeing oil and gas development on the Outer Continental Shelf as follows: $170.9 million for the Bureau of Ocean Energy Management; and $204.7 million for the Bureau of Safety and Environmental Enforcement. The President's proposal also supports continued reforms to strengthen oversight of industry operations following the 2010 Deepwater Horizon oil spill, with an additional emphasis on risk management.

Investing in The Future

The budget maintains the Administration's strong commitment to tribal self-determination and strengthening tribal communities. It provides increases across Federal programs that serve Tribes, including a proposed 12 percent increase for the Bureau of Indian Affairs over the 2015 enacted level. The budget includes a $26 million increase to fully fund Contract Support Costs that Tribes incur from managing Federal programs, and a legislative proposal to reclassify Contract Support Costs as mandatory funding in 2017 in support of self-determination. A total of $244.5 million is requested to resolve Indian water rights claims and implement enacted settlement commitments – supporting sustainable water sharing and management, and providing critical infrastructure, jobs, and clean drinking water to some of the most impoverished communities in the Nation.

The Generation Indigenous initiative includes a $1 billion investment in Indian education to support a comprehensive transformation of the Bureau of Indian Education. This multi-year process will transform the BIE into an organization that serves as a capacity builder and service provider to support Tribes in educating their youth and deliver a world-class and culturally appropriate education across Indian Country.

The future of the Country's natural, cultural, and historic heritage depends on the next generation of active stewards. Interior's unique assets provide an unparalleled opportunity to connect the next generation to the great outdoors and the Nation's rich history. Building on the President's vision for the creation of the 21st Century Conservation Service Corps and implementation of My Brother's Keeper, I launched a youth initiative to inspire millions of young people to play, learn, serve and work outdoors. There is a growing disconnect between young people and the great outdoors and it is a gap Interior can help bridge. Through public-private partnerships coordinated with all levels of government, Interior is expanding efforts to pass on our Nation's rich conservation legacy and to inspire millions of young people to play, learn, serve and work outdoors.

The budget includes $107.2 million for youth programs across the Department, a $45.5 million increase from the 2015 enacted level. Within this increase, $20.0 million is provided to NPS for youth activities, including bringing one million elementary school children from low-income areas to national parks. This increase will also fund dedicated youth coordinators to help enrich children and families' learning experiences at parks and online.

Our goal is to reach 10 million children through recreation programs, an additional 10 million children through environmental education programs, 1 million volunteers caring for our lands, and 100,000 young adults and veterans working on public lands. To do this, we need to engage the private sector and create more public-private partnerships. I have a personal goal to raise $20 million for this endeavor and am happy to say we have received support from strong, enlightened companies like American Eagle Outfitters, Coca-Cola, CamelBak and The North Face. We can't do this alone, and we are actively involving partners from the private and nonprofit sectors to join us in creating a movement that helps prepare the next generation of stewards, policy-makers and leaders.

Legislative Proposals and Offsetting Collections

In 2016, the Department will generate an estimated $13.8 billion in Federal receipts; these funds are deposited in the Treasury and serve to offset the cost of general government services, support a range of specific Federal programs, and support State and local governments through various revenue sharing arrangements. The 2016 budget includes a number of revenue generating proposals estimated to result in savings to the Treasury of $5.6 billion over ten years.

Studies by the Government Accountability Office and Interior's Inspector General found taxpayers could earn a better return from DOI's oil and gas management programs through policy changes and more rigorous oversight. The budget proposes a package of legislative reforms to bolster administrative actions focused on advancing royalty reforms, encouraging diligent development of oil and gas leases, and improving revenue collection processes.

The Administration is also committed to ensuring American taxpayers receive a fair return from the sale of public resources and taxpayers throughout the Nation benefit from the development of offshore energy resources owned by all Americans. The budget proposes the Interior Department work with Congress to redirect the distribution of expanded revenue payments under the 2006 Gulf of Mexico Energy Security Act. These payments, allocated to just four States in the Gulf of Mexico, are expected to increase significantly starting in 2018. Under the Administration's proposal, funds will instead be directed to programs that offer broader natural resource, watershed, and conservation benefits for the entire Nation, help the Federal government fulfill its role of being a good neighbor to local communities, and support other national priorities.

The budget includes a number of other legislative proposals, including full mandatory funding for the Land and Water Conservation Fund starting in 2017, full mandatory funding for contract support costs starting in 2017, three years of mandatory funding for the National Parks and Public Lands Centennial, and a one-year mandatory funding extension of the Payments in Lieu of Taxes program.

The budget also includes a number of discretionary user fee proposals to offset certain costs to the taxpayer.

Bureau Highlights

Bureau of Land Management – The 2016 request is $1.2 billion, an increase of $107.6 million from the 2015 enacted level. The 2016 request assumes the use of $64.5 million in proposed offsetting fees that provide an effective increase of $172.1 million above 2015. The 2016 request includes $1.1 billion for the Management of Lands and Resources account, and $38.0 million in current appropriations for Land Acquisition, including $4.0 million to improve access to public lands for hunting, fishing, and other recreation. The budget proposes $107.7 million for Oregon and California Grant Lands, which includes a $3.2 million decrease in Western Oregon Resource Management Planning, reflecting expected completion of six revised plans in spring 2016.

To advance America's Great Outdoors, the request includes $19.8 million in program increases for BLM's Recreation Resources Management program, National Conservation Lands, and Cultural Resources Management program. This includes a $6.6 million increase to accelerate and enhance implementation of BLM's National Recreation Strategy – Connecting with Communities, which will enable BLM to more aggressively develop partnerships with communities and service providers to encourage recreational opportunities on public lands. The funds will also be used for such activities as improving signage and interpretative exhibits and meeting accessibility standards at visitor centers. An increase of $11.2 million for the National Conservation Lands (also known as the National Landscape Conservation System) will enable BLM to accommodate the increased workload and responsibilities that have accompanied the addition of recently designated units. A $2.0 million increase in Cultural Resources Management will enhance BLM capacity to preserve and protect the vast treasure of heritage resources on public lands. The budget request also includes $6.0 million for Youth programs, an increase of $5.0 million from 2015, to put more young Americans to work protecting and restoring public lands and cultural and historical treasures.

The BLM continues to support the President's all-of-the-above energy strategy on public lands, including an initiative with important increases critical to BLM's ability to effectively manage onshore oil and gas development. The 2016 budget request for oil and gas management activities, including the request for direct and fee-funded appropriations and estimated mandatory appropriations, represents an increase of $29.1 million, or 20 percent, in total program resources over the 2015 enacted level. The additional resources will enhance the bureau's ability to process Applications for Permits to Drill more quickly and efficiently, accelerate the development and completion of master leasing plans in support of BLM's leasing reform efforts, and strengthen its inspection and oversight program. The $29.1 million total funding increase for BLM's Oil and Gas Management program includes a proposal to institute a fee system to support the inspection program. The estimated $48.0 million in collections generated from the inspection fees will reduce the need for direct appropriations for the program by $41.1 million while also providing for an increase of $6.9 million above the amount appropriated in 2015 for this critical BLM management responsibility.

The 2016 budget request includes an increase of $45.0 million, to support the increased workload and commitments required as implementation of the Greater Sage Grouse conservation plans ramp up. The requested funds support activities that fall into three broad categories which involve both on-the-ground work and establishing the processes and organizational capability to plan and oversee the effort: managing resource uses in Greater Sage Grouse habitats; restoring and reconnecting Greater Sage Grouse habitats; and assessing, monitoring, and reporting on conditions in priority habitats.

Other budget highlights include a $5.0 million program increase in the Resource Management Planning subactivity to expand BLM's Assessment, Inventory, and Monitoring program that will support increased data collection and monitoring needs central to the success of high priority landscape management efforts, such as the Western Solar Energy Plan, the implementation of the plan for the National Petroleum Reserve – Alaska, the Greater Sage Grouse Conservation Strategy and the Department's broader landscape mitigation strategy. The request also includes an increase of $7.8 million to accelerate implementation of BLM's enterprise geographic information system, which aggregates data and viewing information across boundaries to capture ecological conditions and trends; natural and human influences; and opportunities for resource conservation, restoration, development, and partnering. The BLM's geospatial proposal is a critical component of Interior's growing enterprise geospatial capabilities and strategy. A $10.0 million increase in BLM's Challenge Cost Share program will be dedicated to projects that increase the resilience of landscapes in response to changing climate

A proposed grazing administration fee will enhance BLM's capacity for processing grazing permits. A fee of $2.50 per animal unit month, estimated to provide $16.5 million in 2016, is proposed on a pilot basis. This additional revenue, which would be retained by BLM, more than offsets a decrease of $3.0 million in appropriated funds in Rangeland Management. The net increase of $13.5 million will allow BLM to expedite permit renewals and reduce the permit backlog.

Bureau of Ocean Energy Management – The 2016 operating request is $170.9 million, including $74.2 million in current appropriations and $96.6 million in offsetting collections. This is a net increase of $1.8 million in current appropriations above the 2015 enacted level.

The 2016 budget maintains a strong offshore renewable energy program at slightly above the 2015 level of $24.3 million for the total program. To date, BOEM has issued seven commercial wind energy leases offshore Delaware, Maryland, Massachusetts, Rhode Island, and Virginia. In June 2014, BOEM issued the first outer continental shelf lease for marine hydrokinetic technology testing offshore Florida, and in November 2014, BOEM offered its first transmission right-of-way grant offshore Rhode Island.

Offshore conventional energy programs are funded with an increase of $10.2 million, bringing total funding to $59.9 million in 2016. To date, under BOEM's Five Year OCS Leasing Program for 2012-2017, six sales were held generating over $2.4 billion in high bids, and two additional lease sales are scheduled during calendar year 2015. The request includes an increase of $2.5 million for establishing a risk management program, to better protect the Federal Government and taxpayers from financial risks that may arise from unfunded decommissioning costs.

Bureau of Safety and Environmental Enforcement – The 2016 budget request is $204.7 million, including $82.5 million in current appropriations and $122.2 million in offsetting collections, essentially level with 2015. The request for offsetting collections assumes $65.0 million from offshore oil and gas inspection fees. The 2016 request allows BSEE to begin to establish a renewable energy inspection program, and continue to strengthen regulatory and oversight capability on the OCS, and oil spill response prevention.

The budget includes $189.8 million for Offshore Safety and Environmental Enforcement. The request includes a program increase of $1.7 million to establish an Engineering Technology Assessment Center to develop top-level engineering support for BSEE decision-making at all levels of the organization. Funding for Oil Spill Research is maintained at the 2015 level of $14.9 million.

Office of Surface Mining Reclamation and Enforcement – The 2016 budget request for the Office of Surface Mining Reclamation and Enforcement is $160.5 million, an increase of $10.4 million from the 2015 enacted level. The 2016 budget for Regulation and Technology is $128.4 million, an increase of $5.7 million above the 2015 level. The request includes $12.6 million, a program increase of $3.8 million above the 2015 level, to improve implementation of existing laws and support State and tribal programs. It also includes $65.5 million for State and tribal regulatory grants. This request fully funds estimated State requirements based on the return each year of an estimated $3 million in previously appropriated regulatory grant funds by States.

The 2016 budget for the Abandoned Mine Reclamation Fund is $32.1 million, an increase of $4.7 million above the 2015 level. The budget includes a $2.0 million program increase for technical assistance to States, Tribes, and communities on Abandoned Mine Land site reclamation and area-wide reclamation planning and a $1.4 million program increase to evaluate AML program implementation, including identifying more effective and efficient tools for AML site identification, contract management, and program oversight. The 2016 budget proposes to distribute an estimated $926.1 million in mandatory appropriations. This includes $385.3 million to noncertified States and Tribes in reclamation grants and $540.8 million in payments to the United Mine Workers of America retiree health and pension plans. The Administration proposes legislation to revitalize communities impacted by abandoned coal mines, reform current funding of abandoned coal mine land clean-up, increase funding for hardrock abandoned mine land clean-up, and provide for retired coal miners and their families.

Bureau of Reclamation and Central Utah Project Completion Act – The 2016 budget request for Reclamation and CUPCA totals $1.1 billion and focuses on meeting National priorities for: Indian water rights settlements, ecosystem restoration, healthy watersheds and sustainable, secure water supplies.

Funding for Water and Related Resources shows a reduction of $173.0 million, reflecting the shift of $112.5 million to the requested new Indian Water Rights Settlements account and $35.0 million for a separate discretionary account within the San Joaquin River Restoration Fund.

Reclamation is requesting the establishment of an Indian Water Rights Settlements account in 2016 to assure continuity in the construction of the authorized projects and to highlight and enhance transparency in handling these funds. Reclamation has increased funding of $22.5 million for Indian Water Rights Settlements implementation. This includes increases to implement the Crow Tribe Rights Settlement Act of $10.8 million, the Aamodt Litigation Settlement Act of $3.0 million, and the Navajo-San Juan Settlement, Navajo-Gallup Water Supply Project of $8.7 million. The Navajo-Gallup Water Supply, with total funding of $89.7 million is on a path to meet settlement requirements over the next decade.

The extreme and prolonged drought facing the western States affects major U.S. river basins in virtually every western State. The effects of the current drought on California water, its agrarian economy, and its communities are particularly acute. The Colorado River Basin—crucial for seven States and several Tribes, in addition to two countries—is also enduring historic drought. Nearly 35 million people rely on the Colorado River for some, if not all, of their municipal needs.

Reclamation's WaterSMART program at $58.1 million, is helping to address the drought and other water supply issues across the West. WaterSMART Grants, Water Conservation Field Services, and Title XVI Programs are enabling the West to better adapt to the impacts of a changing environment by helping to conserve tens of thousands of acre-feet of water each year in urban and rural settings, and on both large and small scales. The Drought Response Program will implement a comprehensive new approach to drought planning and will implement actions to help communities manage drought and develop long-term resilience strategies. Reclamation's Science and Technology Program conducts water resources research to improve capability for managing water resources under multiple stressors, including a changing climate.

The CUPCA program is being maintained as a separate program under the Office of the Assistant Secretary for Water and Science and the 2016 budget for CUPCA is $7.3 million. Of this amount, $6.3 million will be expended from this account and $1.0 million will be transferred to the Utah Reclamation Mitigation and Conservation Account for use by the Utah Reclamation Mitigation and Conservation Commission.

U. S. Geological Survey – The 2016 request is $1.2 billion, an increase of nearly $150 million above the 2015 enacted level. The 2016 budget reflects the vital role the USGS plays in advancing the President's commitment to scientific discovery and innovation to support sustainable economic growth, natural resource management, and science-based decision-making for critical societal needs. The budget includes funding for science to inform land and resource management decisions, advance a landscape level understanding of ecosystems, and develop new strategies to support communities in responding to climate change, historic drought, water quality issues, and natural hazards. The budget also funds science to support the Nation's energy strategy and to help identify critical mineral resources and address the impacts of energy and mineral development on the environment.

The 2016 budget provides an increase of $14.6 million above the 2015 enacted level for science to support sustainable water management. The budget provides increased funding to support resource managers in managing competing demands related to water availability and quality and to enable adaptive management of watersheds to support the resilience of the communities and ecosystems that depend on them. This includes a $3.2 million increase for science to respond to drought, a $4.0 million increase for water use information and research, a $2.5 million increase to study ecological water flows, a $1.3 million increase for streamgages, and a $1.0 million increase to advance the National Groundwater Monitoring Network.

The 2016 budget provides an increase of $11.0 million across the energy, minerals and environmental health portfolio for science to support the sustainable development of conventional and unconventional oil and gas resources; renewable energy sources such as geothermal, wind, and solar; critical minerals such as rare earth minerals; and address the environmental impacts of resource development such as uranium. These investments include $19.5 million, $5.3 million above 2015, to support an interagency effort with the Department of Energy and the Environmental Protection Agency to better understand the potential impacts of unconventional oil and gas development.

Specifically, the budget includes a program increase of $1.0 million for mineral resources science to continue life-cycle analysis for critical minerals such as rare earth elements, and to develop new science and tools to reduce the impacts of minerals extraction, production, and recycling on the environment and human health. A life-cycle analysis will trace the flow of critical minerals from occurrence through interaction with society to ultimate disposal. The increase will support new workforce capability to address the main thrusts of the President's four working groups in the Office of Science and Technology Policy that are currently focused on critical and strategic materials essential to national security, economic vitality, and environmental protection.

The budget provides increases totaling $6.6 million above the 2015 enacted level for natural hazard science. This includes $4.9 million to expand the Global Seismic Network used for worldwide earthquake monitoring and tsunami warning and $1.7 million to support solar flare (space weather geomagnetic) monitoring which is critical to mitigating impacts to the electrical grid and other hazards. The budget supports the installation and operation of rapid-deployable streamgages to help manage flood response activities. The funding will increase volcano, landslide, wildfire, and sinkhole response capabilities as well as build on investments to continue development of an earthquake early warning system, with the goal of implementing a limited public warning system for the U.S. west coast by 2018.

The budget includes $15.6 million to expand and enhance ecosystem science activities to increase the understanding of the Nation's landscapes. Increases totaling $6.7 million support research in critical landscapes, including $4.2 million for the Arctic, $1.0 million to study sage steppe landscapes, and $1.5 million to support science for Puget Sound, Columbia River and the upper Mississippi River. USGS research will continue to support restoration of other priority ecosystems, such as Chesapeake Bay, Everglades, Great Lakes, California Bay-Delta, and Gulf Coast. Increases totaling $3.8 million support research on invasive and declining species, including $2.2 million for invasive plants and animals and $1.6 million to study the decline of pollinating insects, birds, and mammals. The budget also requests $5.1 million to support coastal resilience and adaptation to long-term change from sea-level rise and coastal erosion.

The President's budget request includes an increase of $37.8 million to provide data and tools to help land and resource managers make informed decisions across the landscape and provide data and information to the public for use in a wide variety of applications. The budgets of USGS and the National Aeronautics and Space Administration provide complementary funding to sustain the Landsat data stream, which is critical to understanding global landscapes. Funding in the USGS budget supports the ground system portion of the Sustained Land Imaging Program, including funding for ground systems development for a Thermal Instrument Free Flyer, Landsat 9 (a rebuild of the Landsat 8), and to receive data from international partners. The budget also includes a $4.0 million increase for Landsat science products for climate and resource assessments.

The budget provides increases for foundational data and tools needed to support landscape level understanding, increases for mapping, expanded lidar collection through the 3D Elevation Program, making data more easy to access and use under the Big Earth Data Initiative, and developing information and tools to assess ecosystem services and benefits. For example, an increase of $3.7 million will expand three-dimensional elevation data collection in Alaska and elsewhere in the United States, mitigate the effects of coastal erosion, storms, and other hazards, and support many other critical activities. A $1.8 million increase will enhance understanding of the benefits of the Nation's ecosystem services and a $1.1 million increase for the Big Earth Data Initiative will make high-value data sets easier to discover, access and use. The accessibility of these data is a critical foundation for building a landscape level understanding of our resources.

The USGS plays an important role in conducting research and developing information and tools to support communities in preparing for, and responding to the impacts of global change. The budget includes an increase of $32.0 million for science to support climate resilience and adaptation. Climate change requires the Nation to prepare for more intense drought, heatwaves, wildfire, flooding and sea level rise. The budget includes a $6.8 million increase in science for adaptation and resilience planning and an increase of $2.3 million for the USGS to provide interagency coordination of regional climate science activities across the Nation, an increase of $9.1 million to support biological carbon sequestration, and $11.0 million for the USGS to support the community resilience toolkit, which is a web based clearinghouse of data, tools, shared applications, and best practices for State, local and tribal resource managers, decision-makers, and the public.

Fish and Wildlife Service – The 2016 budget for FWS totals $3.0 billion, including current appropriations of $1.6 billion, an increase of $130.7 million compared to the 2015 level. The proposed funding level will allow the bureau to facilitate collaboration and action on the ground as the best way to preserve the wildlife and open spaces so important to the Nation. For this reason, I ask the committee remove the rider included in the FY2015 Appropriations Act that prevents the FWS from writing rules to list several species of sage grouse. Our approach to working collaboratively among Federal agencies, States and stakeholders could provide the path for conserving species so Endangered Species Act protection for both the bi-state and Greater Sage Grouse is not necessary. The FY 2015 rider has complicated implementation of the urgent work needed to protect the sagebrush-steppe from threats such as invasive species, fire and fragmentation. These threats impact not only the sage grouse, but 350 other species of wildlife and traditional economic activity like ranching, hunting and recreation central to the Western way of life. Absent effective conservation efforts to reduce or remove the threats now affecting the species, the likelihood of eventual listing of the Greater Sage Grouse under the ESA will be increased.

The budget includes $1.4 billion available under mandatory appropriations, most of which will be provided directly to States for fish and wildlife restoration and conservation. In 2016, a total of $1.5 billion in current funding is proposed for FWS as part of the Administration's initiative to reconnect Americans to the outdoors. Creating opportunities for Americans to enjoy the outdoors through programs at FWS will help to ensure future generations appreciate and conserve natural resources and preserve natural places. Investments that support this effort in 2016 include $1.3 billion for FWS operations, an increase of $114.2 million over the 2015 level. The request includes $5.0 million for the National Wildlife Refuge System's Urban Wildlife Conservation Partnerships that will reconnect the Nation's urban populations with the outdoors. With 80 percent of the U.S. population currently residing in urban communities near more than 260 wildlife refuges, using the Refuge System to help urbanites to rediscover the outdoors is a priority for FWS. The budget also requests $108.3 million for grant programs administered by FWS that support America's Great Outdoors goals. Within this amount is an increase of $11.3 million for the State and Tribal Wildlife grant program on which many States and Tribes rely to fund non-game animal conservation. The request also includes program increases of $10.0 million for Challenge Cost Share projects and $5.0 million for the Joint Venture program to support cooperation with non-Federal partners to enhance the resiliency of habitat to adapt to a changing climate.

The budget proposes $16.8 million, an increase of $2.6 million, for activities associated with energy development. Of this increase, $1.4 million supports scientific research into the impacts of energy transmission and development infrastructure on wildlife and habitat. The research will identify potential impacts associated with the development of energy infrastructure and strategies to minimize the impacts on habitat and species. An increase of $1.2 million for the Ecological Services Planning and Consultation program supports assessments of renewable energy projects proposed for development.

The budget request for the Resource Management account continues support for key programs with program increases of $110.6 million above 2015. The request provides $258.2 million in Ecological Services to conserve, protect, and enhance listed and at-risk species and their habitat, an increase of $32.3 million. Within this request are increases of $4.0 million to support conservation of the sage steppe habitat across 11 western States and $4.0 million to support Gulf Coast restoration.

The request includes funding within Law Enforcement and International Affairs to combat wildlife trafficking. The budget provides $75.4 million for the law enforcement program to investigate wildlife crimes, enforce the laws governing the Nation's wildlife trade, and expand technical forensic expertise, with program increases of $8.0 million over 2015.

The budget includes $147.5 million for Fisheries and Aquatic Resource Conservation, a program increase of $4.9 million. Within this request is $53.4 million for operation of the National Fish Hatchery System and a $2.4 million increase to prevent the spread of Asian carp in the Missouri, Ohio, upper Mississippi Rivers, and other high priority watersheds.

Funding for Cooperative Landscape Conservation activity is $17.9 million, an increase of $3.9 million, and funding for Science Support is $31.7 million, a program increase of $14.7 million. The budget supports applied science directed at high impact questions to mitigate threats to fish and wildlife resources, including $2.5 million to address white nose syndrome in bats, an increase of $1.0 million to study biological carbon sequestration, and an increase of $1.0 million to analyze ecosystem services valuation.

The 2016 budget proposes to eliminate the current funding contribution to the National Wildlife Refuge fund, a reduction of $13.2 million below 2015. An estimated $8.0 million in mandatory receipts collected and allocated under the program would remain available to counties.

National Park Service – The 2016 budget request for NPS of $3.0 billion is $432.9 million above the 2015 enacted level. The 2016 NPS budget request for operations is $2.5 billion. This is an increase of $239.4 million above the 2015 enacted level, consisting of $213.4 million in program increases, and $25.3 million in fixed costs increases. Highlights of the 2016 budget include the increases for the Centennial described earlier. A $40.0 million increase to the Centennial Challenge program will provide an important Federal match to leverage partner donations for projects and programs at national parks in anticipation and support of the upcoming Centennial.

Other changes include a $2.2 million programmatic reduction to refocus operations funding which partially offsets the following increases: $16.3 million to provide healthcare insurance to seasonal employees, $6.0 million to fund projects that will document and preserve civil rights history in the national park system, $3.5 million for climate change adaptation projects, $3.0 million to improve baseline cultural resource documentation at park units, and $2.5 million for science priorities. The 2016 budget also broadens the scope of NPS programs contributing to the understanding of and preparing for the impacts of a changing climate. A $10.0 million program increase is requested in the Challenge Cost Share program for NPS to work with non-Federal partners on projects that increase the resilience of landscapes in response to changing climate.

The Administration proposes an initiative to Celebrate Civil Rights in America in 2016 by commemorating the struggles undertaken by Americans to secure civil rights and liberties. The 2016 budget will provide resources to celebrate how those actions inspired many groups in America and around the world to continue to pursue progress for civil rights. The budget proposes increases of $50.0 million, including $6.0 million to fund projects that will document and preserve civil rights history in the national park system, and $1.5 million to address critical base operating NPS needs at sites such as the Harriet Tubman Underground Railroad National Historical Park in Maryland, and the Charles Young Buffalo Soldiers National Monument in Ohio. Also included in the $50.0 million initiative is $30.0 million for competitive historic preservation grants to preserve the stories and sites associated with the Civil Rights movement, and $2.5 million for grants specifically to Historically Black Colleges and Universities to document, interpret, and preserve the stories and sites associated with the progression of Civil Rights in America. Finally, $10.0 million will provide the necessary resources to complete high priority facility projects at NPS sites associated with the Civil Rights movement such as the Selma Interpretive Center at the Selma to Montgomery National Historic Trail, the Lincoln Memorial and the Martin Luther King, Jr. National Historic site.

The 2015 request for the Historic Preservation Fund is $89.9 million, an increase of $33.5 million. Of this total, $46.9 million is requested for grants-in-aid to States and Territories, which is level with 2015. A total of $10.0 million is requested for grants-in-aid to Tribes, an increase of $1.0 million. The budget proposes to fund grants-in-aid to Historically Black Colleges and Universities through a $2.5 million increase, which is an important component of the Civil Rights initiative. Finally, the budget includes $30.5 million for competitive grants-in-aid, a $30.0 million increase for new competitive grants as part of the Civil Rights initiative, and $500,000 for the existing competitive grants targeted toward communities currently under represented on the National Register of Historic Places.

The 2016 request includes $54.2 million for the National Recreation and Preservation account, a decrease of $8.9 million compared to 2015. These changes consist of a program reduction of $9.7 million to Heritage Partnership Programs, a programmatic increase of $703,000 for the National Register program to digitize records, a programmatic increase of $260,000 for the Federal Lands to Parks program, and fixed costs increases of $506,000.

Programs funded out of the Land and Water Conservation Fund are a key strategy to enhance America's Great Outdoors. The budget requests $117.5 million for the Land Acquisition and State Assistance account, an increase of $18.5 million. This includes $53.2 million for the State Conservation Grants program, a programmatic increase of $5.0 million, and $64.3million for NPS Federal land acquisition, a programmatic increase of $13.3 million. Of this amount, $16.3 million supports Collaborative Landscape projects.

Funding for Construction totals $251.0 million, an increase of $112.6 million. Of this amount, the budget includes $153.3 million for line-item construction projects, a $91.7 million program increase compared to 2015. The request includes $8.7 million to provide seismic stabilization at the Mammoth Hotel at Yellowstone National Park and $3.0 million to rehabilitate the Selma Interpretive Center at the Selma to Montgomery National Historic Trail.

Indian Affairs – The 2016 budget for Indian Affairs is $2.9 billion, $323.5 million above the 2015 level. This includes an increase of $231.4 million for Operation of Indian Programs; an increase of $32.0 million for Indian Land and Water Claim Settlements; an increase of $60.1 million for Construction; and level funding of $7.7 million for the Indian Guaranteed Loan program.

The 2016 budget fully funds Contract Support Costs at $277.0 million, an increase of $26.0 million above 2015. Based on the most recent analysis, the requested amount for 2016 will fully fund Contract Support Costs. To stabilize long-term funding and address programmatic concerns with Contract Support Costs, the 2016 budget also proposes—for the first time—a legislative proposal to reclassify these costs as mandatory funding beginning in fiscal year 2017. Mandatory funding for Contract Support Costs will help stabilize this vital funding for Tribes and further self-governance and self-determination efforts.

The budget contains a number of critical increases to support tribal nation-building and economic development. The budget capitalizes on the important role BIA plays as a broad provider of Federal services by proposing $4.0 million to establish the One-Stop Tribal Support Center to make it easier for Tribes to find and access hundreds of services available to Tribes across the Federal government. The 2016 budget includes $4.5 million to establish an Indian Energy Service Center to facilitate vital energy development in Indian Country of both conventional and alternative energy and to support assessment of the social and environmental impacts of energy development on tribal lands. A data initiative of $12.0 million is proposed to improve and expand access to quality data for tribal leaders and other decision makers. This funding will establish an Office of Indian Affairs Policy, Program Evaluation, and Data which will help the Department collect, analyze, and utilize evidence to support effective policy making and program implementation. Lastly, a $1.3 million increase for the Small and Needy Tribes program is proposed to assist eligible Tribes in expanding and sustaining tribal governance.

The 2016 budget proposes an additional $15.0 million to expand Indian Affairs' capacity in current programs that address Indian child and family welfare and job training issues. The budget proposes program increases of $6.0 million for social services programs, $4.0 million for law enforcement special initiatives, and $5.0 million for tribal courts. The law enforcement increases will expand on pilot projects initiated in 2015 in which BIA law enforcement is implementing a comprehensive strategy to support alternatives to incarceration. Funding increases for these programs will be integrated with other funding increases across the Federal government, including an additional $25.0 million to the Indian Health Service to address behavioral health issues, a $25.0 million increase to the Substance Abuse and Mental Health Services Administration for the Tribal Behavioral Health program, and a $132.0 million increase for the Administration for Children and Families for Tribal Child Care programs, cultural and language preservation programs, tribal child welfare programs, Tribal Head Start, and other native programs.

The 2016 budget proposes a $1.0 billion investment in Indian education to support a comprehensive transformation of BIE. The multi-year process will transform BIE into an organization that serves as a capacity builder and service provider to support Tribes in educating their youth and deliver a world class and culturally appropriate education across Indian Country. The budget provides increases totaling $138.4 million for elementary and secondary school education activities funded by BIE and education construction. The request includes a program increase of $45.5 million in Elementary and Secondary education. An increase of $12.9 million will fully fund Tribal Grant Support Costs which, similar to Contract Support Costs, assists Tribes that run their own schools by covering the costs of administering programs. The Education Program Enhancement program is increased by $10.0 million to encourage creative solutions for school transformations. Requested facility maintenance and operations increases totaling $20.0 million will provide essential preventive and routine maintenance and operating expenses so schools are operated in a safe and educationally conducive manner. The 2016 budget also includes a $34.2 million increase for education information technology to enhance broadband and digital access for students at BIE-funded schools.

The budget requests a $58.7 million increase for Education Construction to support the education transformation. This includes a $25.3 million increase for replacement school construction to complete construction of the final two schools on the 2004 replacement school construction priority list: Little Singer Community School and Cove Day School, both in Arizona. A $17.7 million increase for facilities improvement and repair is requested for repairs to building structures and components necessary to sustain and prolong the useful life of education buildings. Additionally, the budget includes $11.9 million to address major facility replacement needs at schools like the Bug-O-Nay-Ge-Shig school on the Leech Lake Band of the Ojibwe reservation. Lastly, an increase of $3.7 million is requested for employee housing repair which will complement a new $10.0 million set-aside proposed in the Department of Housing and Urban Development to address teacher housing needs.

The 2016 budget also includes increases totaling $7.4 million to meet educational needs beyond the BIE elementary and secondary system. To further higher education, a $4.6 million increase is requested for scholarship and adult education and a $250,000 increase is requested for Special Higher Education Scholarships. Lastly, the 2016 budget includes a $2.6 million increase for the Johnson O'Malley program to provide American Indian and Alaska Native students attending public schools with additional resources to meet their unique and specialized educational needs.

The 2016 budget strongly supports the sustainable stewardship of trust lands, natural resources, and the environment in Indian Country, including the protection and restoration of ecosystems and important landscapes, stewardship of land, water, ocean, and energy resources, resilience in the face of a changing climate, and clean and sustainable energy development. The budget includes program increases totaling $63.2 million for the trust natural resources and real estate services programs. The budget provides a total of $50.4 million, a $40.4 million increase over 2015, proposed across nine natural resource programs, to support tribal communities in sustainable resource management and in preparing and responding to the impacts of climate change, such as drought, wildfires, changes in the plants and animals important to subsistence and culture, rights protection, coastal erosion, and sea level rise.

The budget includes a total increase of $16.2 million for trust real estate service activities to reinforce the stewardship of trust resources. The expanded capacity will address the probate backlog, land title and records processing, geospatial support needs, and database management in addition to providing expanded technical and legal support for authorized settlements involving tribal water rights. The BIA increases for water rights settlements represent a subset of increases totaling $73.0 million across the Department to support resolving tribal water rights claims and ensuring that Tribes have access to use and manage water to meet domestic, economic, cultural, and ecological needs.

Collectively, the 2016 budget proposes a total of $982.7 million in Tribal Priority Allocations, an increase of $56.2 million over the 2015 level.

The 2016 budget request for Indian Land and Water Claim Settlements is $67.7 million, a $32.0 million increase over the 2015 enacted level. Several funding increases demonstrate the Administration's strong commitment to resolve tribal water rights claims to ensure Tribes have access to use and manage water. Funding for the Taos Pueblos Indian Water Rights Settlement is increased by $13.8 million over 2015 for a total funding request of $29.2 million. This funding amount will constitute the final payment of the Taos Pueblo settlement. The Navajo-Gallup Water Supply project is increased by $8.8 million to meet projected 2016 funding needs. The budget proposes a $9.4 million increase for the second year of funding for the Aamodt Settlement enacted as part of the Claims Resolution Act of 2010. The budget also contains increases of $14.1 million to provide expanded technical and legal support for tribal water rights settlement negotiations and implementation.

The 2016 budget for the Indian Guaranteed Loan Program is $7.7 million, equivalent to the 2015 enacted level. This will provide $113.8 million in loan guarantee authority to support Indian economic development.

Departmental Offices and Department-wide Programs – The 2016 request for the Office of the Secretary is $327.9 million, an increase of $62.7 million from the 2015 enacted level. The budget reflects an increase of $50.0 million for Coastal Resilience grants. The Coastal Resilience competitive grants will support the restoration and conservation of key ecological systems that protect communities and infrastructure from the impacts of coastal storms. In collaboration with State, local, and tribal governments, non-governmental organizations, universities, and other stakeholders, the program's goals are to mitigate the impacts of climate change on coastal and inland communities from storm wave velocity, salt water intrusion, erosion, flooding, sea level rise, and associated natural threats; and to strengthen the ecological integrity and functionality of coastal and inland ecosystems to protect communities and enhance the ability of Federal lands to support important recreational, wildlife, and cultural values. The program will also enhance understanding of the impacts of extreme weather events, the benefits of nature based infrastructure and ecosystem services, and identify cost-effective tools that help mitigate and support community resilience with future events. Such information, tools, and investments are of particular interest to vulnerable communities in Arctic Alaska, where villages are suffering the full impact of rapidly accelerating erosion rates and flooding due to loss of protective sea ice and degraded permafrost. As buildings are being claimed by the sea and critical infrastructure is threatened, representatives from Arctic villages and communities in coastal Alaska have repeatedly appealed for this type of support.

The budget proposes an increase of $1.5 million for work with the National Invasive Species Council to develop an Early Detection Rapid Response framework in support of climate resilience efforts. Invasive species pose one of the greatest threats to the ecological, economic and cultural integrity of America's landscapes. Detecting invasive species early and rapidly responding to control their spread is one of the most cost effective strategies to mitigate their threat. The additional funding will support planning efforts for a coordinated invasive species early detection and rapid response framework with other Federal agencies, States, Tribes and other partners. The funds also will be used to implement commitments identified in the Department's Invasive Species Action Plan, the National Invasive Species Council work plan, and the White House Priority Agenda - Enhancing the Climate Resilience of America's Resources report. As with coastal resilience support, Governors and tribal leaders from across the country have appealed for coordination and support for early detection and rapid response efforts, and this was of particular interest to a task force of State, local, and tribal leaders eager to build resilience for their communities and lands.

The budget proposes a $5.9 million and 18 FTE increase to support the Office of Natural Resources Revenue's Osage Tribal accounting activities, to expand ONRR's Geospatial Information Systems capabilities, and to expand on-shore production verification and data integration efforts. The budget for the Office of the Secretary also includes $3.0 million for the development of a Digital Service team, which will be responsible for driving the efficiency and effectiveness of the Department's highest-impact digital services.

The budget request for the Office of Insular Affairs is $103.0 million, an increase of $13.7 million from the 2015 enacted level excluding the Palau Compact Extension funding of $13.1 million. Within this amount, a program increase of $10.4 million is requested in Office of Insular Affairs and General Technical Assistance to increase the grant management staff to improve oversight, and address needs in the insular areas related to sea level rise by supporting development of infrastructure and community resilience initiatives. The Maintenance Assistance Fund request includes a program increase of $3.9 million to improve health and safety conditions in insular school facilities. The budget also requests a program increase of $1.5 million in Empowering Insular Communities to implement energy projects identified by the territories in their comprehensive sustainable energy strategies. Brown Treesnake Control is funded at $3.0 million, a program decrease of $500,000, which reflects completion of an automated aerial bait system in 2015. The budget requests $1.3 million for Compact Impact, a program decrease of $1.7 million from 2015. This funding is supplemented by $30.0 million annually in mandatory Compact Impact funding. The budget includes a mandatory proposal to fund the Palau Compact, as a result it does not include stopgap discretionary funding of $13.1 million provided in the 2015 appropriations process.

The Solicitor's 2016 budget is $69.9 million, $4.1 million above the 2015 enacted level. Maintaining sufficient attorney resources to handle filed litigation, avoid potential litigation, and provide timely counseling is critical to ensuring that litigation risks are minimized. With proactive counseling, decision-makers are provided the opportunity to weigh litigation risks and damages to program management by pursuing one decision over another. Front-end counseling is critical to realizing cost savings by either preventing litigation or narrowing the issues that might be challenged in litigation. The increase for legal services will allow for the continuation of existing services with sufficient resources to provide the Secretary and the Department the necessary legal services for the advancement of priority goals and other mission areas.

The Office of Inspector General request is $52.2 million, an increase of $1.8 million compared to the 2015 enacted level. The 2016 budget includes $423,000 in funding to support the Council of the Inspectors General on Integrity and Efficiency. The Inspector General estimates staffing will equal 286 full time equivalents in 2016.

The Office of the Special Trustee request is $143.0 million, $3.9 million above the 2015 enacted level. The budget includes an increase of $2.8 million in Program Operations and Support. A $1.6 million increase is requested in field operations to provide additional estate planning opportunities to Indian Trust beneficiaries. This will help stem the growth of both land fractionation in Indian Country and the number of Trust beneficiary estates that require probate. A $1.2 million increase is requested in appraisal services for an appraiser training program to address the shortage of qualified appraisers and the resulting delays in completing appraisal evaluations. Lastly, a $1.0 million increase is requested in trust records to expand the records training program at Haskell Indian Nations University, create new records training programs at two additional tribal colleges, and fund the increased requirements related to the Department's e-mail Enterprise Records and Document Management System initiative. The budget also includes a $972,000 reduction in funding for Office of Historical Trust Accounting based on anticipated workload levels.

The 2016 request for the Department-wide Wildland Fire Management program is $805.5 million without the proposed fire cap adjustment, and $1.05 billion including the adjustment. The request includes $268.6 million for fire suppression within the base budget, which is 70 percent of the 10 year suppression average spending. The cap adjustment of $200.0 million would only be used for the most severe fires, since it is one percent of the fires that cause 30 percent of the costs. The new budget framework for Wildland Fire Management eliminates the need for additional funds through the FLAME Act.

The 2016 budget requests $30.0 million in a new Resilient Landscapes subactivity to build on resilient landscapes activities supported by Congress in 2015. Congress provided $10.0 million for resilient landscapes activities in the 2015 Omnibus Appropriations Act by designating that amount within Fuels Management. While fuels treatments and resilient landscapes activities are complementary and synergistic, they also have distinct differences, including the methodology for prioritizing place-based projects and a leveraged funding requirement for resilient landscapes. Establishing a separate subactivity for Resilient Landscapes will assist the Department and Wildland Fire Management bureaus in tracking funds obligated and program accomplishments. The $20.0 million increase in funding will enable the Wildland Fire Management program to take better advantage of the shared goals of bureau resource management programs to treat large landscapes to achieve and maintain fire-adapted ecosystems that both reduce the threat of catastrophic wildfire and achieve restoration and other ecological objectives. The increase for Resilient Landscapes is partially offset with a program realignment of $17.7 million in the Fuels Management program from 2015; total funds for the combined Fuels Management and Resilient Landscapes subactivities are $14.3 million above 2015.

The 2016 request for the Natural Resource Damage Assessment and Restoration program is $9.2 million, an increase of $1.5 million over the 2015 enacted level. The budget includes program increases of $1.5 million for Restoration Support, $233,000 for Program Management, $100,000 for Inland Oil Spill Preparedness, and a program reduction of $448,000 for Damage Assessment reflecting a reallocation of funding to increase restoration activities.

The budget includes $10.0 million for the Central Hazardous Materials Fund, equal to the 2015 enacted level.

The Department's 2015 request for the Working Capital Fund appropriation is $74.5 million, an increase of $17.4 million from the 2015 enacted level. Within this request is $53.9 million for the operation and maintenance of the Financial and Business Management System, an increase of $1.0 million to continue support of the Department's Cultural and Scientific Collections initiative, an increase of $702,000 for the Department's Service First initiative, and an increase of $5.2 million to support Interior's Office Consolidation strategy. The budget also includes an increase of $10.5 million to support Interior's multi-year effort to implement requirements identified under the Digital Accountability and Transparency Act, known as the DATA Act, and monitor compliance.

Legislative Proposals

The 2016 President's budget includes a suite of legislative and offsetting collection proposals affecting spending, revenues, and available budget authority that require action by the Congressional authorizing committees. These proposals address a range of Administration priorities, from investing in high-priority conservation and recreation programs to achieving a fair return to the American taxpayer from the sale of Federal resources and reducing unnecessary spending. The 2016 budget includes seven spending proposals with $15.2 billion in estimated outlays over the next decade. This spending is partially offset by revenue and savings proposals estimated to reduce outlays from the Treasury by more than $5.6 billion over the next decade.

Bureau of Indian Affairs Contract Support Costs – The budget includes a legislative proposal to reclassify the existing Contract Support Costs program from current to mandatory funding beginning in fiscal year 2017. Congress requested that both BIA and the Indian Health Service consult with Tribes to develop a long-term approach to funding contract support costs. The leading tribal recommendation was to provide funding for contract support costs as a mandatory appropriation. Beginning the reclassification in 2017 will allow time for tribal consultation in 2016 on operational details. The budget proposes to adjust the discretionary budget caps to reflect the reclassification. The estimate for projected BIA program growth, above the discretionary cap amount, totals $105.0 million for 2017-2019 and will be treated as a Statutory Pay-As-You-Go Act of 2010 cost for the authorizing legislation. New contract support cost legislative proposals and offsetting collections estimates will be provided on a three-year cycle as part of the reauthorization process.

Coal Abandoned Mine Lands Reform – As part of the Administration's POWER+ Plan, the budget proposes to accelerate payments from a portion of the remaining unappropriated balance of the AML Fund to target the cleanup and redevelopment of AML sites and AML coal mine polluted waters in a manner that facilitates sustainable revitalization in economically depressed coalfield communities. The proposal will provide $1.0 billion over five years to States based on AML program and economic eligibility factors—such as the unemployment rate of coal mining regions—and remaining priority coal problems, including abandoned mine drainage, where reclamation linked to job creating economic development strategies will help revitalize impacted communities.

Gulf of Mexico Energy Security Act – The Gulf of Mexico Energy Security Act of 2006 opened some additional areas in the Gulf of Mexico for offshore oil and gas leasing, while maintaining moratoria on activities east of the Military Mission Line and within certain distances from the coastline of Florida. The Act provides that 37.5 percent of Outer Continental Shelf revenues from certain leases be distributed to just four coastal States—Alabama, Louisiana, Mississippi, and Texas—and their local governments based on a complex allocation formula. Under the Administration's all-of-the-above energy strategy, domestic energy production has grown each year. Offshore, the Department has made 60 million acres available for development in the past three lease sales alone. The Administration is committed to ensuring American taxpayers receive a fair return from the sale of public resources and taxpayers throughout the Country benefit from the development of offshore energy resources owned by all Americans. The Administration proposes to work with the Congress on legislation to redirect funds currently allocated to GOMESA revenue-sharing payments to just four States from Gulf of Mexico oil and gas leases. The Administration proposes to redirect these payments, which are set to expand substantially starting in 2018, to programs that provide broad natural resource, watershed and conservation benefits to the Nation, help the Federal government fulfill its role of being a good neighbor to local communities, and support other national priorities. Such programs could include the Land and Water Conservation Fund, Payments in Lieu of Taxes, State and Tribal Wildlife Grants, Federal coastal restoration and resilience programs, and other national priorities.

United Mineworkers of America Health and Pension Reform – The budget proposes to better provide for retired coal miners and their families by revising the formula for general fund payments to the 1993 UMWA Health Benefit Plan. The new formula will consider all beneficiaries enrolled in the plan as of enactment, as well as those retirees whose health benefits were denied or reduced as the result of a bituminous coal industry bankruptcy proceeding commenced in 2012. Additionally, the proposal will transfer funds through the Pension Benefit Guaranty Corporation to the trustees of the 1974 UMWA Pension Plan to ensure the plan's long-term solvency. The plan, which covers more than 100,000 mineworkers, is underfunded and approaching insolvency. The new formula will provide an additional $363.0 million to the UMWA in 2016 and $3.9 billion over 10 years.

Land and Water Conservation Fund –The budget proposes $900.0 million in current and mandatory funding in 2016, and starting in 2017, the budget proposes permanent authorization of $900.0 million in mandatory funding for LWCF programs in the Departments of the Interior and Agriculture. During a transition to mandatory funding in 2016, the budget proposes $500.0 million for mandatory funding and $400.0 million for current funding, to be shared by Interior and Agriculture.

National Parks and Public Lands Centennial – The Centennial initiative proposes $500.0 million a year for three years or $1.5 billion in mandatory funding beginning in 2016 for the following programs: $100.0 million a year for a National Park Service Centennial Challenge to leverage private donations; $300.0 million a year for addressing NPS deferred maintenance backlogs; and $100.0 million a year for a Public Lands Centennial Fund, which will competitively allocate funds for projects on public lands. Interior's public lands bureaus and Agriculture's Forest Service will identify projects that enhance visitor services and outdoor recreation opportunities, restore lands, repair facilities, and increase energy and water efficiency. The availability of mandatory funding to address deferred maintenance and other conservation projects will allow these agencies to plan ahead more efficiently to achieve significant results. Stable and predictable funding streams will allow projects to be appropriately scheduled and phased for effective project delivery and completion from a capital investment standpoint.

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

Recreation Fee Program – The Department of the Interior proposes to permanently authorize the Federal Lands Recreation Enhancement Act, which will expire September 30, 2016. The program currently brings in an estimated $281 million in recreation fees annually under this authority and uses them to enhance the visitor experience at Interior facilities. In addition, as a short-term alternative to proposed legislation for long-term reauthorization, the budget proposes to extend authorization through September 30, 2017.

Federal Oil and Gas Reforms – The budget includes a package of legislative reforms to bolster and backstop administrative actions being taken to reform the management of Interior's onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources. Proposed statutory and administrative changes fall into three general categories: 1) advancing royalty reforms, 2) encouraging diligent development of oil and gas leases, and 3) improving revenue collection processes. Collectively, these reforms will generate roughly $2.5 billion in net revenue to the Treasury over ten years, of which about $1.7 billion would result from statutory changes. Many States will also benefit from higher Federal revenue sharing payments.

Palau Compact – 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. The 2016 budget assumes authorization of mandatory funding for the Compact occurs in 2015. The cost for this proposal is estimated at $163 million for 2016 through 2024.

Payments in Lieu of Taxes – The Consolidated and Further Continuing Appropriations Act of 2015 provides $372.0 million in current funding and the National Defense Authorization Act for Fiscal Year 2015 provides mandatory funding of $33.0 million in 2015 and $37.0 million in 2016. The 2016 budget proposes to extend authorization of the program an additional year while a sustainable long-term funding solution is developed for the PILT Program. The PILT payments help local governments carry out vital services, such as firefighting and police protection, construction of public schools and roads, and search and rescue operations. The cost of a one-year extension is estimated to be $452.0 million in 2016.

Reclamation of Abandoned Hardrock Mines – To address the legacy of abandoned hardrock mines across the U.S. and hold the hardrock mining industry accountable for past mining practices, the Department will propose legislation to create a parallel Abandoned Mine Lands Program for abandoned hardrock sites. A new AML fee on hardrock production on both public and private lands would generate an estimated $1.8 billion to reclaim the highest priority hardrock abandoned sites on Federal, State, tribal, and private lands.

Reform Hardrock Mining on Federal Lands – Interior will submit a legislative proposal to provide a fair return to the taxpayer from hardrock production on Federal lands. The legislative proposal will 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. The proposal is projected to generate net revenues to the U.S. Treasury of $80 million over ten years, with larger revenues estimated in following years.

Return Coal Abandoned Mine Land Reclamation Fees to Historic Levels – The budget proposes legislation to modify the 2006 amendments to the Surface Mining Control and Reclamation Act, which lowered the per-ton coal fee companies pay into the AML Fund. The proposal would return the current fee of 28 cents per ton of surface mined coal to 35 cents a ton, the same level companies paid prior to the 2006 fee reduction. The additional revenue, estimated at $306 million over ten years, will be used to reclaim high priority abandoned coal mines and reduce a portion of the estimated $4.0 billion needed to address remaining dangerous coal AML sites nationwide.

Termination of AML Payments to Certified States – The budget proposes to discontinue unrestricted payments to States and Tribes certified for completing their coal reclamation work. This proposal terminates all such payments, with estimated savings of approximately $224 million over the next ten years.

Termination of Geothermal Energy Payments to Counties – The Department proposes to repeal Section 224(b) of the Energy Policy Act of 2005 to 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 estimated savings of $4.0 million in 2016 and $47.0 million over ten years.

Bureau of Land Management Foundation – The budget proposes legislation to establish a congressionally chartered National BLM Foundation. This Foundation will provide an opportunity to leverage private funding to support public lands, achieve shared outcomes, and focus public support on the BLM mission.

Migratory Bird Hunting and Conservation Stamp Act – The passage of the Federal Duck Stamp Act of 2014 raised the price of a Duck Stamp for the first time in more than 20 years. To provide greater stability in the future, the budget includes a legislative proposal to provide the Secretary limited authority to increase the price of a Duck Stamp, with the approval of the Migratory Bird Conservation Commission, to keep pace with inflation.

Offsetting Collections and Fees

The budget includes the following proposals to collect or increase various fees, so industry shares some of the cost of Federal permitting and regulatory oversight. The budget also includes a proposal to recover costs from anyone who damages a national wildlife refuge.

New Fee for Onshore Oil and Gas Inspections – Through appropriations language, the Department proposes to implement inspection fees in 2016 for onshore oil and gas activities subject to inspection by BLM. The proposed inspection fees are expected to generate $48.0 million in 2016, $6.9 million more than the 2015 enacted program funding level, thereby expanding the capacity of BLM's oil and gas inspection program. The fees are similar to those already in place for offshore operations and will support Federal efforts to increase production accountability, human safety, and environmental protection.

Grazing Administrative Fee – The 2016 budget proposes a new grazing administrative fee of $2.50 per animal unit month. The BLM proposes to implement this fee through appropriations language on a pilot basis. The provision will generate an estimated $16.5 million in 2016, more than offsetting a decrease of $3.1 million in appropriated funds in the Rangeland Management program. The net increase of $13.4 million in funding will assist BLM in processing backlogged grazing permits. During the period of the pilot, BLM will work to promulgate regulations to continue this cost recovery fee administratively, once the pilot expires.

National Wildlife Refuge Damage Cost Recovery – The budget proposes appropriations language to authorize the Fish and Wildlife Service to pursue and retain recoveries from responsible parties, to be used to restore or replace damaged National Wildlife Refuge resources.

Conclusion

Thank you for the opportunity to testify on the President's 2016 budget request for the Department of the Interior. This budget is responsible, and proposes to maintain core capabilities with targeted investments to advance the stewardship of lands and resources, renewable energy, oil and gas development and reforms, water conservation, youth employment and engagement, and improvements in the quality of life in Indian communities. I thank you again for your continued support of the Department's mission. I look forward to answering questions about this budget. This concludes my written statement.

The CHAIRMAN. Thank you, Secretary. We will now go to a round of questions.

My first question, Madam Secretary, relates to production on Alaska lands. As I mentioned in my opening statement, I am frustrated. I am very frustrated with the delays, the denials, and the restrictions that we continue to see from the Department of the Interior.

When you came before us as a nominee back in March of 2013 you made a specific commitment to me. You said, and I am going to quote you here, that "we are supporting the desire that we discussed to continue to keep the Alaska pipeline full." Do you know where we are in terms of the maximum capacity of the Trans-Alaska pipeline versus what we are seeing go through the line on a daily basis? Are you aware of that?

Secretary JEWELL. Yes, Senator, I am.

The CHAIRMAN. And you are aware that we are less than half full?

Secretary JEWELL. I am aware of that.

The CHAIRMAN. I guess the question is pretty direct. Do you believe the actions we have seen out of the Department of the Interior of late are helping to keep the Alaska pipeline full when NPRA withdrawals have moved forward, when the direction at the end of January to put ANWR into the 10–02 area and 98 percent of ANWR into wilderness area, with indefinite withdrawals in the OCS? Do you think that is consistent with trying to keep the Trans Alaska oil pipeline full?

Secretary JEWELL. Senator, I am fully committed to supporting the efforts in the North Slope of Alaska to keep the Trans Alaska pipeline full. As you know, I worked on that pipeline as a college student. As a petroleum engineer I understand how fields peak and Prudhoe Bay oil field and related oil fields have been past their peak production for some time. I'm aware of that.

We have, as you know, supported development in the National Petroleum Reserve. 72 percent of what is estimated to be the recoverable oil is in areas that are open for leasing. We've doubled the frequency of leasing in the NPRA lands under this Administration, and we have recently approved ConocoPhillips' preferred proposal for drilling in the National Petroleum Reserve.

Offshore, 90 percent of the estimated recoverable oil and gas will be available for leasing in the Beaufort and the Chukchi Seas. We took 25 miles off the table because of whale migration based on a request from native communities. The Hanna Shoal area, which has a handful of validated, existing leases, will remain.

The balance of it we took off the table because it is very, very sensitive ecologically. We took other areas in the Barrows Canyon and off Kaktovik because of village concerns about subsistence, largely whaling.

The CHAIRMAN. But you would recognize——

Secretary JEWELL. So 90 percent is——

The CHAIRMAN. Secretary, particularly as it related to the Hanna Shoal, in terms of consultation, most specifically with the whalers who use that area, they saw no consultation, that is part of their frustration, that areas that are then put into indefinite withdrawal are done so without consultation. It is more than just making leases, available. If access is denied to those leases, it doesn't make any difference whether or not you have sold those leases, it's all about being able to access them.

Let me move to a second question here. This relates to my ongoing frustration on behalf of the people of King Cove. You made the decision to abandon the opportunity for a roughly three hundred to one exchange to facilitate a ten mile, one lane, gravel, non-commercial use road so that that isolated community could gain access to an all weather airport. You made that decision December 23, 2013. Do you know when King Cove saw its most recent Medevac?

Secretary JEWELL. I'm not aware of their most recent Medevac.

The CHAIRMAN. It was Sunday night. Do you know how many Medevacs have been carried out so far in 2015?

Secretary JEWELL. I do not.

The CHAIRMAN. There have been 5 already this year. Do you know how many Medevacs were carried out last year?

Secretary JEWELL. No.

The CHAIRMAN. There were 16, 6 were Coast Guard, and 10 were non-Coast Guard. Do you know how many Medevacs have been carried out since you rejected the road?

Secretary JEWELL. No.

The CHAIRMAN. 21 Medevacs, 7 Coast Guard, 14 non-Coast Guard.

Now as you and I know it is not the Coast Guard's mission to provide Medevac services, but they do it because they are the only ones available to get in. The easiest, most direct way to help save these lives would be this one lane, gravel, non-commercial use, ten mile road that you continue to just ignore.

The question to you is what have you included within this budget to help the people of King Cove? What have you actually done over these past 14 months to fulfill the promise that you made because you said that you've concluded that other methods of transport remain that could be improved to meet community needs. What has been done to help the people?

Secretary JEWELL. I'm over time. May I have a few minutes to answer?

The CHAIRMAN. Please.

Secretary JEWELL. As we've talked, Senator, we have engaged conversations with the Corps of Engineers about alternatives, negotiating a MOU with them. It is, I think, approximately 40 miles between King Cove and Cold Bay if you drive there. It's ten miles through the refuge. The balance is——

The CHAIRMAN. We already have most of that road built.

Secretary JEWELL. And as I have spoken with people in the community, when you and I were both there, it is very difficult in harsh weather conditions to move around that territory, period.

So I have worked with the Corps of Engineers. We're continuing to do that, to look at alternatives such as helicopter services between Cold Bay and the end of the road that is built, as you referenced, because the topography is quite different from the King Cove airport.

We are willing to work with the community on other water-based transportation methods to cover that six miles from the end of that road to Cold Bay. But Senator, to suggest that the Izembek Refuge is the same as other lands, acre for acre, is inaccurate. It is a very unique——

The CHAIRMAN. 300 to 1. Madam Secretary, in all respect, to suggest that you are going to be able to count on the Coast Guard to establish some kind of a base there in Cold Bay to provide for Medevac service is not realistic. It is not rational. The Coast Guard knows that, and you know that.

Fourteen months have now gone by, and we do not have anything in the budget to address it, as you have promised you would do. In the meantime, 21 Medevacs have taken place. 21 Medevacs to pluck people out of harms way. A ten mile, one lane, gravel, noncommercial use road could help save these lives without endangering lives and diverting resources.

We have got to keep working on this, Madam Secretary.

Senator Cantwell.

Secretary JEWELL. Senator, I recognize this issue and also having visited Kivalina, I recognize that this is not a unique situation, that there are many villages that struggle in the case of medical evacuations. I appreciate that it is part of our job to work on that, and I will continue to work with you on that.

The CHAIRMAN. That is true that there are many villages, but there are none, none, have ready access to an all weather airport right there.

Senator CANTWELL. I think we should talk to the Senator who heads up the Appropriations Interior Committee about what we could do.

The CHAIRMAN. I think so.

Senator CANTWELL. I am just pointing out that in 1998 we appropriated $37 million to provide a hovercraft to link King Cove and Cold Bay, so I think that was something that Senator Stevens and the Clinton Administration worked on. Maybe we need to look at something in that area for the future.

I want to turn to this issue that we are seeing in so many Western states. Maybe Deputy Secretary Connor wants to address this issue because I am pretty sure you visited with Congressman Hastings and myself and the then Interior Secretary at the Yakima Basin project. But it does reflect so much of what we are asking people to do. I mean the integrated plan is part of an ongoing water enhancement program through the Bureau of Reclamation.

So my question is what do we need to do to, not only using the resources to implement this plan through the Department of the Interior, but providing adequate levels of funding, not just for projects like the Yakima Basin, but for other areas as well. You could say the same of Klamath. You could say the same of, I'm assuming, California has more than the San Joaquin issue, that there's many of these issues. What do we need to do knowing that we are facing serious drought in these areas?

Mr. CONNOR. Thank you, Senator Cantwell.

You're absolutely right. Yakima is a great model of what we need to be doing from a strategic standpoint of the federal government working closely with the state and all the different constituencies in developing a plan of action to deal with the long term imbalance between water supply and demand in the Yakima Basin.

I think the Bureau of Reclamation's Basin Studies Program which helped fund a lot of the planning activity with respect to Yakima has developed an overall strategy that, when implemented, will benefit the environment, the tribes as well as the large scale agriculture that exists in the basin itself.

As you highlight and hint at it, it's a very expensive plan. I think overall it's $3 to $5 billion over a 30 year period, but over that timeframe, hopefully, and we know the state has stepped up to the plate very significantly in the Yakima Basin with over $100 million that it's appropriated to the effort. Reclamation is increasingly, incrementally, investing more of its resources in addition to, I think, a couple of years ago its long standing Yakima Enhancement Program. It's now funding studies and activity related to a couple of the storage and fish passage projects.

But the bottom line is it's hard to see where the whole sum of the resources are going to come from with respect to Yakima or California or the Colorado River Basin, Middle Rio Grande, all these areas that need a large number of investments. I think it's going to be a combination of states increasing their support for water resources infrastructure. The State of California just recently passed an $8 plus billion bond to invest in water resources infrastructure.

Reclamation has gotten very good support in its budget to increasingly invest in the strategic planning as well as some of the activity that comes out of that plan in the infrastructure investments that need to be occurring, but it's pretty daunting overall. I think Reclamation gets about $1 to $1.1 billion per year. It's got probably a $6 billion plus backlog in its various programs whether it be river restoration activities, new infrastructure, dam repair and rehabilitation that needs to be done, as well as the conservation initiatives that are yielding and leveraging a substantial amount of non-federal dollars. We're making steady progress, but we're not making progress by leaps and bounds.

Senator CANTWELL. Do you think that some of the solutions that are being talked about are positive solutions?

Mr. CONNOR. Oh, absolutely. I think some of the solutions, more and more it's a balanced approach.

Take the Yakima Basin, we're looking at water supply projects. I think the Yakima integrated plan came out of the Black Rock Dam proposal. And looking at it and evaluating the feasibility of whether people could pay for that, it was questionable from a feasibility standpoint. And so the parties went back to the table and have developed a collective set of actions that deal with environmental issues, that deal with fish passage issues, that deal with storage and deal with water delivery. And it's that mix of projects in the Yakima Basin, the Colorado River Basin and California, that are going to be the key to moving forward. You know you're never going to get 100 percent consensus on water issues, but you're going to be able to make progress by bringing a number of people to the table.

Senator CANTWELL. I guess my point is this, what we've seen is a lot of legal cases that people have decided didn't turn out the way they wanted, but a lot of the parties haven't walked away from the table. So I applaud Native Americans in Oregon for saying even though they won in court about their water rights, they're still willing to agree to work together as a community. That's the most positive thing.

Tribal leaders, farmers, everybody is working together. And at the same time we've seen these drastic changes in climate and more drought. I don't think these solutions are the yesterday's solutions. I guess that's the key. Why I asked you about that is because I think some of the ideas that people are putting on the table that farmers and tribal members can agree to are the types of projects we should be supporting.

I know many of my colleagues on this Committee have similar issues in their states, so I hope that we can look at this further.

I know my time is expired, Madam Chair.

The CHAIRMAN. Senator Barrasso.

Senator BARRASSO. Thank you, Madam Chairman.

Madam Secretary, thank you for being with us.

In 2013 you testified that Wyoming is "a good example of a state that is doing an effective job regulating hydraulic fracturing." You testified that Wyoming has "great, sophisticated hydraulic fracturing regulations." Since then Wyoming has only strengthened its hydraulic fracturing regulations. For example, we now require baseline ground water testing before and after hydraulic fracturing takes place. It also requires additional disclosure of hydraulic fracturing fluids.

Now BLM is soon going to issue a final rule for hydraulic fracturing on federal land. I question the need for BLM's role in states like Wyoming which already regulate hydraulic fracturing on federal land.

So my question. Will BLM allow Wyoming and other states to apply for and obtain a variance from its rule so it can avoid duplicating state regulations?

Secretary JEWELL. Thank you, Senator Barrasso. I stand by my comments. Wyoming has done a very good job in providing regulations that are forward thinking, and we've learned from Wyoming as well as some other states.

Our proposed regulations say that if a state's rule is stronger than the proposed federal rule the state's rule will govern. That is, in fact, the case in some elements that you just referenced in Wyoming.

I don't know that there is anything in our proposed rule that is more stringent than Wyoming's rule, so I'll have to look into whether a variance would be even on the table as it relates to Wyoming. I think that we want to provide certainty to industry. We don't want to make the regulations complicated. So if that's something that the state would want us to consider, it's certainly something that I'd ask BLM to look at.

The goal, however, is to provide minimum baseline standards, and many states are not sophisticated like Wyoming. These activities are relatively new. Their regulations have not kept up, if they have them at all. And so for federal and tribal lands we're really looking at baseline standards, learning from folks like you.

Senator BARRASSO. Let me move to the Endangered Species Act. The Endangered Species Act states that you, the Secretary of Interior, shall by regulation determine whether any species is an endangered species or a threatened species. Last year Congress passed the Fiscal Year 2015 Appropriations bill. The bill states that you may not use any funds to write or issue a proposed rule for Greater Sage Grouse. That's what it says.

Last month in a letter to Wyoming Governor Matt Mead, you wrote that the Appropriations bill, "does not affect Fish and Wildlife Service's court-ordered obligation to make a determination by September 30th of 2015 as to whether the Greater Sage Grouse does or doesn't warrant protection under the Endangered Species Act."

So with all due respect I can't make sense of your letter, and I find your plans to ignore federal law troubling. So the question is please explain how you can list the sage grouse without first issuing a rule?

Secretary JEWELL. Thank you, Senator.

I know these are legal nuances that I am learning myself. We are required under court order to make a determination of whether a listing is warranted or not, through the Fish and Wildlife Service. We would not have any funding to prepare a rule so we have to make a determination by court order, but we cannot, if we make a determination that is threatened or endangered and believe me, I hope we won't get there because of the great work that's going on with the states involved in the sage grouse.

But if a listing were warranted the Fish and Wildlife Service could say a listing is warranted, but they could not write a rule that indicates what that means. So we certainly fully intend to comply with the law but it doesn't stop them from making the determination, just writing a rule that says then what?

Senator BARRASSO. So is it your view then that this so called determination would be legally binding?

Secretary JEWELL. You know, I'd have to defer to the solicitors. It's a determination, but the rule is what would determine what happens next. And we are bound by court to make a determination and bound by law to not write a rule.

So I am working very hard to support the state's efforts and the federal government efforts so that a listing is not warranted. So we don't have to call the question on this issue.

Senator BARRASSO. I have a final question on President Obama's so called strategy to reduce methane emissions.

As part of that strategy the BLM plans to issue new regulations for venting and flaring of natural gas on federal land. Absent in the strategy is any effort to actually make it easier to get permits of natural gas gathering lines. Gathering lines are the pipelines which collect and then transport that natural gas from wells to processing plants. They are necessary to reduce the venting and the flaring of natural gas. We've introduced legislation in the past to make it easier to do those sorts of things.

A principle reason why natural gas is vented and flared in the West is the BLM is failing to permit gathering lines in a timely manner. So if just BLM gave the permits for the lines that would reduce the flaring on and off of federal lands, do you know if BLM is trying and doing all it can to expedite the permitting of natural gas gathering lines and what specific steps BLM is taking?

Secretary JEWELL. Yes, Senator. We are very committed to gathering the gas and not to resorting to venting and flaring as is happening.

I am not aware of circumstances where permits have been slowed down by the BLM, but I will say our resources are constrained. We're asked to inspect wells. We're asked to approve permits to drill, and we've had a real challenge in our budget with sufficient resources to do what's expected of us. So I would appreciate any support that you could provide in making the case for why it's important that we resource BLM appropriately because we completely agree that the best thing to do with this natural gas is to gather it and sell it in the market.

Senator BARRASSO. Thank you. Thank you, Madam Secretary.

Thank you, Madam Chairman.

The CHAIRMAN. Senator Hirono.

Senator HIRONO. Thank you, Madam Chair.

Secretary Jewell, I want to thank you for your extraordinary commitment to protecting, in particular, I do represent Hawaii, Hawaii's natural and cultural treasures in the President's budget using the Land and Water Conservation Fund which you highlighted in your testimony and saying that the fund supports 105 projects in 39 states including in Alaska and Hawaii.

Particularly for Hawaii, the Hawaii Volcanoes National Park and the Hakalau Forest National Wildlife Refuge are the number one land acquisition projects for the National Park Service and the U.S. Fish and Wildlife Service in Fiscal Year 2016. This effort has taken us a long time to get to the point where these projects are the top priority ranking, so I want to commend you for working with us over a period of time to get to where we need to get to. I realize that the President's budget calls for full funding of this fund.

I wanted to ask you how important is Congressional action in making sure that the LWCF funds are more consistent because you keep asking for full funding. We keep not giving you full funding. Full funding is about, what is it, about $900 million? And we give you maybe $300 million, $400 million. How important is it for us to provide you with more consistent and better funding over a longer period of time to allow the Department to plan and execute these projects effectively?

Secretary JEWELL. Thank you very much, Senator Hirono.

There's no question that 50 years ago Congress was very visionary when they passed the Land and Water Conservation Fund Act. They recognized that as we drill for oil and gas in federal waters offshore, that there is some impact. And they believed that that impact should go to benefit all states through the LWCF.

Not only does every dollar invested in LWCF provide a very strong return on investment, but we have many willing sellers of land, in holdings within National Parks, access areas so hunters and fishermen can get to the waters or the hunting lines that they have, important areas for conductivity and ecosystems that you referenced like those that you talked about in Hawaii.

This has been used successfully over 40,000 times. It has benefitted 98 percent of the counties in this country, and we think it's a brilliant piece of legislation that has worked well.

So I want to complement many members of the U.S. Senate for their support for reauthorization of the Land and Water Conservation Fund. I appreciate the President including full funding, not just in this budget request, but in the last two. I would hope that given what we know about the impact of oil and gas activities, based on the revenues that we get from the Gulf of Mexico, $14.7 billion in revenues that this Department collected, largely from offshore oil and gas that we could have that permanently go into this fund so that those willing sellers know that they'll have an opportunity to sell that land.

Senator HIRONO. I'm glad that you noted that there are willing sellers, but they're not going to wait forever. So the sooner we move ahead with funding this fund, the better off we will be.

I want to get to the issue of compact migrants and our compact agreements. Hawaii is the state that is most impacted by the three compacts of free association that the United States has entered into with Palau, the Marshall Islands and the Federated States of Micronesia. Our state is tremendously impacted by the compact migrants in terms of our health care, education and housing needs.

With regard to Palau, however, I am aware that we are to provide some $17 million to Palau over the next ten years to effect, keep our part of the bargain with Palau. I know that the Interior Department has come up with some $8 million on a yearly basis, but how are you doing in getting the other Departments, who have been part of the compact, particularly with Palau, in coming up with the full $17 million over the next ten years? And I'm talking about the Department of Defense and State Department.

Secretary JEWELL. Thank you, Senator Hirono.

Compact impacts are very significant, as you point out. Hawaii and Guam have the biggest hits. We're limited to $30 million, and we'd like to see that cap raised.

The President's budget requests mandatory funding for the compact impact and requests that you consider raising that cap because it is a huge impact on Hawaii, Guam and FSM, Federated States of Micronesia, to deal with this.

As far as Palau is concerned, yes, we want to work collectively with the Department of Defense and the State Department. We need your support for a solution from a funding standpoint to the Palau compact. I know that there have been various funding sources considered by this body. Helium was one of them. We sent that to other places including legacy well clean up.

We request your support in getting funding to address our government's obligations to Palau. I don't have a lot of influence with the Department of Defense and the State Department, but it's certainly on their radar and on mine and we would appreciate your help in moving that forward.

Senator HIRONO. Thank you very much.

Madam Chair, I just want to say that for a nation like ours to not meet our obligations to a small entity such as Palau that amounts to only $17 million a year is really, in my view, unconsciousable and we should move forward with that funding.

Thank you.

Secretary JEWELL. We agree. Thank you.

The CHAIRMAN. Senator Hirono, thank you for bringing that up. This is something that we do need to find a resolution for, and it has been somewhat discouraging to me that State Department and the Defense Department have been very uncreative in trying to find some solutions. So we'll work on that.

Senator Cassidy.

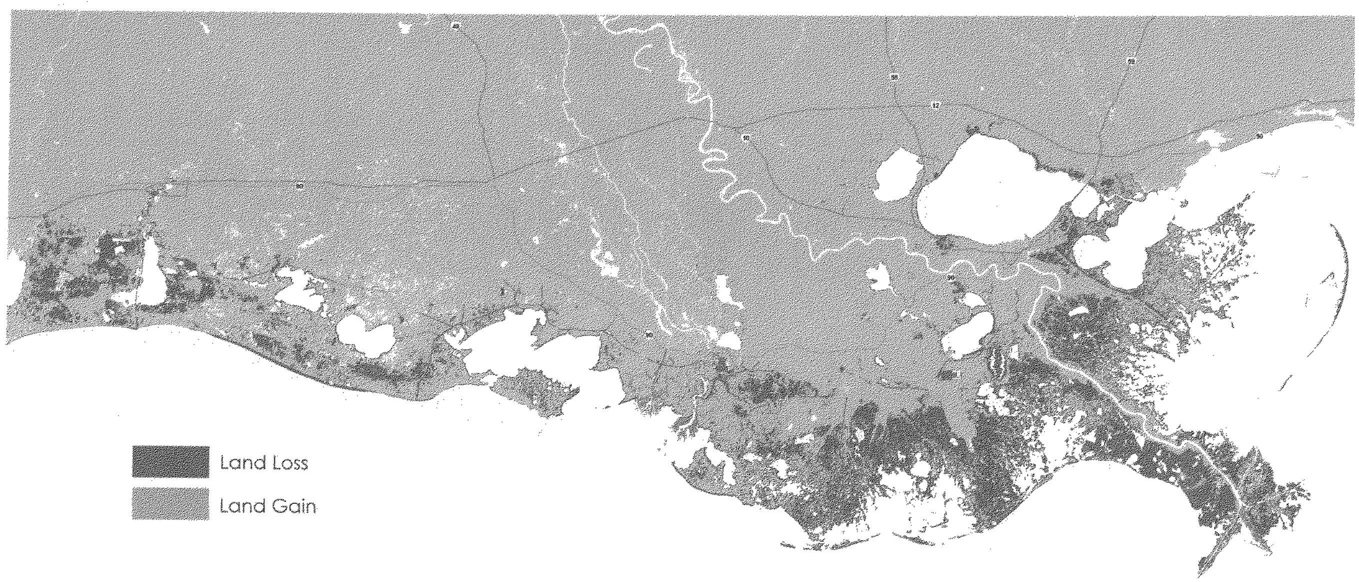
Senator CASSIDY. Thank you.

Secretary Jewell, I'll begin with a statement. I am incredibly, I cannot put enough hyperbole in front of this, opposed to the Department's budget proposal to deprive the Gulf Coast states of the revenue promised under the Gulf of Mexico Security Act. Monies by our state constitution we receive go to mitigate damage caused by federal mismanagement of our wetlands.

Now in Louisiana we are experiencing unparalleled loss of land.

[The information referred to follows:]

Historic Land Change in Coastal Louisiana
1932- 2010



Historic Land-Water Change from 1932-2010 | Couvillion et al (USGS), 2011

Senator CASSIDY. This red area is what we are losing. Down here, this results from channeling, levying the lower Mississippi for the benefit of commerce for the rest of the country.

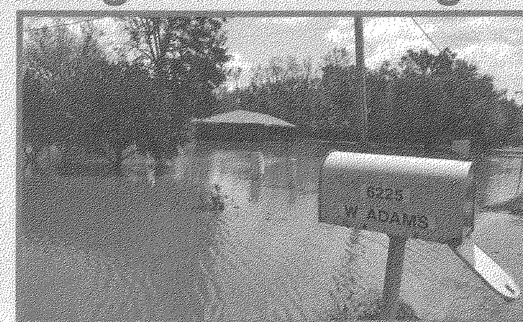
Now this has taken a once growing, delta plain and it's caused the greatest source of wetlands lost in the history of our country. We were told ten years ago, bipartisan, that we could count on a portion of oil revenue to restore this coastline.

Can I see the next chart, please?

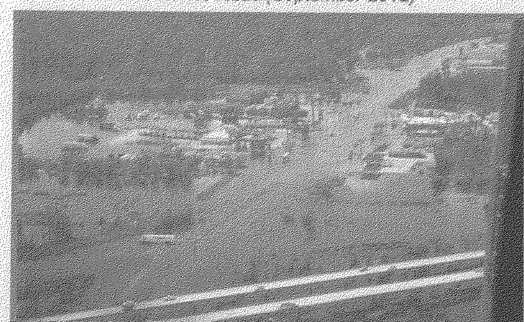
[The information referred to follows:]

Hurricane Isaac Flooding — Tidal Surge

Madisonville, LA (St. Tammany)
Hurricane Issac (September 2012)



Scarsdale, LA (Plaquemines)
(September 6, 2012)



LaPlace (St. John the Baptist)
(September 1, 2012)

Scarsdale, LA (Plaquemines)
(September 1, 2012)

Senator CASSIDY. And what is at stake? This is a result of that coastal loss. Placquemines Parish where, I'll hold this up now, Placquemines Parish, which has lost this much land, now can no longer protect itself with wetlands from that surge. In the upper corner is the FEMA director looking at the flooded area in St. Tammany Parish. This all is Placquemines Parish.

Those are working families. Working in industry that literally fuels the rest of our country. They're relying upon this revenue to rebuild this land so that they can continue to live there.

Now over the last three years, I'm going to point out, the Federal Government has taken in $22.3 billion from leases in this area, and the four Gulf Coast states most affected by this have received $4 million, 0.2 percent. Now frankly, I don't know how the Administration has gotten at this goal.

I will point out that the Gulf Coast states and the offshore waters have over the last few decades produced billions of barrels of oil, trillions of cubic feet, but with that there is a cost associated, and for us to support this infrastructure we need to rebuild our coastline.

To speak of the infrastructure ignores the individual family that just lost everything. The Obama Administration's goal to take this away reminds me of a quote from Joseph Heller, "Mankind is resilient. The atrocities that horrified us a week ago become acceptable tomorrow."

Hmmm. If way back when, when this was channeled we had known that these homes would be destroyed because of that land loss maybe we wouldn't have done it. Now it becomes acceptable to take that money away and to allow these families to continue to be adversely affected.

By the way, it's not just an irate Senator. Let me read a quote put out jointly from the Environmental Defense Fund, National Wildlife Federation, National Audubon Society and the Lake Pontchartrain Basin Foundation, "They are disappointed by the budget's proposed version of critically needed and currently dedicated funding for coastal Louisiana in the Mississippi River delta. This proposed budget undercuts the Administration's previous commitments to restore critical economic infrastructure and ecosystems in the Mississippi River delta where we are losing 16 square miles of critical wetlands every year, a preventable coastal erosion crisis." These are the environmentalists.

When I go back to Louisiana, in fact there's a headline recently I read, "Does President Obama hate Louisiana?" If you are this person in that home, that is a question you are asking when the money we were going to use to build back the wetlands is being taken away.

Now, in that is a question. Don't you care about these families? It doesn't appear that you do. Your thoughts?

Secretary JEWELL. Thank you, Senator. Of course I care about those families, as I do about many families in coastal communities that are experiencing dramatic impacts.

The President's proposed budget says we should revisit the revenues from federal waters, offshore, beyond state waters for the benefit of all American people.

Senator CASSIDY. Revisit means take it away from the coastline that will be rebuilt. Let me go back to the other quote. “Mankind is resilient. An atrocity a week ago is acceptable now.” This is an environmental atrocity, and now you’re saying let’s revisit.

I can tell you these families don’t think he cares. And why should they? Maybe that should be my question? Why should these families think he cares about them?

Secretary JEWELL. Madam Chairman, may I respond?

The CHAIRMAN. Yes, ma’am.

Secretary JEWELL. Sir, we are balancing the assets of all Americans, and they can be for the benefit of Americans that are greatly impacted. We do have billions of dollars going into Gulf Coast restoration, as you know, in large measure because of the very unfortunate oil spill.

Senator CASSIDY. That is an unrelated incident. That was Macondo which also goes to Florida. That is unrelated from this 40, no 80-year process. Totally unrelated.

Secretary JEWELL. And if I may, sir, I’ve seen where MR–GO, which stands for Mississippi River Gulf, something or other, when it was closed by the Corps of Engineers the beaches began to accrete. And I saw that when I was down there with the Chandeleur Islands and so on.

Senator CASSIDY. So here is that green. And this is MR–GO. That is not at all adequate for that.

Secretary JEWELL. Understand that, sir. My point is that what has happened there has taken many years and it has been the result, largely, of how we have channelized the Mississippi River as you brought out in your comments.

We certainly support Gulf Coast restoration. We’re working on Gulf Coast restoration. This is a proposal by the Administration for consideration about whether the revenues from the Outer Continental Shelf that are national assets should be focused on four states or should be broader applied. And certainly——

Senator CASSIDY. We are over time, so let me just conclude with this. Thank you for your indulgence.

I will point out that the last three years all the states have received $22 billion and the four Gulf Coast states, $4 million. Now we are talking about $375 million out of $22 billion. It doesn’t seem much to ask.

Thank you. I yield back.

The CHAIRMAN. Senator King.

Senator KING. Thank you, Madam Chair.

To the Senator from Louisiana, I can assure you that this is very important to all of us in the country. I have good friends, environmental friends and family in Louisiana, I know that the loss of coast down there is an extremely serious problem, and I appreciate your raising that issue.

Madam Secretary, just to get back to the budget for a minute. How does this budget line up with the sequester and with the 2011 budget caps?

Secretary JEWELL. I’m actually going to ask Mike to take that as we’ve gone back and forth on who answers what.

Senator KING. Thank you.

Secretary JEWELL. Mike.

Mr. CONNOR. Senator, yes, the budget would reverse the sequester. It would undo the sequester, and I think that's the fundamental aspect of what the President is looking for.

We certainly have, since the 2013 agreement on the budget, this economy has started to rebuild, restore and grow very significantly. We do not want to go back to sequester. We think that the assuredness of the budget and the investments, strategically, that we can make will keep the economy growing very strong. From that standpoint the President has proposed a budget that would eliminate sequester and help us move forward.

Senator KING. So it would meet the original 2011 budget caps, but not the sequester budget cap. Is that correct?

There were budget caps and then there was a sequester that brought it below. Do you know if it meets——

Mr. CONNOR. So it undoes the sequester. I'm not sure with respect to the budget caps. Yeah, nominally the budget caps will be lower than 2011 still.

Senator KING. Okay. Thank you. To go from the broad to the specific.

Madam Secretary, we had an experience a year or so ago at Acadia National Park in Maine, one of the gems of the National Park system, which in fact is also 100 years old next year. There was a concession which had been held by a local company for 80 years that was put out to bid under Congressional action. What was surprising to me was that apparently the bid result was strictly a matter of lower price and past performance and record of performance and local impact and those kinds of things didn't count.

We had a meeting with your staff and discussed this, and to my surprise they said, "yes, that's right. That's the way we read it."

Are there plans to revisit that process because it worries me that a small company is always going to be at a disadvantage to a large national company who has full time bid design people as opposed to people with local knowledge and again, with a high level of performance. Shouldn't that be a factor in deciding?

When I go to buy a car I just don't look at the price. I look at the quality and the past performance of that automobile. Should not that be part of the process in awarding these contracts?

Secretary JEWELL. Senator, I'm not intimately familiar with the contracting there. I know you've talked to the Park Service about it, and I will say that, as I've looked into the concession contracts, there have been requirements placed on the Park Service on what they can and can't do with concessioners that are quite frustrating in terms of what they owe the concessioners over time to change out the contracts.

It does not work the way it might if one was running a business, and part of that has to do with the restrictions that are placed on the Park Service in that regard.

Senator KING. Restrictions placed by Congress?

Secretary JEWELL. Yes, I believe so.

Senator KING. If there are such restrictions that you find frustrating, please let us know and we'll try to fix them.

Secretary JEWELL. Okay.

Senator KING. I think this is a place where we can, perhaps, work together.

Secretary JEWELL. Will do.

Senator KING. A second point about parks and I don't know how many I've visited, but a great number. I note in your opening statement that your Department is essentially self-funded. You collect $13.8 billion in fees and you're proposing a budget of $13.2 billion, I think.

I believe there's a lot of money left on the table in terms of collection of fees at parks. For example, at Acadia it's very difficult for local merchants to sell park passes. I may be wrong, but I believe it's impossible to buy park passes online. We've actually had visitors say we'd like to pay but we don't know where or how.

I would hope and urge you to have the Park Service visit the whole question of fees, how they're collected, bring it into the 21st century in terms of online sales, swipe cards at access points, because it would be a shame to be cutting park service and not doing maintenance if in fact you've got customers, if you will, who aren't paying and perhaps would even like to be paying.

Secretary JEWELL. Well, I'll just quickly say that the Director of the Park Service has revisited the fees charged in a number of parks. They've been static for quite a number of years, and he has proposed some fee increases that are being considered right now.

Senator KING. Well, let the record show I'm not necessarily recommending fee increases.

Secretary JEWELL. I understand.

Senator KING. I'm brave, but I'm not stupid. [Laughter.]

I am suggesting methodology for collecting fees, because my impression from working with these issues is there are a lot of fees that are already in place that aren't being collected.

Secretary JEWELL. Hmmm.

Senator KING. I've had merchants and we've had visitors staying at our inn who say I want to pay to visit Acadia, but I don't know how or where. So I'm talking about the mechanics of collection.

Secretary JEWELL. Okay.

Senator KING. Rather than the level. If you're leaving 20 percent of the money on the table, it may be that the level isn't as relevant as how it's collected. I've got several other questions.

Secretary JEWELL. Please.

Senator KING. Which I'll submit for the record. Thank you, Madam Chair. Thank you, Madam Secretary.

Secretary JEWELL. Thank you.

The CHAIRMAN. Thank you.

Senator Portman.

Senator PORTMAN. Thank you, Madam Chair.

I'll continue on this parks discussion. I appreciate what Senator King from Maine was talking about in terms of enhancing some of the opportunities to get some more money into the parks to help with some of the clear issues you've identified in your budget.

I want to back up though and talk a little about the Centennial Challenge and some of the initiatives there.

As you know, Madam Secretary, I have been working with you on this. We have talked a lot about how, in 2016, the 100th anniversary of the park, we could do some exciting things to try to generate more interest in the parks and also to deal with some of the budget challenges.

In 2007 when I was at the Office of Management and Budget we launched this Centennial Challenge, we called it, where you get the private sector more engaged with the parks. I think your former company was part of that. It seems to make so much sense to me. Basically you provide a federal match to be able to leverage private sector dollars.

We had hoped to raise $100 million per year over a ten year period. Substantial funding that would go toward some of these maintenance backlogs and other issues. That was never realized, never passed Congress. I'm pleased to see in your budget that you all are again proposing something like this.

I guess my question to you is if you could explain briefly to the group here why you think this mandatory federal funding is important to incentivize non-federal partners. Maybe you could include some of your experience in the private sector?

Secretary JEWELL. Thanks, Senator Portman, and thanks for your commitment to the National Parks.

I did actually work with my predecessor, Secretary Kempthorne, on this trying to encourage Congress to pass the Centennial Act. The National Park Service is arguably the most recognized and valued brand within the Federal Government, and certainly a place where people are very, very interested in providing support. Research has shown that there is a tremendous interest in private philanthropy.

We also know, and I've done a lot of fundraising myself, that a match is a great incentive to get people to give, sometimes two, three, four, five times the amount, showing that we're putting our money up and the individuals will do so too. The budget has in the Discretionary part, $50 million for a match and an additional $100 million in the Mandatory proposal. We are confident that with a match we can multiply that to several times over.

I think that there are parts of the Park Service where people will want to give private philanthropy and other areas like some of the deferred maintenance which are probably going to be less conducive to that. So our budget focuses our resources on those that are less accessible to fundraising like the deferred maintenance and would concentrate those matching funds on areas like Gettysburg would be a good example where private philanthropists have stepped up to help. And we've seen that here in Washington, DC as well.

Senator PORTMAN. It's a real exciting opportunity. I think, on a bipartisan basis, this Committee would be very interested in working with you on that.

I am very concerned about the backlog and some of the deferred maintenance you talk about. It's a real problem that many of the parks, including Cuyahoga National Park and Cuyahoga Valley National Park in Ohio.

Secretary JEWELL. Yes.

Senator PORTMAN. Which is, by the way, one of the top ten visited parks in the country and we're very proud of that.

My question to you is how do you square this backlog and the problems we have with just funding what we have with the fact that you all continue to promote more workload for the National

Park Service by expanding the areas of responsibility and proposing more stewardship?

Secretary JEWELL. Yeah. Well, this budget proposes, really has a proposal, that over ten years would clear up the maintenance backlog on the facilities on our highest priority assets, those that are going to see the most visitors, those that are in the most difficult condition. For example, the Many Glaciers Hotel which is a very popular attraction in Glacier National Park still has knob and tube wiring which is actually not safe.

So, we have in this budget a proposal to make progress over ten years on cleaning all that up. About half of our backlog is in roads. We require Department of Transportation funding for that. The other half, this will address the highest priority assets and give us a good shot in that centennial year of the highest of the high priorities and dealing with them.

So it is a path forward because we recognize that we have not kept up, the budget has not kept up with the need.

Senator PORTMAN. I would say also your transportation budget does not provide adequate funding for the roads and the bridges and the other infrastructure you all need because a lot of it is transportation infrastructure. I hope you pushed for that.

Secretary JEWELL. We do.

Senator PORTMAN. Those efficiency people at OMB who told you no. You've got to continue to push for that, and I'm very disappointed in the Transportation budget not having more.

Let me just ask you a question. Let's say that somebody in Cleveland, Ohio wants to make a contribution to the Cuyahoga Valley National Park to improve a facility. Let's say to add a new roof to a building. There are situations like that right now at all of our parks.

How can they do that? Under the current Centennial Challenge can they assure that the money that they give to the park is going to go to fix that roof?

Secretary JEWELL. Yes, we can do that, and we do it through the National Park Foundation or if the Cuyahoga Valley has its own friends group, they can go through that mechanism as well.

Senator PORTMAN. They do have a great friends group, one of the best in the country. In fact the woman in charge that is head of the national group and has been. But how can they do it through the Park Service?

Secretary JEWELL. I'm not exactly sure of the mechanics.

Senator PORTMAN. I don't think they can.

Secretary JEWELL. You don't think so? Okay, I'll look into that.

Senator PORTMAN. I think that's something that we should work on as part of the Centennial.

I'm already over time, but I would like to issue, if I could, some questions for the record with regard to the permitting process. I think this is an area where we have a great opportunity to do some work on a bipartisan basis.

Again, Senator King and I and others have introduced legislation on this, and let me just put a concern on the table and that is how we are dealing with this issue of the Northern Long-Eared Bat. In particular your folks at U.S. Fish and Wildlife, who are proposing to list the bat as endangered and what that would mean for commercial activity. It has nothing to do with the issues with the bat. So we'd like to work with you on that. I'm very concerned about it.

Secretary JEWELL. May I answer that, just very briefly?

It looks like the likelihood of the threatened listing and the Fish and Wildlife Service has proposed a very broad sweeping 4(d) rule which would enable a lot of the same kind of economic activities to go forward if that's the case. So that's where we are with it. We recognize white nose syndrome is the biggest issue.

Senator PORTMAN. White nose syndrome is the issue. It's not development or commercial activity.

Secretary JEWELL. Right.

Senator PORTMAN. And by the way it's not broad enough to encompass what people care about a lot in Eastern Ohio which is oil and gas development as well as some other commercial activity. So we need to broaden that.

Secretary JEWELL. Okay.

Thank you.

The CHAIRMAN. Senator Heinrich.

Senator HEINRICH. Thank you, Madam Chair.

I want to thank you, Secretary Jewell, for your leadership around the issue here at the beginning around the Arctic National Wildlife Refuge. In my view there are many places in our federal estate where oil and gas development are the highest and best use of our federal lands. I believe wildlife refuges are not among them.

I want to thank you for recognizing that unique wilderness resource that, frankly, belongs to every American.

We've got two new National Park Service units in my home state of New Mexico that passed in the last public lands bill, and the local communities that host these new units are incredibly excited to see these places finally come to fruition after, literally, decades of advocacy.

At one of those, the Valles Caldera National Preserve, management is moving from an unsuccessful, experimental model to a more traditional national preserve model under Park Service management. What drove that was really a lack of adequate public access and recreational opportunities under the previous arrangement. But the preserve has a very strong, scientifically driven, resource management program that the delegation, certainly myself, feel must continue under the new management model. In particular, the preserve has been a key partner in a collaborative forest landscape restoration project in the Jemez Mountains designed to reduce the risk of catastrophic fire and to restore forest health after many years of relatively irresponsible high grade logging that occurred years ago when this land was actually private.

Adjacent land managers, including several tribes and the Department of Energy, have a big stake in making sure that the preserve doesn't present a fire threat to its neighbors. As management transitions to the Park Service I want to know that we can count on this critical restoration work continuing and wanted to ask the Park Service, in particular, if the Park Service can continue to work with the preserve's existing partners, including neighboring tribes, to finish this important forest health project.

Secretary JEWELL. I'll certainly ask the team to take that into consideration. I think when there's really good restoration work going on the ground we have a lot to learn from it. I do know budget wise it's a bit squeezed as a lot of things are so we need to make sure we've got a source of funding.

Senator HEINRICH. Absolutely. There is a source of funding. We saw this transition coming, so there is legislative authority. It is largely an administrative issue of making sure that this moves forward.

There is funding there, and there is legislative authority that Senator Udall led the effort on last year in the budget. So we look forward to working with you on this project. It's absolutely critical.

It's unusual in the fact that you have a comingling of management between the Department of Agriculture and Interior as this transition occurs.

Secretary JEWELL. They've been working closely with us on this transition, so we look forward to working with you on that.

Senator HEINRICH. I want to go back to the backlog that Senator Portman mentioned.

We hear a lot about the backlog of maintenance on our public lands and especially our national parks. Some even claim that we shouldn't protect new places like the Valles Caldera or the Manhattan Project National Historic Park because of the backlog.

One of the things I wanted to point out was that oftentimes that deferred maintenance doesn't come out or shouldn't come out of the Interior Department budget or even the Forest Service budget, but is actually related to the Department of Transportation backlog and transportation backlog that is shared between the Department of Transportation at the federal level and then state and local responsibilities for transportation ways that just happen to be on Park Service real estate.

Can you talk a little bit about what proportion of the Park Service backlog is actually a transportation issue that needs funding through the Highway bill and other responsibilities other than your budget?

Secretary JEWELL. We have, in the Park Service, an $11.2 billion backlog, that's billion with a B. $5.9 billion is the deferred maintenance of the facilities that we're responsible for and $5.6 billion is transportation. So just slightly less than 50 percent.

Senator HEINRICH. So just under half of that is actually not the responsibility of the Department of the Interior?

Secretary JEWELL. That's correct.

Senator HEINRICH. Okay, thank you.

I am going to leave you with one last issue and that is in recent years I have seen sort of a troubling dynamic where Congress refuses to provide your agencies with the resources they need to manage our public lands. And then when those lands deteriorate because of lack of funding and management, Congress accuses the agency's mismanagement and claims that the states could then do a better job. In fact, I believe that we, in Congress, need to do a much better job of providing the resources necessary to manage these lands so that they are healthy and can make a positive and sustainable contribution to the entire American economy.

Would the President's budget provide the Department with the resources it needs to begin to address the broader maintenance backlog?

Secretary JEWELL. Do I have time to answer?

The CHAIRMAN. Go ahead.

Secretary JEWELL. Certainly with the National Park Centennial we have focused a lot of our energy around the National Parks and addressing that maintenance backlog. There is a small amount in the mandatory portion of the Centennial budget that proposes support for the backlog on other public lands, BLM, for example and the Fish and Wildlife Service.

These public assets, as you point out, are in many cases the opportunity that people have to breathe and to experience the best of the best of what this country is known for in the natural world and also our history and our culture. So it's not a budget that fixes all the problems. It's a budget that is a step in that direction, and I really appreciate your support on that.

I will say that it is frustrating. I know many, many hard working people that are dedicated public servants who are working on our maintenance, who are working in interpretation and science and law enforcement.

I met somebody out at Catoctin Mountain Parks which is where Camp David is, who was a law enforcement ranger, who was cleaning the toilets and actually repairing part of the visitor center. And that's where we find ourselves. I won't say this budget helps—addresses that completely, but it certainly is a step in the right direction.

Thank you.

The CHAIRMAN. Let's go to Senator Gardner.

Senator GARDNER. Thank you, Madam Secretary, for your time today.

As we talk about the National Park Service's Centennial next year I'm excited too, about the centennial celebration this year of Rocky Mountain National Park. I'll be introducing a resolution to celebrate and commemorate the incredible, incredible grandeur of Rocky Mountain National Park. Certainly we would invite you and hope that we'll be able to work together over the coming months to celebrate the centennial of Rocky Mountain National Park together and we look forward to that.

I wanted to talk a little bit about the Arkansas Valley conduits, a project in Southeastern Colorado first authorized in 1962 under President Kennedy. The project will serve more than 40 rural, economically depressed communities in my state. Congress passed legislation in 2009 to provide a funding mechanism to fully repay the cost of the project, and an extensive NEPA process has already been completed.

Early stages of mapping, design and other reconstruction activities are underway as well, and local negotiations have led to a significant amount of savings by optimizing existing treatment facilities as the project moves forward. But this year the Administration's budget request was only $500,000 and in 2012 President Obama actually went to Southeastern Colorado in Pueblo, Colorado where the project originates and stated that the Arkansas Valley conduit would be built. He said it will be built.

Can you help me understand why is the request only $500,000? What has happened? And is this project receiving the kind of priority that it should in order to be completed?

Secretary JEWELL. On issues like this I turn to the expert for the Department. That's Mike Connor, Deputy Secretary. Mike.

Mr. CONNOR. Senator Gardner, I've had the opportunity to work very closely with your constituents as a staff member on this Committee when we passed the legislation as well as running the Bureau of Reclamation and getting the record of decision and the NEPA work done associated with that.

It's a very important project. I understand the water supply and water quality concerns that your constituents have. The bottom line is right now we're trying to plan for a phased in development of this project, and it's tough given the constrained resources that we have.

Overall, after getting the NEPA and the record of decision down we focused on completing the feasibility work that needs to be accomplished. I think overall we're looking at this in bite sized pieces. I think that work is going to take about $5 to $6 million. We managed to, last year, transfer an additional $2 million on top of our $500,000 budget request to try and accelerate work along those lines. But the bottom line is we are in a constrained resource environment. Given the importance of that project we will look continually to—within the budget and when we can move funds over there, given the priority. I think this is the second time we did it now in 2014, we'll move those resources over.

Try and develop then the strategy that I think we've been talking about with the stakeholders there which is we're going to have a hard time funding the construction. We need to get them to the point where we can evaluate all the options and that's completing the feasibility work. The State of Colorado, I think, has offered a loan which we're thinking may be sufficient to initiate construction activity. We're in a dialogue now within the Administration and with your stakeholders looking at other federal programs, quite frankly, and see if we can't, particularly given the water quality concerns, if we can't make use of some EPA resources, Department of Commerce resources that can go for water infrastructure.

We will continue to work along those lines and try and put a patchwork of funding opportunities together with local resources that we can move forward.

Senator GARDNER. We'd love to continue our conversation on this. As you know it's a Reclamation project and so I know there's been talk about cobbling funding together from Commerce and EPA and others, but I mean, again, this is and has been for 50 years a Reclamation project. And we'd like to continue our work together on this.

Shifting now to the sage grouse. The potential sage grouse listing in December would have significant effects on agriculture, energy, and recreation in Colorado, if it were to move forward. We need to balance the needs of our economy, the needs of our environment. The State Conservation and Management plans, if given the chance to succeed, I believe, will be best to protect the species. We've seen in Wyoming where they have stabilized, if not grown populations.

What do you believe needs to be achieved in order to allow states to implement their plans for a period of time in order for them to determine that they are best at protecting the wildlife within their borders?

Secretary JEWELL. Well, thank you, Senator.

What's happening with the Greater Sage Grouse across 11 Western states, particularly the core six or seven states is unprecedented in the history, really of, the landscape management, states working alongside federal partners. The reality is it's different state by state, and so no one size fits all which is what makes it complicated.

The State of Wyoming has been doing this for ten years, and they have shown a path forward that has been very helpful for other states.

In the State of Nevada, 87 percent of their land is in federal/public ownership so it's our plans that are going to dictate the health of the sage grouse there and rangeland fire is the most important thing there.

We are trying to strike the right balance every place we are with the federal plans, the state plans and the science to make sure that we're doing everything we can so that a listing of the species is not warranted.

The Fish and Wildlife Service will need to have something they can rely on. In many states we have executive actions that the governors have taken that provides that assurance. I've had a secretarial order on rangeland fire that provides additional assurance to the Fish and Wildlife Service for those areas in the Great Basin where fire is an issue.

Our goal is to provide a clear path forward so that grazing and ranching and oil and gas activities can continue but continue in a really smart way where we know where the most critical habitat is and we know how to protect it. So unprecedented effort that's happening and Governors Hickenlooper and Mead co-chair the Sage Grouse Task Force of Governors. We are at work doing everything we can with them to reassure the Fish and Wildlife Service that the bird will be protected.

Senator GARDNER. Obviously we have a number of questions on this. If I could indulge just one more question then I have a number of others. Is that alright, Madam Chair?

The CHAIRMAN. Alright.

Senator GARDNER. No, okay?

The CHAIRMAN. Very briefly.

Senator GARDNER. No problem. We'll just—I'll just pass. I have some other questions we'll follow up with you on.

Secretary JEWELL. Okay. Sounds good.

Senator GARDNER. Thank you.

The CHAIRMAN. I appreciate it.

Senator Franken.

Senator FRANKEN. Thank you, Madam Chair.

Secretary Jewell, thank you for visiting the Bug-O–Nay-Ge-Shig School up at Leech Lake. As you know from before the time you were nominated, I've been raising the alarm about this school. I talk to you about it pretty much every chance I get. Thank you for going up there. What did you see at the Bug School?

Secretary JEWELL. I saw a facility that should not be a school. I saw a facility that was converted from other uses with inadequate sanitation, small hallways, inadequate heating systems and a school that did not convey a sense of support to the students who were there.

I also saw committed teachers. I saw a school that wants to retain the cultural identity of the tribe and nurture that. I saw their use of the great outdoors, frankly, to do that because I was there when the weather was good.

But this is not a school that I'm proud of or you're proud of. It's indicative of the one-third of all schools overseen by the Bureau of Indian Education that are in poor condition. I want to fix it over the long term. I want to fix the Bug School and the rest of them, and we've got a strong commitment in our budget to get on that to——

Senator FRANKEN. Well you have a $59 billion increase for Indian school production in the FY'16 budget. That's improvement. It's just that it's not enough. I'm glad you went there, and I thank you again for doing that. This is just unacceptable.

Our native children have so many challenges that face them. If anything we should be giving them better schools than—well, we certainly should be giving them better schools than that.

Secretary JEWELL. Yeah.

Senator FRANKEN. I want to ask you——it will take about $25 million to rebuild the Bug School. What does the increase in the Indian School Construction Funding mean for the Bug School?

Secretary JEWELL. So, the short answer is we have several schools remaining on the 2004, so that's now by the time we get to this budget, going to be 12 years old, that are prioritized. After that we are completely redoing the priority. I am confident the Bug School will be on the list of priority schools for addressing.

We're working on a set of objective criteria that is being refined right now. I don't have that list, but we expect to have it sometime along the middle of the year which will prioritize those and put in place a plan to really begin to address these over time. It's going to take a long term commitment on the part of Congress and a long term commitment on our part to address these challenges.

But having seen the Bug School, you know, it's in bad shape. It needs to be replaced. I will tell you that I've seen other schools that are in equally bad shape. It just breaks my heart that around the country this is what we do in supporting an Indian education.

The prioritized list will be coming out in the middle of the year. We'll make sure that you know where that particular school is on the list, and there is a good chance in this budget that there will be planning and design dollars for a number of those schools that are on the highest priority list so that we can move them forward very quickly.

We're learning from the Department of Defense, Education, Organization or DoDEA because they had a similar situation. They have a pathway forward that over a decade or so their schools will be brought up to speed, and we've hired the person that did that on our team here to do the same kind of long term game plan for Indian schools.

Senator FRANKEN. Thank you.

Secretary JEWELL. Thank you.

Senator FRANKEN. One of the other things I've talked to you about is Lewis and Clark. The funding levels for rural water projects in the Bureau of Reclamation has been a frustration also for me, specifically, this project.

In your budget last year, you suggested that if local governments want these projects built faster they should just put in more money on top of the legally required local share. The State of Minnesota has done that giving the Lewis and Clark project $22 million last year which was almost ten times the amount of funding that you included in the last year's budget.

Yet this year you still came back and only requested $2.7 million for the project. Congress has already demonstrated that we can responsibly fund these projects at a higher level routinely increasing funding and appropriation bills beyond your budget request. These local communities and the state have done everything that has been asked of them and more, putting more funding than they were supposed to.

What will it take to get Interior to prioritize these projects?

Secretary JEWELL. I'm going to talk very—may I, Madam Chairman?

The CHAIRMAN. Please go ahead.

Secretary JEWELL. I'll make my part very brief and turn it to Mike for the specifics here.

We have way more demands than we have funding. Indian water rights settlements have taken priority for us, and making sure that communities that do not have access to water are prioritized and I know you appreciate that. We've talked about that before.

There is some money in the budget for Lewis and Clark to continue to make progress, but there's not enough money to go around and we have to prioritize.

Mike, do you want to talk specific to Lewis and Clark?

Mr. CONNOR. Specific to Lewis and Clark, yes, we greatly appreciate the additional resources that Congress has put into the last two budget cycles. We have allocated that funding to substantial, I think, three times as much as we had in our budget to allocate to Lewis and Clark. So I think in this year's cycle, 2015, they've got about $9 million that can be coupled up with the local resources and we can make progress overall.

Senator FRANKEN. I don't think that's right.

Mr. CONNOR. We had $3 million in our budget and then Congress appropriated an additional $30 million, I think, which Lewis and Clark got about $6 to $6 ½ million. So that's where I get the $9 million figure.

Senator FRANKEN. Okay, well——

Mr. CONNOR. And that was just announced about two weeks ago, the additional resources that were provided.

But you're right about the 2016 budget. This has been one where just competing priorities within the Bureau of Reclamation we have not been able to allocate funding to the rural water program in the way that we would like. These are good projects. We certainly invested a lot of Recovery Act dollars in them and made some significant progress at that point in time.

But it's one of those that's strained under the budget even in a very robust budget with good investments here for the Interior Department this particular program is strained, Quite frankly, if we end up with sequestration it will get a lot worse.

Senator FRANKEN. Okay. Thank you and thank you for your indulgence.

The CHAIRMAN. Thank you.

Senator Daines.

Senator DAINES. Thank you, Madam Chair.

Secretary Jewell, good to see you again here today. I was back home in Montana last week where it was a whole lot warmer than Washington, DC. I had a chance to spend some time with the Crow Tribe back there in Montana.

As you know, unemployment on the Crow Reservation would be more than 80 percent if we did not have the mining jobs at the Absaloka Mine. In fact, their tribal unemployment is already at 50 percent. They're very, very concerned at what's going on directly right now as it relates to coal development where their unemployment, again, would go to 80 percent without these jobs.

It is a significant part of the funding for the tribe and the well being and future hope for the tribe. They need access to more foreign markets. They need rail import infrastructure. I know we're working on the Gateway Pacific terminal approval which would allow the Crow Tribe to access some of these international markets with their coal.

So as the Gateway Pacific terminal is going through the permitting process, I believe it's important that the Department works with all the impacted tribes. There are tribes on the West Coast engaged in this process, but I want to make sure the Crow Tribe is also having their voice heard in this process.

So really the question is would you agree that it's important that we get all the tribes' views on this issue of approval of the Gateway Pacific terminal?

Secretary JEWELL. Well, Senator, I'm not familiar with the Gateway Pacific terminal, but I will tell you that I'm very committed to consulting with tribes on anything that we do that impacts them.

Senator DAINES. Okay. Great. I just want to flag that it's really important right now as we're looking at the ability to grow and take this 50 percent unemployment rate not turn to 80 percent which is a very real possibility. I hope you will take a look at all the treaty rights, not only the West coast tribes, but also the treaty rights of impacted tribes including the Crow.

And by the way, next time you come out to Montana we may want to take you out to the Eastern side of the state as well. I know you had a chance to experience Glacier Park. We love the Flathead in Glacier, but it would be good for you to see also the challenges out in Eastern Montana related to economic despair in many ways in some of these small communities.

In line of that we are working in Montana on the all the above energy strategy as part of our national security and energy strategy. Montana is one of the unique states that really has the ability to play in the all of the above of virtually every energy resource we have in this country.

Over a third of our hydropower in Montana or a third of our power comes from hydropower. More than 50 percent comes from coal. We also have significant capacity certainly for wind and for solar.

I'm concerned though this all of the above energy portfolio that's described, sometimes we hear a message from the Administration it's all of the above except for coal and oil and even sometimes natural gas. We're very concerned that the Administration does not share the same all of the above vision that we share back home.

As we look at approval of drilling permits back home, the BLM approved just 26 drilling permits on federal land. The State of Montana last year approved 269. So an order of magnitude of more permits approved on state and private land than on our federal lands. Yet Montana is comprised of a third of federal lands.

I was encouraged by your comment about the sage grouse that Senator Gardner was talking about. The fact that a one size fits all policy is not going to be the best policy to allow the states to have primacy as well.

In Montana we have a lot of checkerboarding where we have BLM. We've got state sections, and we've got federal sections in the middle of private land as well. I really hope you will allow the states to take the lead on that, work with the States of Montana, Colorado, Wyoming, as you alluded to, and not have a one size fits all edict coming out of the federal government.

My question is does the Department of the Interior have a plan to increase oil and gas development on federal lands? And if so, is there a specific goal?

Secretary JEWELL. Thank you, Senator. I'm going to quickly respond on a couple of the other things you mentioned as well.

Senator DAINES. Thank you.

Secretary JEWELL. First, I've been to Fort Peck, been to the Crow, been to Eastern Montana, so not just Western Montana. I very much appreciate the challenges that many of those tribes face. We are working on a hydro project as well with the Crow. They have some frustrations with the Bureau of Reclamation. I've got both sides of that, and we'll work on that.

Senator DAINES. Great, thank you.

Secretary JEWELL. And the treaty rights are—I'm very, very committed to upholding those, as I'm sure the tribes would tell you.

Senator DAINES. Yes.

Secretary JEWELL. As it relates to energy development we don't have a specific goal on what the energy development is, but we do want to facilitate the development on public lands. We have continued to process APDs, authorizations for permits to drill, in a number of states. And of course, what would be very helpful to us is the ability to match supply and demand. Where is the drilling activity and can we have the resources so that we can not only write those permits, but also do the needed inspections?

We were written up by the GAO for not doing appropriate inspections on the 100,000 wells that the BLM is responsible for overseeing, so there is a request in the budget to be able to charge a modest fee to industry to cover that, as they do already offshore. I don't think we'd have significant objections.

That's just something I would ask of you because that will help us move the drilling permits through, move the inspections forward so that we can make sure there's a fair return for the tribes, for the taxpayers and so on. We have some pilot offices that have been funded by Congress. I think that we did get the ability——

Senator DAINES. Mile City—we've got one going there.

Secretary JEWELL. Yes, you do.

Senator DAINES. You betcha.

Secretary JEWELL. And a lot of where the permits get done has to do with where the demand is from the companies which they aren't as much concerned about state lines. We certainly are committed to moving forward with due speed on that if we have adequate resources. We can spew statistics at you on what the BLM has approved, but they are reducing the amount of time for permitting. There's a small amount of money in the budget to automate the permitting process because right now it's all paper based which doesn't serve anyone's interest. We think that that will help us speed things up.

I will also say that coal is an important resource for the country. Much of the coal that produces the energy in this country comes from your region, more Wyoming than Montana, but certainly you both have those assets.

We do want to make sure there's a fair return for the taxpayer, and we've been asked by the GAO to look at this. And we're looking at this as well. But certainly all the above from my perspective and I think our budget reflects that, means all of the above. It means conventional energy as well as renewable energy, and we're working on both.

Senator DAINES. Hydro is not a renewable energy source. Is that right?

Secretary JEWELL. Hydro is a renewable energy source.

Senator DAINES. By federal definition is it?

Mr. CONNOR. It is.

Secretary JEWELL. Yeah, I think so.

Senator DAINES. Okay.

Mr. CONNOR. Yes. We have testified several times that hydro is a renewable energy resource. We've cleared it through everybody.

Senator DAINES. Alright.

The CHAIRMAN. It's a good thing.

Senator DAINES. Not by law though is the point.

The CHAIRMAN. Not by law.

Senator DAINES. Not by law it's not renewable which if we scratch our heads out in Montana that we look at this incredible renewable resource called hydro.

Secretary JEWELL. Well, you guys write the laws, so——

Senator DAINES. By law it's not, but anyway it's something we have to take a look at. Thank you.

Secretary JEWELL. Alright. Thanks.

The CHAIRMAN. Thank you.

Senator Risch.

Senator RISCH. Thanks much.

Senator Daines, I was shocked to learn when I came here that Congress overrules the laws of nature, and that falling water is not a renewable resource. We speak a different language in Idaho, I guess.

Senator DAINES. Thank you.

Senator RISCH. Madam Secretary, thank you so much. I want to talk about sage grouse, of course. You remember the first meeting we had you weren't familiar with the sage grouse. Now you are a lot more familiar, I'm sure, than you want to be.

You will recall the criticism I had at that time, and that was that we had two agencies under the Department of the Interior, the Fish and Wildlife Service and the BLM. We were perplexed in Idaho that you could have two federal agencies at odds with each other within the same department, under the same head and we just were not making progress, as you recall.

Your leadership has changed that dramatically, and I am happy about that. You remember the analogy I used that when you headed REI you would not have allowed your marketing department and your accounting department to be at each other's throats without the head knocking some heads together and saying look guys, resolve this?

Unfortunately we are drifting again back in that direction. Before I get into that let me say thank you for coming to Idaho last October. Since the federal government owns two-thirds of the state it's only appropriate that you visit us once in a while, and we appreciate that.

We do things differently. I want to commend your predecessor Secretary, at that time, Secretary Salazar, for inviting states to collaborate on the sage grouse issue. Collaboration is a wonderful thing. It works, but it only works if people work at it.

Idaho accepted that invitation, and the governor wisely put together a great collaborative group who sat at a table, worked on a plan and your Fish and Wildlife Service had a seat at that table as we developed that plan. When you came into office that was right at the point where, even though our plan had been developed and even though the U.S. Fish and Wildlife Service had signed off on it, the BLM said, not so fast. I can't explain to you how incredibly frustrating that is for us trying to save the sage grouse.

I mean, that's our objective. It is a magnificent bird. It deserves the attention of government agencies, and it needs to be protected.

Well, here we go again. On October 27, 2014, Dan Ashe, the Director of the United States Department of the Interior, Fish and Wildlife Service, wrote a letter to the BLM. Now I don't understand why they communicate in such formal fashion. It would seem to me a phone call would be good.

In any event this is how the letter starts: "Pursuant to our October 1st, 2014 leadership discussion regarding the federal land management planning process for Greater Sage Grouse, etcetera." We are ready to go in Idaho. We have got a plan. We want to work with the Federal Government on this plan.

I understand that the Federal Government and the state work at different paces, but this letter raises a new issue for us. It says, "This memorandum and associated maps respond to a request from the Bureau of Land Management, BLM, to identify a subset of priority habitat most vital to the species persistence within which we recommend the strongest levels of protection."

Where did this come from? We have been at this for years and all of a sudden here we go. They now identify a focal area. We need to get this done. Focal areas, if there was such a thing, should have been identified years ago, and they should have been incorporated in the plan so we could move forward.

We want to move forward but this, again, moves the goal post. We were down on the one yard line with the ball and first down. All of sudden we look and the goal post is way down the line.

We have got to stop this stuff. We need to move forward with a finalization for a plan. I know you and I have said, the head of the BLM has said, the head of the Fish and Wildlife Service has said, oh, yes, but then we're going to get sued.

Of course we are going to get sued, but we want everybody on one side of the table who are pragmatic, who have the goal of saving the sage grouse, who have put together a plan that will do that on one side of the table and the nutcases on the other side of the table who just want to fight.

This is not helping. Please, use your leadership. Bring this thing together and get our plan finalized where we can move forward with actual work on the ground to save the sage grouse.

I apologize for the passion with this, but I am telling you we are incredibly frustrated when the goal posts keep moving on us. We need to get this done, and we need to move forward.

My time is up, but I would like to get a brief response from you about what your plans are to try to help us move forward.

I understand the states are all in a different position, and this addressed all states. I wish it would have been state by state, and I wish instead at this meeting on October 1st, they had invited the Idaho people there to get their hands in on this and maybe we would not have wound up where we are.

Madam Secretary.

Secretary JEWELL. Madam Chairman, may I?

The CHAIRMAN. Yes.

Secretary JEWELL. Thank you. That was October, and now we're in February. I will say that incredible cooperation is going on between the various agencies. One of the things that's very difficult in this job, and Mike experienced it when he ran the Bureau of Reclamation, is you've got distinct acts under which you operate.

The Fish and Wildlife Service about long term protection of fish and wildlife species and their health within the country. The Bureau of Land Management, multiple use and sustained yield of the landscapes and sometimes those do conflict.

We've moved a long way since the letter you referenced. The BLM has finalized its plans. They've been working closely with the states. They've been working closely with the Fish and Wildlife Service.

Those plans are being finalized right now. I think there were 98 of them. Lots and lots of environmental impact statements and work that's been done.

The Secretarial Order on Rangeland Fire, which your Governor was very kind at saying some nice words about, is a very key element for Idaho.

Senator RISCH. It is.

Secretary JEWELL. For parts of Oregon and certainly Nevada as well.

Those are things the Fish and Wildlife Service will be able to write on. So I have encouraged people to stay at the table, to not engage at letter writing to the extent that they can pick up the phone and call each other. I think that you will find that we are on the cusp of something that's pretty incredible here because this coalition has come together and the states have come together.

We're very close to the goal line, and the goal line is not moving. The goal line is scientific information agreed upon between the states and the Fish and Wildlife Service, some call it the COT report. We are going to soon have to turn it over to the Fish and Wildlife Service to make their determination.

I feel good about where we are, where the states are. It's been a rocky road to get there, but people are at the table working hard. And so, I appreciate your passion. I know it has not been an easy journey.

Senator RISCH. First of all I appreciate your leadership on this. I really appreciate the fact that you understand that you have got two agencies that we really need to bring together. I can tell you the message you just gave me I will take back home to the states. If indeed that is the case, they do not understand it yet. Hopefully we will get to some progress where they will understand it. Again, I appreciate your leadership on it. Please appreciate our problems with this also.

Secretary JEWELL. I do.

Senator RISCH. As we try to move this forward and all of sudden we get new terms and new focal areas that nobody has ever heard of before, and it is put on the table as we think we are at the goal lines.

So, thank you very much, and thank you, Madam Chairman.

The CHAIRMAN. Obviously a great deal of passion about the sage grouse.

Let's go to Senator Wyden.

Senator WYDEN. Thank you, Madam Chair.

Secretary Jewell, thank you for being with us. There is plenty to say that is supportive of your agenda.

I just had town meetings across Oregon over the last week and there is so much support, for example, for the Land and Water Conservation Fund, making it permanent, fully funded. Your leadership on that has been especially helpful.

I want to talk about a couple of issues that are especially important to Oregon right now because it would be helpful for the public to get a sense of your leadership and what's ahead.

We finally have a bipartisan bill on Secure Rural School which, of course, was written in this room. It was written in this room in 2000. Senator Larry Craig, I, and a whole host of others were involved, a real life line to resource dependent communities for funding schools and roads and police and basic, basic services.

It is particularly important that we get mandatory funding for PILT back because, as you know, at the end of the year there was this one year arrangement for PILT. A lot of rural counties are finding that as a result of the complicated PILT formula they're actually getting less money. It is my understanding that you're supportive of that.

Is getting PILT back to being mandatory, linking it to Secure Rural Schools the way we did a number of years ago, is that correct?

Secretary JEWELL. That is correct.

Senator WYDEN. Okay.

A second area that is important to my constituents is the Klamath. We were thrilled that you came out for our launch, and we think not only will this be helpful to Oregon, but we think this is a model for people coming together to deal with tough water issues in the days ahead.

Can you all commit that this will continue to be an Administration priority? As you know there have been some recent developments with respect to the Mazama Forest in the Basin. We're going to have to figure out how to ensure fair treatment for the tribes. The tribes have really stepped up on this issue. Can we count on your support and continued interest in this?

Secretary JEWELL. You certainly can, and I want to complement you and members of the Oregon delegation as well as unprecedented cooperation between the tribes and the ranchers and interest that had been on different sides of the table, coming together on the Klamath agreement. It would be a real shame if this does not get approved through and done.

Senator WYDEN. Well, it's my highest priority for that rural area. I mean, they have been so hard hit, and to have the farmers come together and the ranchers and the fishing families and environmental folks. I think it can, not just help Oregon, but be a national model. So we appreciate your leadership.

Secretary JEWELL. I just want to say Mike was very instrumental in that.

Senator WYDEN. Mike was.

Secretary JEWELL. And will stay very much at the table on that.

Senator WYDEN. Mike made many treks to the Klamath, and we thank you for it.

Let's talk about wildfire funding for a moment. As you know the system of funding how we fight wildfires is just broken. What happens is prevention gets short changed, and then as a result of the prevention being short changed is it's gotten drier and hotter. You might have a lightning strike.

What happens is all of a sudden you've got an inferno on your hands, and then government borrows from the Prevention fund to put the fire out. Then the problem gets worse because we're not giving adequate attention to the Prevention fund as we know we need to do.

There is a bipartisan effort that I, Senator Crapo, and a big group of Westerners are part of, a big bipartisan group in the House is part of it. Tell us how you feel the increased budget certainty provided by this restructuring would help you.

As you know we've got a favorable score from the Budget Office because it really shows how valuable it is to preserve the Prevention fund because it means you're going to have fewer disasters. But how would this increased budget certainty be of value to your agency, Madam Secretary?

Secretary JEWELL. Senator, thank you for your leadership. The bill that you put out there with Senator Crapo and the companion bill with Representatives Simpson and Schrader have been enormously helpful. We are fully supportive of those efforts.

We have, in this budget, about $200 million of the total $13.2 billion amount that is part of the Wildfire funding cap. It would take the top one percent of catastrophic wildfires and put them off as the disasters that they really are, coming out of the Disaster Funding cap. That would enable us to work with tribes, work with land management agencies, to do the important fire prevention and restoration work to prevent wildfires from getting out of control.

By not doing that, as has been the case for a number of years, we've spent more and more on suppression and yes, less and less on hazardous fuel removal. A great example is the Funny River Fire actually in Alaska. Prevention efforts which were not federal, I think they were state in that case, but prevention efforts protected a community so that we didn't have to spend as much on suppression to protect those homes or to risk those homes going up in smoke.

We see this all over the place. In the case of the sage grouse, being able to proactively reduce the risk of rangeland fire is critical to habitat protection. And so, there's no question we will put the money to good use which would ultimately reduce our cost of fighting wildfires.

Senator WYDEN. Madam Chair, can I get one last question in very quickly?

The CHAIRMAN. Very quickly.

Senator WYDEN. On the question of coal and coal royalties.

As you know I've been concerned for some time that taxpayers aren't getting their fair share of royalties from coal mined on public lands. And we began, when I was Chair of this Committee, an investigation into it. Senator Murkowski and I co-authored a letter to you all that the issue be researched.

I'm encouraged by the rule that you all have put out to stop companies from using subsidiaries to dodge the royalty payments. I think we may need to go further. We're getting additional information, and I think it would be very helpful if you could review a recent report by Headwaters Economics on this.

Madam Chair, if we could put that report in the record that would be good.

The CHAIRMAN. So moved.

[The information referred to follows:]

A Research Paper by

HEADWATERS ECONOMICS

An Assessment of U.S. Federal Coal Royalties

Current Royalty Structure, Effective Royalty Rates, and Reform Options

January 2015

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ABOUT HEADWATERS ECONOMICS

Headwaters Economics is an independent, nonprofit research group whose mission is to improve community development and land management decisions in the West.

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I. EXECUTIVE SUMMARY

Coal extracted from federal land is an important source of energy and revenue in the United States. The U.S. government owns roughly one-third of total coal reserves. Bonus payments and royalty revenue from minerals extracted from public lands and waters represent the largest non-tax source of income for the federal government. Despite the importance of this revenue stream, little information is available to describe accurately the return to the public from taxation of federal coal resources. This paper analyzes how revenues from federal coal are obtained, estimates current effective royalty rates, reviews problems with the current system, and assesses policy reform options.

Challenges with Royalty Structure

The Bureau of Land Management (BLM) and the Office of Natural Resources Revenue (ONRR) administer the federal coal leasing program and have multiple and diverse objectives: a fair return for U.S. taxpayers, economic development and jobs, energy costs and security, and environmental protection. Royalties are the owner's share of the resource value, but the ONRR often accepts less than full value—the effective royalty rate is 4.9 percent of the gross market value of coal extracted between 2008 and 2012 (compared to the average statutory rate of 12.3 percent). Evaluating the effective returns earned by the ONRR under the current royalty structure reveals several problems:

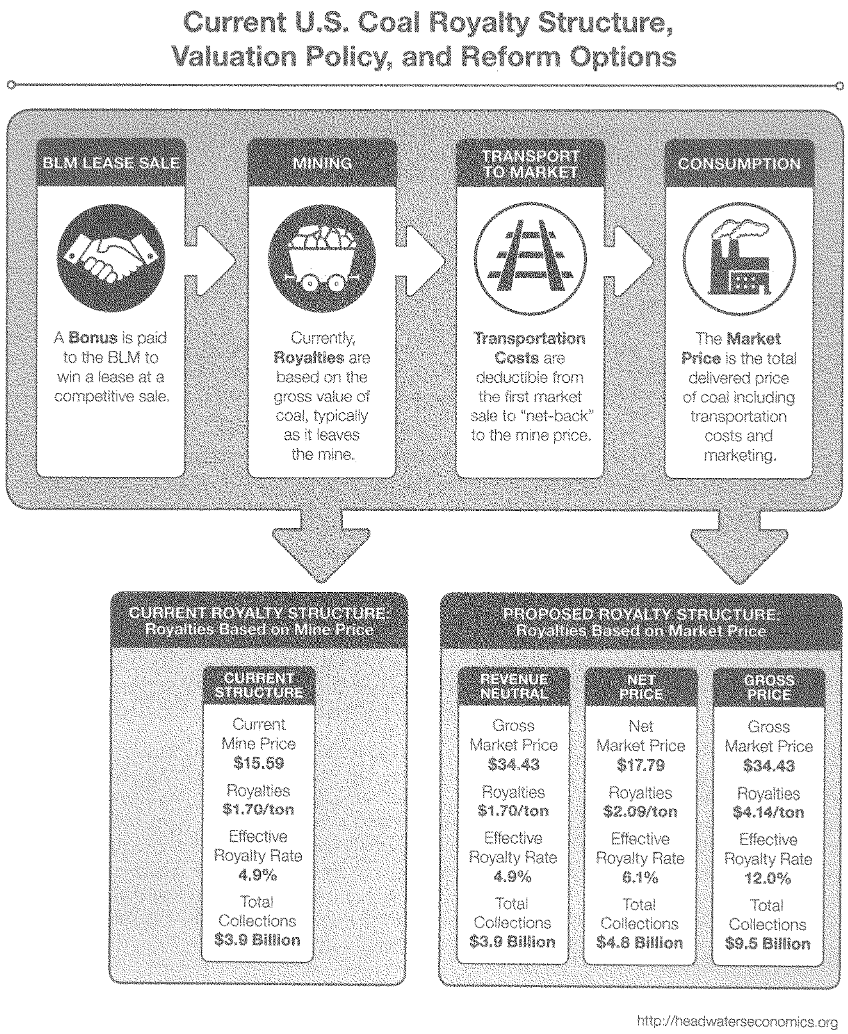
- The first problem is transparency. The royalty rates applied to each lease, prices used to determine royalties due, and allowable cost deductions are all considered proprietary and data are withheld. As a result, there is little outside oversight of the royalty structure, engendering uncertainty about how the government is balancing competing interests.
- Second, the cost of administering the current royalty structure is high. Royalties are often based on non-market transactions where prices are uncertain and the ONRR uses complex valuation methods that are expensive to administer.
- Third, coal valuation procedures raise questions about fair returns to the U.S. government. The ONRR values coal for royalties at the first point of sale at or near the mine, limiting royalty collections when the coal is remarketed at significantly higher prices, including for export.

Royalty Reform Options

A range of alternative policy options would remedy problems with the current system and offer benefits to the U.S. public. The figure on the next page illustrates the current coal royalty structure, valuation policy, and returns, and illustrates the projected outcomes of reforms that would value coal for royalties using market prices. Changing the point of valuation would achieve several benefits:

- Moving the point of valuation would improve transparency. Market prices of coal are known. The BLM and the public would have easy access to coal valuation data.
- Reform would greatly simplify the valuation process and reduce administrative costs.
- Reforming the royalty structure also makes it easier to assess what a fair return is, and balance these returns against other competing interests.

The figure compares the current royalty structure to three reform options. For current policy, the analysis uses actual coal sales and royalty collections between 2008 and 2012. The figure shows that the effective royalty rate over this period was 4.9 percent, and royalty collections averaged about $1.70 per ton. The price used to determine royalties averaged $15.59 for all federal coal sales.



The first reform option would be revenue neutral, achieving transparency and administrative cost reductions without changing royalty collections.

The second reform option shows that had coal valuation been based on net market prices during the same period, the effective royalty rate would have been 6.1 percent, royalty collections would have averaged $2.09 per ton, and total collections more than $850 million higher ($4.8 billion in total revenue compared to $3.9 billion in revenue under the current system). Royalty collections would have been higher because the average net market price paid for coal delivered from states with federal leases between 2008 and 2012 was $17.72, about two dollars per ton higher than the current reported sales price. The difference is an estimate of the margins (or profits) earned by affiliated and non-affiliated brokers that paid a low price at the mine for federal coal, and then remarketed this coal at higher domestic and export market prices.

The third reform option shows that had coal been valued for royalties using the gross market value—meaning transportation costs would no longer be deductible expenses—the effective royalty rate would have been 12 percent and average collections per ton would have been about $4.14 per ton. Total royalty collections would have been about $5.5 billion higher than actual royalties.

Interpreting Results

The Office of Natural Resources Revenue (ONRR) is currently proposing to change the regulations governing valuation of coal for royalty purposes. While this paper does not specifically address the rulemaking process, the results can inform the public comment and ultimately the rule that ONRR adopts.

The ONRR proposes to retain royalty valuation at or near the lease, using gross proceeds from the first arm's-length transaction (or market sale) as the basis for royalties. The rule is specifically designed to address situations where the first sale is to an affiliate broker—in other words, it is not at arm's-length and may be structured only to avoid paying royalties on the higher market value of federal coal. In making this change, ONRR would use the first market sale to determine royalty valuation.

One way to interpret our results is that the rule would effectively change royalty valuation to the net market price of coal (if transportation costs are still deductible). However, non-affiliated brokers may still play an important role in the coal market, and the rulemaking would do little to affect royalty collections. Our results define the upper end of the possible outcomes that could range from very little change up to an increased royalty payment per ton averaging about $0.18 for federal coal in Montana and Wyoming (after accounting for state severance tax and corporate income tax interactions).

If the rulemaking additionally limits transportation costs deductions to 50 percent of actual costs, the effect of the rulemaking could be an average increase in royalty payments per ton of about $0.85 per ton (after accounting for state severance tax and corporate income tax interactions). Again, this estimate should be considered the upper end of costs that would accrue only if closing the affiliate broker loophole results in mines in Montana and Wyoming marketing all federal coal directly to consumers. If, however, brokers remain an important player in the market structure (and they still retain a cost advantage over a mine marketing coal directly by avoiding royalty payments), then changing royalty valuation and transportation deductions will have little, if any, effect on collections.

Data Withholdings and Error

Throughout this report we endeavor to use publically available data. We do this for two reasons: so that our methods and data can be easily assessed and replicated; and to document the challenges created by federal data withholdings. Understanding the current coal royalty structure is limited primarily by data availability. Detailed descriptions of data, methods, and results are presented in three appendices. In Wyoming, coal sales from federal leases account for 93 percent of all coal sales in the state. As a result, we are more confident in estimates of effective tax rates in Wyoming compared to results in states where sales from federal leases account for a small share of all coal sales in the state.

II. INTRODUCTION

This report presents data and analysis to help decision makers evaluate possible updates to the federal coal leasing and royalty valuation program. It is intended to contribute to a growing body of literature evaluating the federal coal program that includes recent reports from the U.S. Government Accountability Office (GAO)[1] and the Department of Interior (DOI) Inspector General.[2]

Coal extracted from federal land is an important source of energy and revenue in the U.S. The U.S. government owns roughly one-third of total coal reserves. Production from federal leases has increased steadily from a low of about three percent of all mining in 1960 to 43 percent of total domestic coal production today. The increase in federal coal production was ushered in by a shift toward large western surface mines—80 percent of federal production now comes from the Powder River Basin in Wyoming and Montana.[3]

Coal extracted from federal land generates revenue for the United States through bonus payments, annual royalties, and taxes paid by private companies that negotiate for rights to mine the public resource. Bonus payments and royalty revenue from minerals extracted from public lands and waters represent the largest non-tax source of income for the federal government. Royalties are paid to the U.S. Treasury, and roughly half (49%) are returned to the states where the production activity takes place.[4]

Despite the importance of this revenue stream, little information is available to accurately describe the return to the public from taxation of federal coal resources. The topic has gained currency lately because of recent reports and press suggesting the BLM now is not receiving fair compensation for federal coal resources,[5] and because the Office of Natural Resources Revenue (ONRR) is undertaking a rulemaking process to reform aspects of the royalty and leasing structure.[6] In addition to this agency-led reform process, members of the Senate and Energy Natural Resources Committee have called for a larger review.[7] The BLM also is facing a lawsuit intended to force a review of the agency's coal leasing program in light of concerns about coal's role as a major source of greenhouse gas emissions.[8]

This report evaluates royalties on federal coal. One important step in the report is estimating the effective royalty rates under the current royalty structure and coal valuation policy. Our study discusses why effective rates fall below statutory rates and the potential outcomes of reforms that move the point of royalty valuation from the price received by the lessee at the first point of sale, typically as it leaves the mine (the mine price), to the delivered price, or market price of coal. The benefits of moving the point of valuation include increased transparency, lower administrative costs, and flexibility to consider higher royalty returns.

This report begins with a brief review of findings followed by documentation of data and methods. The first section of the report surveys the current federal royalty structure for federally owned coal. The second section presents findings on the effective royalty rate on federal coal with comparisons to reported rates and rates on other energy resources extracted from federal lands. Finally, the report defines several reform options and describes the outcomes of these potential reforms on effective rates, royalty revenue, and costs on the extraction of federal coal. An appendix at the end of this report describes data sources and methods.

III. U.S. FEDERAL ROYALTY STRUCTURE: HOW IT WORKS CURRENTLY

Bonus payments and royalties are part of a broader fiscal regime that collects revenue at the local, state, and federal level from the value of resources extracted from public lands. Internationally, countries generate revenue from state-owned resources in a variety of ways, including state-owned corporations, production agreements, and variations on the tax and royalty structure. Resource owners commonly structure leases, bonus payments, royalties, and taxes to ensure a fair and predictable return to the public and to share in windfall profits. In the U.S. the bonus and royalty structure provides a minimum return, and corporate income taxes are typically used to share in the profits and risks of mineral extraction and to incentivize exploration, new technologies, and production.

The U.S. is unique in that private individuals and companies own the majority of natural resources, and where the public does own resources, these resources are leased to private developers. The government uses the corporate income tax to tax profits as well as to provide subsidies and create incentives including cost recovery for exploration and mining activities that are not deductible from royalties. Subsidies in the corporate tax structure can be significant.[9] The sidebar *"Revenues from Oil, Natural Gas, and Coal Production on Federal Lands"* on the next page defines the several bonuses, royalties, and taxes coal companies pay.

Figure 1 focuses on the bonus and royalty structure, particularly the point of valuation for royalty determination. It shows that the federal coal royalty structure begins when a bonus payment is made to the BLM to win the right to extract coal through a competitive lease sale. Once mining is underway, the lease can be renewed and companies pay an annual royalty on the gross value of the coal extracted.[10] The valuation of coal for royalty purposes typically takes place as the coal leaves the mine. "Downstream" from the mine, the coal is transported primarily by railroad, but also by truck, waterway, and conveyor belt to a domestic power plant, or exported to foreign markets. At the end of this process, the coal is resold at the market rate depending on its energy content and other qualities.

In addition to lease bonus payments and royalties on extraction, companies pay state and federal corporate income taxes, state severance taxes, and a variety of sales and property taxes to state and local governments. Royalties often influence other aspects of the producer's tax liability. For example, the royalty interest in coal extracted from public land, including federal, state, tribal, and local government ownership, is exempt from state severance taxation. Royalties are also deductible from corporate income tax liability. If the federal rate (or share of production) increases, or if actual collections change, severance taxes and income taxes will rise and fall accordingly. An implication of these tax interactions is that companies do not pay the full cost of higher royalties. These will be offset by lower corporate income taxes and state severance taxes.

Recent government audits have considered coal lease sale and bonus payment processes extensively.[11] In separate reports, the GAO and the Inspector General of the DOI arrived at the conclusion that lease sales undervalue public coal. Specifically, the reports observe that nearly every lease sale since 1990 had only a single bidder, that the fair market valuation process was not transparent, and that overall it is difficult to determine if the BLM and ONRR is receiving full consideration for the public's coal.[12]

Revenues from Oil, Natural Gas, and Coal Production on Federal Lands

Bonus Payments and Rents: Companies pay bonuses (a premium paid to the BLM to win a leasing contract to mine in a specific area) through the competitive leasing process, and fees or rents to maintain a lease. Bonuses are one-time payments generally calculated on a price per ton basis. Rental payments are charged on a per acre basis and are paid annually to maintain the lease.

Royalties: Royalties are production taxes paid on the volume or value of coal extracted annually to the owner of the resource, including federal, tribal, state, and private landowners. Federal royalties are paid to the U.S. Treasury, and roughly half are returned to the states where drilling takes place. Federal royalties are 12.5 percent for surface coal, oil and natural gas; 18.75 percent for offshore oil and natural gas; and 8 percent for coal extracted from underground mines. Most states charge higher royalties of 16.67 to 25 percent on oil and natural gas while state coal royalty rates tend to mirror federal coal royalty rates.

Production Taxes: A production tax is any tax levied against the production value or volume of coal, oil, and natural gas extracted or "severed" from the earth. Production value is equal to the volume of the resource produced times the sales price. Wyoming and Montana's severance taxes are examples of state production taxes. In Colorado and Wyoming, local governments also levy ad valorem (property) taxes on the production value of fossil fuels, including coal, oil, and natural gas at the local level. The federal black lung excise tax and abandoned mine fees also are production taxes that are levied at a fixed rate on each ton of coal mined.

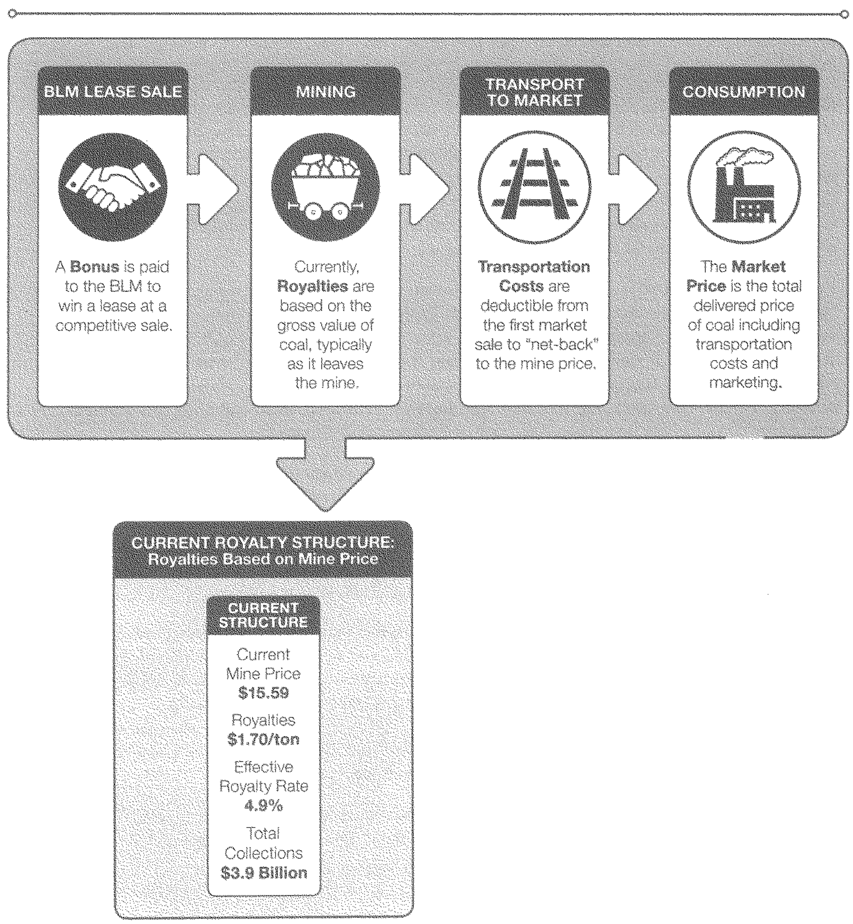
Corporate Income Taxes: Production taxes and royalties are distinct from corporate income taxes levied on net profits. Corporate income tax rates vary widely at the state level, ranging from zero (in Wyoming) up to about 10 percent for the highest tax brackets in several states, and 35 percent at the federal level. Compared to production taxes, bonus payments, and royalties, corporate income tax is paid on a smaller tax base (net profit compared to gross production value), and generates relatively less revenue for the federal and state governments.

General Taxes and Fees on Drilling and Mining Activity: State and local governments also levy taxes and fees on the value of labor, purchases, land, and equipment associated with drilling and mining activities. The general tax structure can be important to local governments, but the role they play varies from state to state. For example, sales taxes generate revenue in jurisdictions where activity takes place. In some states, however, sales taxes accrue to the state government and distributions are made on a formula unrelated to local impacts. Property taxes on land and equipment value are levied at the local government level.

This report address the royalty structure, including bonus payments, but does not address production taxes, corporate income taxes or aspects of the general tax structure specifically.

Figure 1:

Current U.S. Coal Royalty Structure



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Why Are Royalties Collected?

Royalties represent the owner's negotiated share of the value created when resources are used. The purpose of royalties is to provide a minimum, fair return to the resource owner for the depletion of non-renewable fossil fuels.[13] In the case of federally owned coal, the U.S. public owns the resource. The BLM oversees the leasing of the right to extract federal coal and the lessee pays annual royalties based on a percentage of the gross value of coal extracted from the lease (the mine price). The royalties accrue back to the public through the U.S. Treasury. Royalties are also paid to state, tribal, and private resource owners that lease the rights to extract fossil fuels.

When the BLM sells coal through a lease, the lessee agrees to take on the risk of developing the resources, including exploration, extraction, and marketing costs. The royalty interest is retained by the federal government and is paid by the lessee whether or not the mining company loses money on the sale, or earns a profit.

In practice, subsidies occur through two vehicles: direct subsidies offered at the discretion of the BLM in the form of royalty rates and rate reductions, and the coal market structure where brokers play a central role in delivering coal to markets, which serves to minimize the price used to determine royalties owed.

Royalty Rates and Rate Reductions

The BLM and coal operators negotiate royalty rates on a lease-by-lease basis, but generally are set at a minimum of 12.5 percent of the gross value of coal after it is extracted from surface mines and 8 percent for coal extracted from underground mines. Coal lessees can apply for a royalty rate reduction if the current royalty rate imposes economic hardship that would otherwise result in abandoning the lease, or in less than full recovery of leased coal. Rate reductions are also granted to encourage the greatest utilization of federal coal,[14] even in instances when high-cost or low-value coal would otherwise be uncompetitive in the domestic energy market.

The BLM makes a determination and has discretion to grant royalty rate reductions if three basic requirements are met:

1. The royalty rate reduction must encourage the greatest ultimate recovery of the coal resource.
2. The royalty rate reduction must be in the interest of conservation of the coal and other resources.
3. The reduced royalty rate is necessary to promote development of the coal resource.[15]

Royalty rate reductions occurred on at least 30 out of 83 leases (36 percent of leases) offered for sale since 1990.[16] The GAO found that the reported rate that lessees pay on the mine price used for royalty valuation varies between 5.6 percent in Colorado and 12.2 percent in Wyoming.[17] The lower reported rates are largely a function of the rate reductions offered for coal extracted from federal leases in these states.

How Coal Is Valued for Royalties

The valuation of coal for royalties is based on the gross value of the coal sold from the lease (the mine price).[18] To ensure full compensation, the lessee is required to place the coal in a "marketable condition" at no cost to the government. Costs for exploration, mining, and marketing are not deductible from royalty liability.

In the case where the mining company sells the coal in a market transaction, either directly to a consumer, such as a power plant, or to an unaffiliated broker, the contract price is used to determine royalties. If instead the mine sells coal to an affiliate, or to another company that is partly or entirely owned by the mining company, no arm's-length transaction occurs. An arm's-length transaction is defined as a sale of coal in which the buyer and seller are not affiliated and have competing economic interests. In other words, the seller attempts to sell his or her coal for the highest price possible, ensuring a fair market return for the government. In cases where sales are not at arm's-length (called "captive transactions") the ONRR is responsible for certifying that the price agreed to in the transaction is a fair price—or that it will provide a fair return to the government. In 2012, 42 percent of all coal sold in Wyoming was traded via captive transactions.[19]

The ONRR applies five benchmarks to determine the value—or price—that should be used for royalties. These methods include using comparable sales, the income approach, and "netback pricing" that uses a price earned downstream (typically the sale by the marketing affiliate) and deducts any costs. The ONRR's process of determining if a sale is an arm's-length sale or not, and auditing that the contract price reported to the agency is fair when no market transactions exist, is unwieldy and costly to administer, and opens a loophole that can be exploited to limit royalty liability.

Allowable Cost Deductions

Royalty regulations allow for certain deductions that can lower the value against which royalties are assessed. These deductions are netted out of gross sales value (the mine price), and include allowable transportation and washing costs.[20]

Transportation deductions are allowed when the valuation for royalty purposes is determined at a point remote from the mine. Deductions may be allowed for the "reasonable, actual costs incurred to transport coal" that may be required in order to move the coal from the lease to a point where it can be sold.[21] Transportation costs within the mine are not eligible for deduction. Transportation costs between a mine and a power plant or export terminal can be substantial, but these costs are typically outside of the royalty valuation process as value is determined at or near the mine. Long-distance rail shipments between the Powder River Basin and power plants on the East Coast, for example, are not part of the royalty valuation as the coal is typically sold (and valued) when it is loaded into trains at the mine.

Washing is defined as any process that improves the purity of the coal if it is required by the sales contract. The BLM may "allow a deduction in determining value for royalty purposes for the reasonable, actual costs incurred to wash coal" if they are considered to exceed what would normally be required to place coal in a "marketable condition."[22]

Data on coal extracted from leases sold since 1990 show that transportation cost deductions made up less than 0.3 percent of the sales value reported by mining companies for royalty valuation. In reality, transportation costs between the mine and domestic power plants average just less than half of the total delivered cost of coal (see Appendix B). The low value of allowable deductions reported by ONRR illustrate that coal is being valued for royalties at the mine in nearly every instance.

Problems with the Current Structure

Current federal policy for coal royalty payments appears to prioritize the maximum recovery of federal coal regardless of market conditions. The objective of obtaining fair return to the public is secondary both as a matter of policy and practice. Policy allows for reductions of royalty rates and taxable value; practice allows for a disparity between the valuation basis for royalties using mine prices and actual domestic and international market prices, which can be substantially higher.

To be sure, the government does not only seek to maximize return on federal resources. The BLM has multiple and diverse objectives, including a fair return, economic development and job creation, energy security, and environmental health, including climate mitigation. However, the trade-offs between these policy goals cannot be well understood in the context of the current royalty structure. Evaluating current effective returns primarily from the standpoint of ensuring a fair return to the public reveals several problems. These problems must be understood before the larger conversation about the correct balance between these competing uses can be fully informed.

The first problem is transparency. The entire valuation process is opaque with respect to public review. As a matter of practice, the BLM treats valuation methods—lease details including royalty rates, allowable cost deductions, and prices used for royalty assessment—as proprietary information. The BLM and ONRR explicitly exempt lease royalty rates and royalty valuation data from Freedom of Information Act (FOIA) requests. The timing, amount, and goals of royalty rate reductions could be important data points in understanding the competitiveness of coal as an energy commodity. With access to this information, U.S. policymakers could weigh the relative merits of subsidizing coal over other energy sources. But a thoughtful dialogue is more difficult when these important data are withheld.

Second, the ONRR's job is complicated by the regulation that values coal using the first arm's-length sale from the lease. The ONRR must determine if the first sale is in fact an arm's-length sale, and if not, if the reported mine price represents a fair return. The process for evaluating sales and valuing coal is unwieldy, expensive, and controversial.

Third, the same coal valuation process fails to ensure a fair return to the public. The ONRR's valuation policy clearly states that royalties must be assessed using the price received at the first point of sale, even when this first sale price is substantially lower than the market price for coal—meaning that the ONRR uses the lowest possible valuation of federal coal to determine royalties, reducing compensation for the extraction of public coal.

The rise of the Powder River Basin (PRB) as the main federal coal supplier has dramatically increased the role of affiliate and non-affiliate brokers. The PRB is so remote from most use, and the mines so huge, that the majority of coal is moved by rail to meet market demands, creating an opportunity for midstream exchanges through brokers. Brokers buy coal from these massive mines, and seek out the highest market price. The current structure that values coal for royalties based upon the first sale at or near the lease results in low royalty collections because this "mine price" can be substantially lower than the price coal is eventually sold for to consumers, including power plants, industrial users, and coal exports. The ONRR is investigating whether this current royalty valuation structure provides a fair return on federal coal and is proposing a rulemaking change to address valuation policies.

Often brokers are affiliates of the actual mining company, meaning that the exchange of coal does not occur under an arm's-length transaction. In these cases, the ONRR has to determine if the price agreed upon between related companies provides a fair return for the public. The ONRR's five benchmarks used to determine the appropriate "market' value are still designed around the policy of using the mine price for royalty valuation, and can be complex and costly.

IV. CALCULATING ROYALTY RATES

We describe three ways of evaluating the rate of return on federal coal: the statutory rate, the "reported" rate, and the "effective" rate. Comparing these different rates allows for a better understanding of how the current structure works and how it returns revenue from coal extraction.

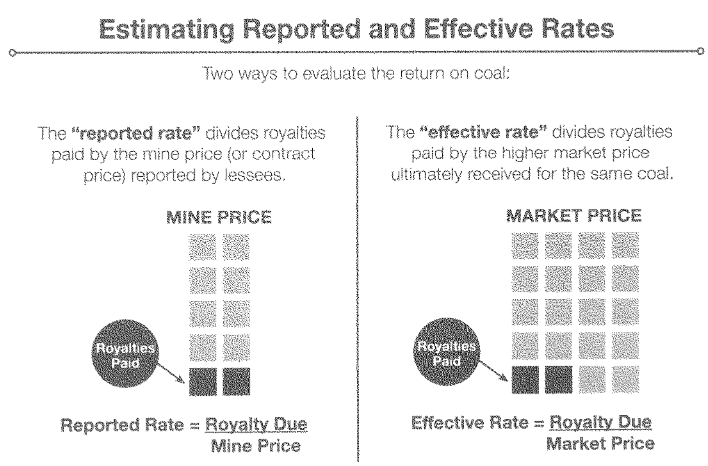
The statutory rate is set by regulation at a minimum of 12.5 percent of the gross value of coal extracted from surface mines. The regulation lowers the rate to 8 percent of the gross value of coal extracted from underground mines.

The "reported" royalty rate is calculated by dividing total royalties paid by the sales value reported by the lessee. The reported sales value is the contract price the lessee receives at the first arm's-length sale from the lease, or the "mine price."

The "effective royalty rate" is calculated by dividing total royalties paid by the market price ultimately received for the coal sold from federal leases. Figure 2 illustrates how the reported rate and effective rate are calculated.

Estimating the effective royalty rate offers significant improvements compared to the reported rate as the effective rate takes into account all incentives, deductions, and valuation policies. Kunce et al. (2003) write that "rather than itemize tax code details, effective tax rates are used to translate dynamic tax policy into a tractable form. Effective rates can be expressed as the ratio of taxes (or royalties) collected from a particular tax to the value of production. Thus, the calculation of specific effective tax rates fully account for exemptions, incentives, different tax bases, and frequent changes in tax law."[23]

Figure 2:



Importantly, we want to understand how royalty revenue would change if the tax base were redefined from the mine price to the market price. This comparison provides several outcomes: an estimate of what the BLM may be forgoing in royalty collections due to the affiliate loophole; a comparison to the return received from oil and natural gas production on federal lands; and estimates of the outcomes of reform options.

Reported Royalty Rates

Previous reports have established that royalty reductions and allowable transportation and washing cost deductions reduce the reported rate paid on federal coal downward from the statutory rate. The GAO, using 2012 data, found the actual rate lessees pay on the contract prices used for royalty valuation varies between 5.6 percent in Colorado and 12.2 percent in Wyoming.[24]

We replicated the GAO methods using additional years of sales value and royalty data[25] for all states with producing federal leases between 2008 and 2012. Figure 3 shows that North Dakota has the lowest reported royalty rate at 2.3 percent, and Wyoming the highest at 12.3 percent. The average reported rate for all federal coal produced from federal leases between fiscal years 2008 and 2012 is 10.9 percent. This compares to the average statutory rate of 12.2 percent nationally based on the share of coal extracted from surface mines and underground mines (See Appendix B).

Figure 3: Reported Royalty Rates and Size of Rate Reductions, FY 2008-2012

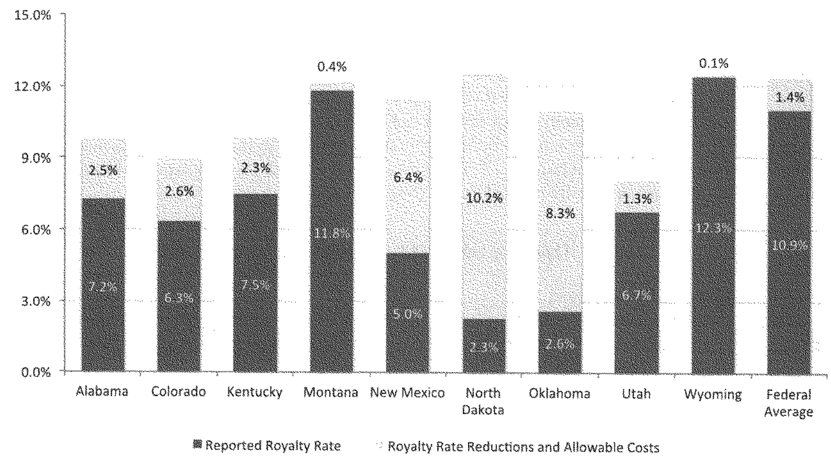


Table 1 shows that royalty collections per ton averaged $1.70 for all federal coal extracted between 2008 and 2012. The majority of federal coal extraction—and royalty value—comes from the Powder River Basin in Wyoming. Table 1 also shows that coal mined in the PRB received the lowest contract price (mine price) compared to mine prices in the other states. The five-year average mine price for coal sold from Wyoming was $13.07 compared to the national average of $15.59 and a high in Kentucky of $82.66.

Table 1: Sales Volume, Sales Value, Royalties, and Reported Royalty Rate, 2008-2012 (2013 $s)

State	Reported Sales Volume (tons)	Reported Sales Value	Reported Royalties Due	Reported Contract Price (Mine Price) ($/ton)	Reported Royalties Due ($/ton)	Reported Royalty Rate
Alabama	9,043,639	480,463,745	34,830,873	$53.13	$3.85	7.2%
Colorado	97,242,959	4,254,725,406	269,460,788	$43.75	$2.77	6.3%
Kentucky	977,116	80,768,664	6,019,775	$82.66	$6.16	7.5%
Montana	121,474,627	1,858,383,451	219,090,309	$15.30	$1.80	11.8%
New Mexico	18,418,053	913,339,362	45,911,763	$49.59	$2.49	5.0%
North Dakota	10,909,897	169,017,118	3,822,998	$15.49	$0.35	2.3%
Oklahoma	3,039,401	156,778,612	4,046,018	$51.58	$1.33	2.6%
Utah	55,144,127	1,982,399,360	132,991,300	$35.95	$2.41	6.7%
Wyoming	1,974,279,688	25,811,102,337	3,183,032,256	$13.07	$1.61	12.3%
Federal Total	**2,290,529,507**	**35,706,978,054**	**3,899,206,080**	**$15.59**	**$1.70**	**10.9%**

*Federal total reported contract price, reported royalties due and reported royalty rate are weighted averages.

The Value of Royalty Rate Reductions and Allowable Cost Deductions

The difference between the statutory rate and the reported rate in Figure 3 is the combined value of royalty rate reductions and allowable cost deductions. The majority of the difference is due to royalty rate reductions, with allowable costs making up only a small share of the difference. The BLM and Office of Natural Resources Revenue (ONRR) do not provide statistics on these costs. To estimate these values, we submitted a Freedom of Information Act (FOIA) request for a complete set of leases sold since 1990 for which we have actual production, total sales value, the value of cost deductions, and royalty payments data for coal produced.[26] These data are joined with lease statistics published by the BLM and specific data on royalty rate reductions (See Appendix A for data sources).

Data Used in This Report

Current Production, 2008 to 2012
The main findings presented in Figure 1 are based on the most current production data, including sales volume, sales value, royalties, transportation costs between the mine and consumers, and market prices between 2008 and 2012.

Lease Data, 1990 to 2013
Because of data withholdings, we requested data from ONRR for a known set of leases for which we have additional information on bonus payments, allowable transportation and processing cost deductions, and royalty rate reductions. We use these "lease data" to estimate the value of subsidies in the current royalty structure and to include statistics on the reported and effective bonus payment rates.

Using lease data since 1990, Figure 4 and Table 2 show the relative value of royalty rate reductions and allowable costs as a share of the reported royalty rate. Allowable transportation and processing costs combined to average about a third of one percent of total sales value for all coal produced from leases sold since 1990. Utah had the highest costs relative to sales value at 1.2 percent, while coal produced on federal lands in New Mexico and North Dakota had no allowable transportation or processing costs.

Table 3 shows that royalty rate reductions occurred on at least 30 out of 83 leases (36 percent of leases) offered for sale since 1990.[27] Royalty rate reductions can be applied for a fixed time period, often for a year, or can be granted for the life of the lease. In the case of Wyoming, nearly all coal is mined at the surface and only one of 21 leases sold since 1990 received a temporary royalty rate reduction. As a result, there is little difference between the estimated statutory rate and the estimated value of royalty rate reductions in Wyoming. In other states the reported rate is significantly lower than the estimated statutory rate, indicating that royalty rate reductions are more common in these states. For example, at least 11 of the 12 coal leases offered in North Dakota since 1990 have received royalty rate reductions to between 2 percent and 2.6 percent.

The value of these royalty rate reductions has lowered royalty payments by $294 million since 1990. The lease data describe about 34 percent of coal mined from all active federal leases between 1990 and 2013. The balance of total coal mined over this period is extracted from leases sold prior to 1990. If we assume royalty rate reductions are similar for leases sold prior to 1990, the total value of royalty rate reductions could be closer to $860 million from 1990 to 2013, or about $37 million annually (in 2013 dollars).

Figure 4: Allowable Cost Deductions as a Share of Sales Value, Based on Lease Data 1990-2013

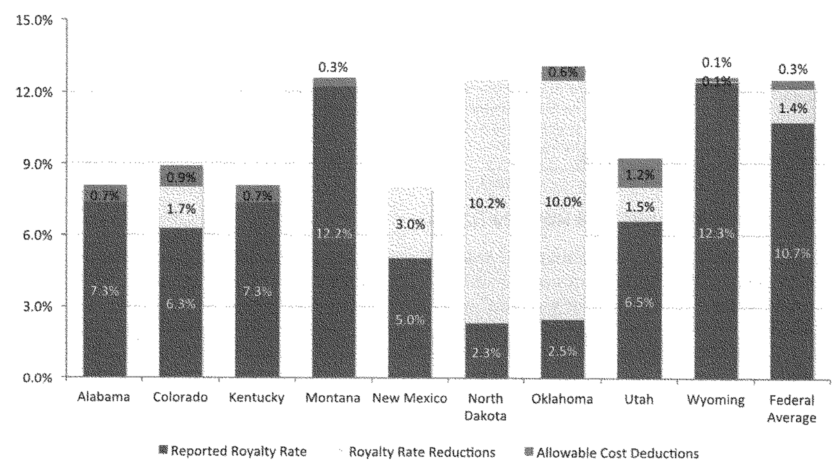


Table 2: Allowable Transportation and Processing Costs, Lease Data 1990-2013 (2013 $s)

State	Sales Value	Allowed Transportation Cost	Allowed Processing Cost	Net Taxable Value	Allowable Cost Deductions
Alabama	$648,199,202	$86,465	$4,633,541	$643,479,196	0.7%
Colorado	$5,646,464,779	$48,214,954	$3,640,680	$5,594,609,145	0.9%
Kentucky	$187,531,728	$202,056	$1,150,961	$186,178,711	0.7%
Montana	$567,928,408	$1,710,343	$154,711	$566,063,354	0.3%
New Mexico	$487,088,643	$0	$0	$487,088,643	0.0%
North Dakota	$432,262,237	$0	$0	$432,262,237	0.0%
Oklahoma	$479,159,488	$2,387,853	$359,145	$476,412,491	0.6%
Utah	$4,072,408,872	$48,143,213	$1,995,318	$4,022,270,341	1.2%
Wyoming	$32,129,773,453	$42,578,904	$0	$32,087,194,549	0.1%
Federal Total	**$44,650,816,810**	**$143,323,788**	**$11,934,355**	**$44,495,558,668**	**0.3%**

* Federal total allowable cost deductions is a weighted average.

Table 3: Estimated Value of Royalty Rate Reductions, Federal Coal Leased Since 1990

State	No. of Leases Sold Since 1990	No. of Leases Granted Royalty Rate Reductions	Share of Leases Granted Royalty Rate Reductions	Royalty Rate Reductions	Value of Royalty Rate Reductions
Alabama	3	0	0.0%	0.0%	$0
Colorado	16	9	56.3%	1.7%	$97,965,234
Kentucky	6	0	0.0%	0.0%	$0
Montana	4	0	0.0%	0.0%	$0
New Mexico	1	1	100.0%	3.0%	$14,612,659
North Dakota	12	11	91.7%	10.2%	$44,070,704
Oklahoma	6	5	83.3%	10.0%	$47,902,834
Utah	14	3	21.4%	1.5%	$59,309,705
Wyoming	21	1	4.8%	0.1%	$23,651,618
Federal Total	**83**	**30**	**36.1%**	**1.4%**	**$287,512,755**

* Federal total royalty rate reductions is a weighted average.

Total Reported Bonus and Royalty Rates

Bonus payments add an important source of revenue for the public from federal coal sales. Bonus payments total $3.7 billion for leases sold since 1990 (2013 $s), about 44 percent of revenue derived from these leases to date.[28] On a per-ton basis, bonus payments averaged $0.60 cents per ton. The highest average bids were in Wyoming at $0.66 per ton and the lowest were in North Dakota at $0.01 per ton. The per-ton bonus bid is expressed as the total bonus bid received at the time the lease is sold divided by the estimated amount of coal sold with the lease.[29]

To estimate the average reported return from bonus payments, we divide the per-ton bonus payment by the average contract price received for the same coal as it has been mined. Figure 5 and Table 4 show that the total reported return on bonus payments based on the average mine price is 3.9 percent. The highest reported return on bonus bids was in Wyoming at 5 percent, and was lowest in North Dakota and Oklahoma at less than 0.1 percent of the eventual mine price of the same coal when it was sold.

Figure 5: Total Reported Bonus Payments and Royalties, Lease Data 1990-2013 (2013 $s)

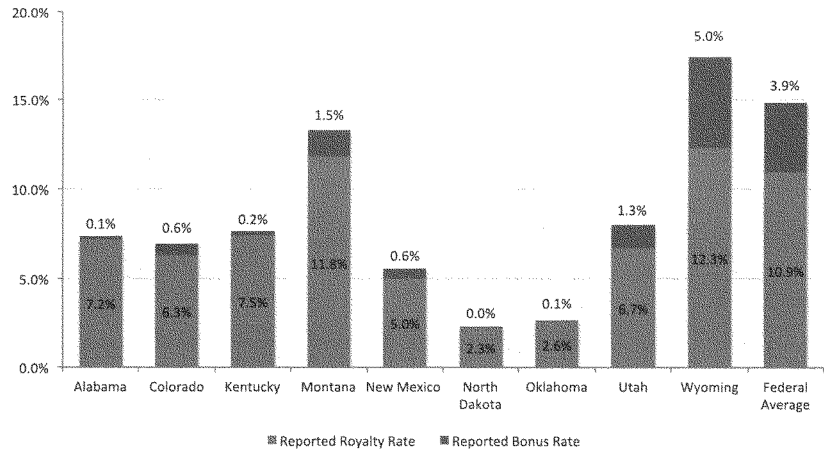


Table 4: Effective Bonus Rates, Coal Lease Data, 1990-2013 (2013 $s)

State	Estimated Amount of Coal Leased (thousand tons)	Total Accepted Bid (2013 $s)	Bonus Bid Per Acre (2013 $s)	Contract Price (2013 $s per ton)	Reported Bonus Rate	Total Reported Bonus and Royalty Rate
Alabama	19,014	955,923	$0.05	$53.13	0.1%	7.3%
Colorado	185,923	52,513,849	$0.28	$43.75	0.6%	7.0%
Kentucky	9,400	1,320,106	$0.14	$82.66	0.2%	7.6%
Montana	187,100	41,897,475	$0.22	$15.30	1.5%	13.3%
New Mexico	63,000	17,681,167	$0.28	$49.59	0.6%	5.6%
North Dakota	129,110	999,259	$0.01	$15.49	0.0%	2.3%
Oklahoma	58,409	2,432,282	$0.04	$51.58	0.1%	2.7%
Utah	198,786	91,546,365	$0.46	$35.95	1.3%	8.0%
Wyoming	5,426,092	3,568,766,373	$0.66	$13.07	5.0%	17.4%
Federal Total	**6,276,834**	**3,778,112,799**	**$0.60**	**$15.59**	**3.9%**	**14.8%**

* Federal total bonus bid per acre, contract price, reported bonus rate and total reported bonus and royalty rate are weighted averages.

Effective Royalty Rates

The effective royalty rate is calculated by dividing royalty collections by the gross market value of the same coal. Using current production data, we compared total royalties paid between 2008 and 2012 to market prices earned for coal sold by state of origin (the state where the coal is mined) to consumers including domestic power generators,[30] industrial users, coke plants,[31] and for export.[32]

Figure 6 shows that the effective royalty rate of return is lowest in North Dakota and Oklahoma at 0.7 percent and 2.2 percent respectively. The highest effective royalty rate is in Kentucky at 7.8 percent. Wyoming, which accounted for 86 percent of coal sales from federal leases between 2008 and 2012, had an effective rate of 5 percent. Montana, the second largest producer of federal coal, had an effective royalty rate of 4.6 percent over the same period. (See the sidebar on *Data Withholdings and Sources of Error* that follows Table 5.)

Figure 6: Reported and Effective Royalty Rates, 2008-2012

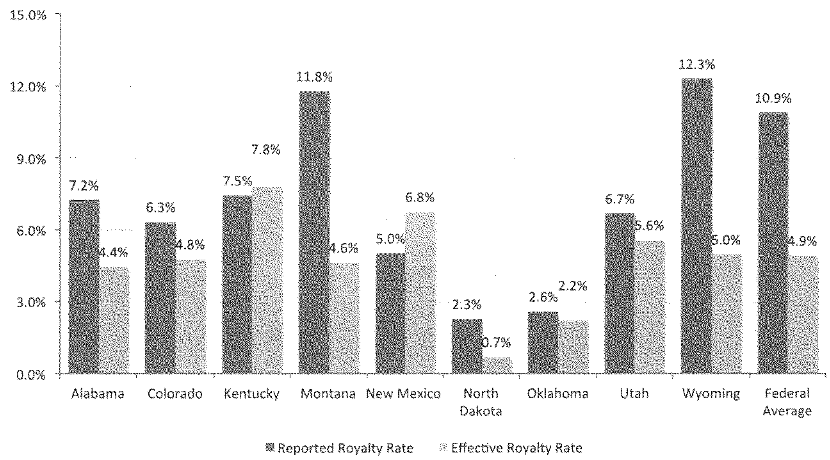


Table 5: Sales Volume, Gross Market Price, and Effective Royalty Rate, 2008-2012 (2013 $s)

State	Sales Volume (tons)	Gross Market Value of Federal Coal Sales	Gross Market Price	Total Royalties Due	Royalties Due ($/ton)	Effective Royalty Rate
Alabama	9,043,639	$784,434,555	$86.74	$34,830,873	$3.85	4.4%
Colorado	97,242,959	$5,651,339,647	$58.12	$269,460,788	$2.77	4.8%
Kentucky	977,116	$76,972,625	$78.78	$6,019,775	$6.16	7.8%
Montana	121,474,627	$4,724,611,243	$38.89	$219,090,309	$1.80	4.6%
New Mexico	18,418,053	$677,917,345	$36.81	$45,911,763	$2.49	6.8%
North Dakota	10,909,897	$561,134,088	$51.43	$3,822,998	$0.35	0.7%
Oklahoma	3,039,401	$182,653,002	$60.10	$4,046,018	$1.33	2.2%
Utah	55,144,127	$2,374,338,764	$43.06	$132,991,300	$2.41	5.6%
Wyoming	1,974,279,688	$63,828,848,193	$32.33	$3,183,032,256	$1.61	5.0%
Federal Total	**2,290,529,507**	**$78,862,249,462**	**$34.43**	**$3,899,206,080**	**$1.70**	**4.9%**

* Federal total gross market price, royalties due per ton, and effective royalty rate are weighted averages.

Data Withholdings and Sources of Error

In this report, we endeavor to bring together disparate datasets that have varying levels of specificity, data withholdings, and scales of assessment. This effort results in estimates with varying levels of accuracy, and introduces several sources of potential errors. Throughout the report, we document data sources and methods, and provide notes to orient the reader to how figures and tables should be interpreted.

Estimating effective royalty rates offers the first example of the challenges inherent in this project. To estimate effective rates, we compare sales values and royalty data reported by ONRR for federal leases in each state to the market price received for all coal sold from each state, including from leases on federal, tribal, state, and private land.

In Kentucky, for example, coal sales from federal leases account for one quarter of one percent of total coal sales. Prices received from this tiny fraction of all sales is unlikely to be representative of average market prices, and estimates that rely on comparing these two data sets will have high rates of error. Federal coal sales are a larger share in New Mexico (21% of total sales), but are still too small to provide reliable estimates of effective royalty rates. In Wyoming, coal sales from federal leases account for 93 percent of all coal sales in the state. As a result, we are more confident in estimates of effective tax rates in Wyoming.

Estimating Transportation Costs and Marketing Margins

The difference between the reported and effective rates in Figure 6 is the combined value of transportation costs between the mine and the consumer, and any margins earned when coal is remarketed by affiliates or independent brokers. In this case, transportation costs are costs incurred to move coal from the mine to the consumer.[33] In most cases, these costs are incurred after the coal has changed hands, and royalties have been paid, so they are outside of the royalty structure. Marketing margins are any profits earned by brokers who buy coal at a low price from the lessee at the mine, and sell the coal for a higher price for domestic consumption or for export.

To estimate the value of these marketing margins, we compare the net market price (gross market price less transportation costs) and the mine price. The difference is the increased value of coal, other than transportation costs that is created after royalties are assessed at the mine. Table 6 shows that the majority of the difference between net prices and mine prices is made up of transportation costs (about 92%). But the value of marketing margins is substantial, about $620 million in forgone royalties between 2008 and 2012. In other words, if lessees had paid royalties at current rates (including royalty rate reductions) on the net market value of coal during the five-year period, royalty collections could have been about $620 million higher, or $124 million annually. The majority of these gains would have been from Wyoming where the value of royalties forgone by not assessing them on marketing margins was about $520 million, or about $0.27 per ton.

Table 6: Estimated Value of Marketing Margins and Forgone Royalties due to Current Coal Valuation Policy 2008-2012 (2013 $s)

State	Sales Volume (tons)	Gross Market Price	Transportation Costs per ton	Net Market Price	Estimated Royalties at Current Rates	Estimated Total Royalties	Estimated Royalties Forgone
Alabama	9,043,639	$86.74	$4.21	$82.53	$5.98	$54,108,431	$19,277,557
Colorado	97,242,959	$58.12	$12.39	$45.73	$2.90	$281,636,042	$12,175,254
Kentucky	977,116	$78.78	$16.39	$62.39	$4.65	$4,543,465	-$1,476,311
Montana	121,474,627	$38.89	$19.09	$19.81	$2.34	$283,666,382	$64,576,073
New Mexico	18,418,053	$36.81	$9.73	$27.08	$1.36	$25,067,961	-$20,843,802
North Dakota	10,909,897	$51.43	W	NA	NA	NA	NA
Oklahoma	3,039,401	$60.10	W	NA	NA	NA	NA
Utah	55,144,127	$43.06	$2.55	$40.51	$2.72	$149,854,587	$16,863,287
Wyoming	1,974,279,688	$32.33	$17.08	$15.25	$1.88	$3,712,947,144	$529,914,888
Federal Total	**2,276,580,209**	**$34.43**	**$16.52**	**$17.79**	**$1.94**	**$4,511,824,011**	**$620,486,947**

* Federal total gross market price, transportation costs per ton, and net market price are weighted averages. "W" in the table indicates data withholdings.

Data Withholdings and Sources of Error:

Transportation costs are reported only for deliveries to domestic power plants, and not for deliveries for export markets, coke plants, and other industrial users. Where sales to these sectors other than domestic power plants are larger (as a share of total sales), transportation cost data may be poor proxies of costs for these markets.

All transportation costs are withheld for coal sales from North Dakota and Oklahoma, so it is not possible to estimate net market prices for these states at all. In Wyoming, by comparison, coal sales to domestic power generators account for 98.3 percent of all current coal deliveries (2008 to 2012). Montana coal sales to domestic power plants account for 95.7 percent of sales over the same period. As a result, the estimates for these two states are more realistic, and in total the value of forgone royalties during the five years is likely to be about $595 million.

Total Effective Bonus and Royalty Rates

To estimate the average effective return from bonus payments, we divide the per-ton bonus payment based on coal lease data between 1990 and 2013 by current market prices received for the same coal as it has been mined. Figure 7 shows that the total effective return on bonus payments in recent years for coal sold since 1990 is 1.7 percent. The highest effective return on bonus bids was in Wyoming at 2 percent, and the lowest was in North Dakota and Oklahoma at only 0.1 percent of the eventual mine price of the same coal when it was sold.

Bonus payments are included in this analysis because they are an important source of revenue and add to the total effective return on federal coal sales. There is also, in theory, some interaction between royalty costs to potential lessees and the price they are willing to bid to secure a federal coal lease. Finding that the average effective rate of bonus bids for coal sold since 1990 is less than two percent of the gross market value of coal sold over a recent five-year period suggests that bonus payments are less important than are royalties paid when coal is eventually mined from federal leases. On average, bonus payments contribute about a quarter of the total returns from federal coal leasing. Reforms to the royalty structure and coal valuation policy may have little or no effect on the BLM's fair market valuation determinations. Even if they do, the benefits of ensuring fair returns in the royalty structure will likely outweigh the potential for lower bonus payments.

Figure 7: Total Reported Bonus Payments and Royalties, Lease Data 1990-2013 (2013 $s)

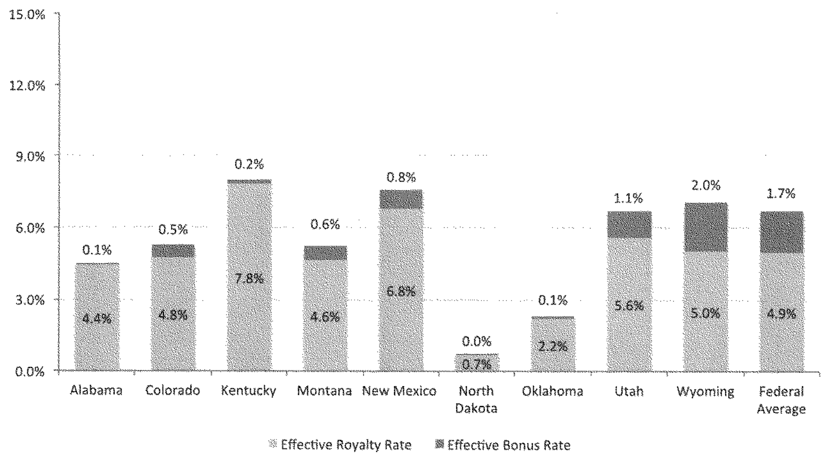


Table 7: Effective Bonus Rates, Coal Lease Data, 1990-2013 (2013 $s)

State	Estimated Amount of Coal Leased (thousand tons)	Total Accepted Bid (2013 $s)	Bonus Bid Per Acre (2013 $s)	Gross Market Price (2008-2012)	Effective Bonus Rate	Total Effective Bonus and Royalty Rate
Alabama	19,014	$955,923	$0.05	$86.74	0.1%	4.5%
Colorado	185,923	$52,513,849	$0.28	$58.12	0.5%	5.3%
Kentucky	9,400	$1,320,106	$0.14	$78.78	0.2%	8.0%
Montana	187,100	$41,897,475	$0.22	$38.89	0.6%	5.2%
New Mexico	63,000	$17,681,167	$0.28	$36.81	0.8%	7.5%
North Dakota	129,110	$999,259	$0.01	$51.43	0.0%	0.7%
Oklahoma	58,409	$2,432,282	$0.04	$60.10	0.1%	2.3%
Utah	198,786	$91,546,365	$0.46	$43.06	1.1%	6.7%
Wyoming	5,426,092	$3,568,766,373	$0.66	$32.33	2.0%	7.0%
Federal Total	**6,276,834**	**$3,778,112,799**	**$0.60**	**$34.43**	**1.7%**	**6.7%**

* Federal total bonus bid per acre, gross market price, effective bonus rate and total effective bonus and royalty rate are weighted federal averages.

Coal Compared to Federal Oil and Natural Gas Leasing

Oil and natural gas leased on federal lands generate revenue in the form of bonus payments, lease rentals, and royalties on the value of extraction. In general, the lease sale, bonus, and royalty structure are very similar to coal's: leases are sold through competitive lease sales, and lessees pay a bonus to the BLM to secure the lease and pay royalties based on gross value of the commodity when it is sold—in the case of oil and natural gas, typically at the wellhead. The statutory rate is 12.5 percent and rate reductions are available based on economic or cost considerations. Companies are also allowed to deduct transportation and processing costs.

Data on wellhead prices, gross taxable value, production, and benchmark market prices are more readily available for these commodities due to their different commercial and production characteristics. We use summary statistics for all oil and natural gas production between 1990 and

2013 to estimate total effective returns.[34] The effective rate is also estimated by dividing royalties paid by the market price of oil and natural gas.

Figure 8: Effective Bonus and Royalty Rate on Federal Oil, Natural Gas, and Coal Leases

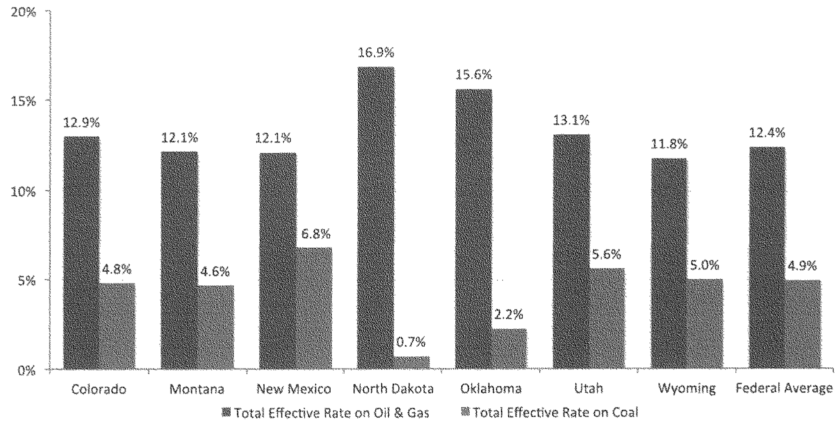


Figure 8 shows that oil and natural gas tends to pay a higher rate than coal. The difference has little to do with the royalty regulation, although it appears that royalty rate reductions are less often applied. More important is the different market for oil and natural gas. These resources are traded in global or national markets with many more individual producers and with greatly more value added in processing and refining after the resource is delivered to market. Transportation costs are lower, and the ability for brokers to earn margins by buying resources at low prices at the lease and remarketing them to consumers is more difficult—midstream brokers of oil and gas are typically selling to downstream brokers such as refiners who also buy in bulk. The difference between the wellhead price and the market price is therefore much smaller in oil and natural gas markets than in coal markets, and effective rates are much closer to the statutory rate.

The outcomes of similar royalty structures applied to commodities traded in different market environments are that oil and natural gas are subject to much higher effective royalty rates than coal extracted from public lands. Where coal and liquid fossil fuels (especially natural gas) compete as sources of electric energy, royalty policy confers an advantage to coal versus liquid fossil fuels, distorting energy markets.

Oil and natural gas also pay higher statutory rates when they are extracted from most U.S. states and from offshore federal waters. Royalty rates vary between 16.67 to 25 percent on state lands, and 18.5 percent in federal offshore waters.[35] By comparison, the U.S. onshore royalty rate of 12.5 percent for oil and natural gas is low, and the White House Office of Management and Budget (OMB) has initiated a review process to determine if the rate should be increased.[36]

V. STRUCTURAL REFORM OPTIONS: VALUING COAL USING MARKET PRICES

The Department of the Interior has identified coal valuation for royalties and current royalty rates as areas that deserve additional review and reform. The purpose of this report is to present data and analysis useful to decision makers as they evaluate options to update the federal coal royalty structure and valuation policy. The agency is already considering several reforms through a rulemaking process, including reconsidering current subsidies and closing marketing loopholes by addressing royalty valuation for coal sold through captive transactions (or non-arm's-length sales). It has also moved to improve transparency by making data more readily available to the public.

Addressing these issues independently may be ineffective and add to an already complex regulatory environment. Reforms may also fall short if they are not considered comprehensively. Reforming the current structure to use the gross market price of coal delivered for domestic use and export offers several benefits:

- Moving the point of valuation improves transparency. Market prices are known. The BLM and the public will all have easy access to coal valuation data.
- Because the structure would use published data, it greatly simplifies the valuation process and reduces administrative costs.
- Reforming the royalty structure also makes it easier to assess what a fair return is, and balance these returns against other competing interests.

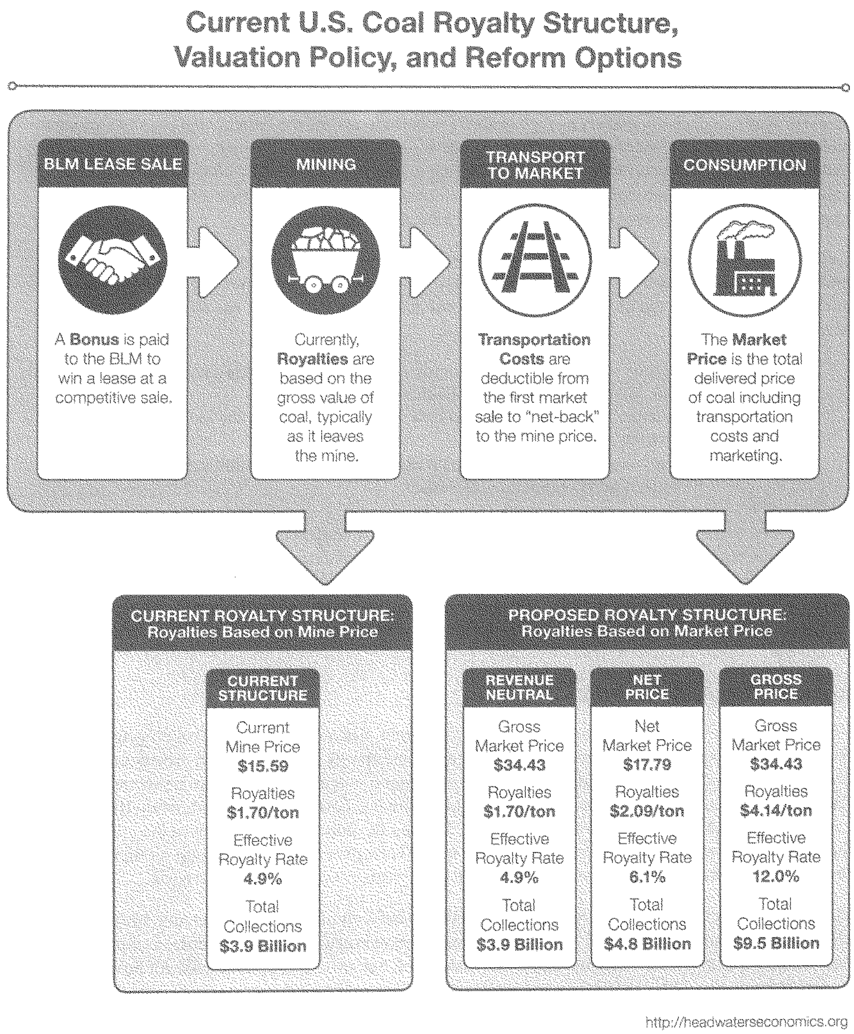
Figure 9 illustrates the coal royalty structure and returns based on the current valuation policy of using the first sale, typically as coal leaves the mine. Figure 9 also illustrates the proposed reform that would value coal for royalties using market prices instead. The gross market price is the price paid by the ultimate consumers of federal coal, including domestic power plants, industrial users, coke plants, and coal sold for export. The net market price is the gross market price minus transportation costs incurred to move coal from the mine to the consumer.

Revenue-Neutral Reforms

The BLM, which oversees the federal coal-leasing program, has multiple and diverse objectives: a fair return for U.S. taxpayers, economic development and jobs, energy security, and environmental protection. A royalty structure that is more easily understood will allow for a better assessment of how these goals are best met. The primary benefits of transparency, cost reductions, and policy flexibility can be achieved through revenue-neutral reforms. Moving the point of valuation from the mine price to the market price and lowering royalty rates to the current effective royalty rate would return the same revenue as the current royalty structure, but would do so with lower administrative costs.

The average effective rate for all federal leases between 2008 and 2012 was 4.9 percent. Ideally, the effective rate would be calculated and applied for each lease based on current production statistics. The data we provide here are all summarized at the state level, but provide the framework for how revenue-neutral reforms should be understood and implemented. The policy outcome would be a simple, transparent structure that effectively retains all current subsidies.

Figure 9:


Current U.S. Coal Royalty Structure,
Valuation Policy, and Reform Options
BLM LEASE SALE
A Bonus is paid to the BLM to win a lease at a competitive sale.
MINING
Currently, Royalties are based on the gross value of coal, typically as it leaves the mine.
TRANSPORT TO MARKET
Transportation Costs are deductible from the first market sale to "net-back" to the mine price.
CONSUMPTION
The Market Price is the total delivered price of coal including transportation costs and marketing.
CURRENT ROYALTY STRUCTURE: Royalties Based on Mine Price
CURRENT STRUCTURE
Current Mine Price $15.59
Royalties $1.70/ton
Effective Royalty Rate 4.9%
Total Collections $3.9 Billion
PROPOSED ROYALTY STRUCTURE: Royalties Based on Market Price
REVENUE NEUTRAL
Gross Market Price $34.43
Royalties $1.70/ton
Effective Royalty Rate 4.9%
Total Collections $3.9 Billion
NET PRICE
Net Market Price $17.79
Royalties $2.09/ton
Effective Royalty Rate 6.1%
Total Collections $4.8 Billion
GROSS PRICE
Gross Market Price $34.43
Royalties $4.14/ton
Effective Royalty Rate 12.0%
Total Collections $9.5 Billion
http://headwaterseconomics.org

Royalty Valuation Based on Net Market Price

This reform option would apply current statutory rates to the net market price of coal. The policy outcome would be to simplify the royalty structure, eliminate subsidies in the regulation (royalty rate reductions), and close the affiliate broker loophole while retaining transportation cost deductions.

Figure 9 shows that the average net market price of coal delivered from states with federal production was $17.79 between 2008 and 2012. If royalties had been valued based on the net market price over this same period, total royalty revenue would have totaled $4.8 billion, or about $2.09 per ton. The effective rate would have been 6.1 percent. Had this reform been in place over the five-year period, royalty collections would have been about $865 million higher than actual collections.

The net cost to industry would have been smaller because higher royalty payments would result in lower state severance taxes and corporate income taxes.[37] For coal extracted from Montana and Wyoming (about 91 percent of total federal coal production), the total cost increase per ton would have been about $0.18, or about half a percent of the gross market price of coal. This additional cost may be passed forward as a higher delivered cost of coal, or it may be passed backwards onto the mining company or the marketing broker. If all costs are passed forward, it could result in a maximum increase in the delivered cost of coal of 0.5 percent.

Royalty Valuation Based on Gross Market Price

This option would apply current statutory rates to the gross market price of coal. The policy outcome would be to eliminate subsidies, cost deductions, and marketing loopholes—significantly raising royalty revenue. Figure 1 shows the average gross market price of coal delivered from states with federal production was $34.43 between 2008 and 2012. If royalties had been valued based on the gross market price over this same period, total royalty revenue would have totaled $9.5 billion, or about $4.14 per ton. The effective rate would have been 12.0 percent, compared to the actual effective rate of 4.9 percent.

In Montana and Wyoming, the reform would have produced more than $5.6 billion in additional royalty revenue. After considering the likely reduction in state severance and corporate income taxes, the net change in revenue would have been about $3.9 billion or $1.90 per ton.[38]

Interpreting Results

The Office of Natural Resources Revenue (ONRR) is currently proposing to change the regulations governing valuation of coal for royalty purposes. While this paper does not specifically address the rulemaking process, the results can inform public comment and ultimately the rule that ONRR adopts.

The ONRR proposes to retain royalty valuation at or near the lease, using gross proceeds from the first arm's-length transaction (or market sale) as the basis for royalties. The rule is specifically designed to address situations where the first sale is to an affiliate broker—in other words, it is not at arm's-length and may be structured only to avoid paying royalties on the higher market value of federal coal. In making this change, ONRR would use the first market sale to determine royalty valuation.

One way to interpret our results is that the rule would effectively change royalty valuation to the net market price of coal (if transportation costs are still deductible). However, non-affiliated brokers may still play an important role in the coal market, and the rulemaking would do little to affect royalty collections. Our results define the upper end of the possible outcomes that could range from very little change up to an increased royalty payment per ton averaging about $0.18 for federal coal in Montana and Wyoming (after accounting for state severance tax and corporate income tax interactions).

If the rulemaking additionally limits transportation costs deductions to 50 percent of actual costs, the effect of the rulemaking could be an average increase in royalty payments per ton of about $0.85 per ton (after accounting for state severance tax and corporate income tax interactions). Again, this estimate should be considered the upper end of costs that would accrue only if closing the affiliate broker loophole results in mines in Montana and Wyoming marketing all federal coal directly to consumers. If, however, brokers remain an important player in the market structure (and they still retain effectively a 12.5 percent cost advantage over a mine marketing coal directly), then changing royalty valuation and transportation deductions will have little, if any, effect on collections.

VI. CONCLUSION

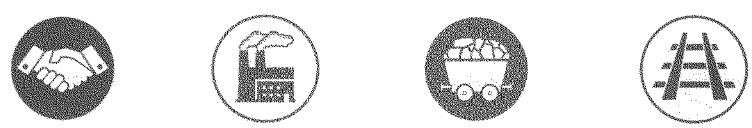
Coal still supplies more than one-third of total U.S. electricity generation, and federal leases generate up to a billion dollars each year in bonus payments and royalties. Despite coal's importance to government revenue, the current royalty structure is opaque and costly to administer, and the returns to the U.S. public are unclear. Our assessment of the current royalty structure and estimates of effective tax rates suggest that the Bureau of Land Management is not receiving a fair return. The average effective tax rate of 4.9 percent (bonus payments contribute an additional 1.7 percent effective return) falls well short of statutory rates and is lower compared to the effective rates paid by oil and natural gas extracted from federal lands. We estimate that current subsidies in the regulation and marketing loopholes due to royalty valuation policy were worth about $850 million between 2008 and 2012.

The BLM and ONRR do not only manage the federal coal program to maximize returns. Federal coal leasing has multiple and diverse objectives: a fair return for U.S. taxpayers, economic development and jobs, energy costs and security, and environmental protection. However, significant changes in the structure of the coal market, including a larger share of production from western surface mines, an increasing role for brokers in the coal market, and the potential for significant new coal exports, have raised concerns about the current balance between competing interests.

The BLM and ONRR are undertaking several reforms, including a current rulemaking process to consider changes to the royalty valuation policy. The Department of the Interior is also revisiting royalty rates on oil, natural gas, and coal, and seeking to improve transparency of the lease sale and royalty program. This report concludes that moving the basis for coal royalty valuation from the mine price to the market price simplifies the royalty structure, creates transparency and lowers administrative costs, and allows for assessment of how the BLM is balancing competing interests in leasing federal coal.

APPENDIX A: DATA SOURCES

In order to calculate effective rates of return and assess the outcomes of reforms to the coal valuation structure, we combine statistics that describe annual production, total sales value, the value of cost allowances, royalties due, bonus bids, transportation costs between the mine and the point of consumption, and the market price of delivered coal. These data come from a variety of sources and must be joined to provide a full picture of the royalty structure.



BLM Lease Data

BLM lease data:

- Estimated amount of coal sold
- Bonus payment per ton
- Royalty rate reductions

ONRR Reported Royalties

ONRR revenue data:

- Sales value
- Sales volume
- Reported revenue (royalties and bonus payments)
- Allowable costs

Transportation Costs

EIA Transport Costs:

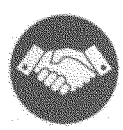
- Cost per ton for state-to-state deliveries by rail, truck, and waterway to the power sector

EIA Market Price Data

EIA Market Price Data:

- Delivered tons by consumer type and mine
- Market price by consumer type, including exports
- Primary transport mode to market

This section describes the various data and methods we use in this report.



Bureau of Land Management (BLM) Lease Data

Coal Lease Sales and Bonus Payment Statistics

Statistics for all leases sold from 1990 to the current year (2012) include the sale date, state, associated mine name, and lease-specific data including acres leased, estimated amount of coal leased, number of qualified bids, accepted bonus bid (total and per-ton), and the successful bidder.

Citation: U.S. Department of the Interior, Bureau of Land Management. "Total Federal Coal Leases in Effect, Total Acres Under Lease, and Lease Sales by Fiscal Year Since 1990." Washington, D.C. http://www.blm.gov/wo/st/en/prog/energy/coal_and_non-energy/coal_lease_table.html.

Royalty Rate Reductions

Royalty rates are set for each lease and are considered proprietary and are withheld from public review. The Senate Energy and Natural Resources Committee conducted a review of the BLM lease process, including statistics that describe royalty rate reductions applied to BLM leases sold since 1990. These data were joined to the BLM Coal Lease Sales and Bonus Payment Statistics described above to estimate the value of royalty rate reductions granted to this same set of leases.

Citation: Royalty Rate Reductions for Leases Sold Since 1990. Personal communication, Senate Energy and Natural Resources Committee staff, June 13, 2014.

Office of Natural Resource Revenue (ONRR) Reported Royalties

Reported Sales Value, Sales Volume and Royalty Revenue

ONRR reports total sales volume and sales value for royalty purposes, and the resulting royalty, bonus, rental, and other revenue data. Statistics are organized by year and by state for specific commodity and product codes from 2003 to 2013. Royalty statistics prior to 2003 are only available at the commodity code, and bonus payment statistics are only available in total for all commodities combined. Statistics are reported for accounting year and sales year. Sales year statistics are used in this report.

Citation: U.S. Department of the Interior, Office of Natural Resources Revenue. Federal Onshore Reported Sales Value, Sales Volume, and Royalty Revenue. Sales Years 2003 to 2013. http://statistics.onrr.gov/.

Freedom of Information Act (FOIA) Request for Reported Sales Value, Sales Volume, and Royalty Revenue Associated with Leases Sold Since 1990

Data were requested through the Freedom of Information Act (FOIA) from the Office of Natural Resources Revenue (ONRR) on actual production, total sales value, cost deductions, and royalty payments data for coal produced from active leases sold since 1990.[39] Active leases are those that reported production since 2001.

In total, the BLM has leased over 6.3 billion tons of coal associated with the 83 leases since 1990. Cumulative production from these leases totals 3.3 billion tons, or a little more than half of the total coal sold over the same period. In real terms (expressed in 2013 dollars), the BLM received a total of $3.7 billion in bonus sales associated with these leases, and an additional $4.7 billion in annual royalty payments on actual production from these same leases.

Coal produced from the 83 leases in the dataset from 1990 to 2012 accounts for just more than a third of total federal coal production over the same period. The additional federal coal is produced from leases sold before 1990 that are still operating.

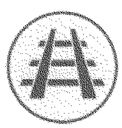
Citation: U.S. Department of the Interior, Office of Natural Resources Revenue. Reported Sales Value, Allowed Deductions, and Royalty Due for Federal Leases Sold Since 1990. FOIA Request no. 2014-0034, August 21, 2014.

Coal Production Data by Mine and Mine Type

These data are reported by operators at the mine scale on an annual and quarterly basis as part of their reporting requirements around mine safety. The original source is the quarterly Mine Safety and Health Administration survey that tracks production statistics as well as statistics on accidents, employment, and working hours by mine. U.S. Energy Information Administration makes these data available in several forms.

Citation: U.S. Department of Labor, Mine Safety and Health Administration Form 7000-2, Quarterly Mine Employment and Coal Production Report. http://www.msha.gov/OpenGovernmentData/OGIMSHA.asp.

Data: U.S. Energy Information Administration. Coal Production Statistics. http://www.eia.gov/coal/data.cfm#production.



EIA Transportation Costs

EIA Coal Transportation Rates to the Electric Power Sector

Transportation costs are reported by primary transportation mode (truck, waterway, and rail), by mine state, and destination state. The Energy Information Administration (EIA) compiles these data from form EIA-923. The reported data only include deliveries to electric power plants with at least 50 megawatt generating capacity. Data on transportation costs are withheld by EIA if there were too few mines or producers to maintain confidentiality.

Citation: U.S. Energy Information Administration. 2014. Coal Transportation Rates to the Electric Power Sector, Tables 4a, 4b, and 4c. http://www.eia.gov/coal/transportationrates/ Accessed 29 December 2014.

EIA Coal Price Statistics

EIA Delivered Prices to the Domestic Power Generation Sector

Data for the total quantity of coal delivered (measured in tons), average heat content (measured in millions of BTUs), and fuel cost (measured in cents per BTU) were obtained for individual coal deliveries monthly from 2008 through 2012 using data from the Fuel Receipts Data section of form EIA-923. These data report the state where the coal originated and the state where it was delivered.

Citation: U.S. Energy Information Administration. 2014. Electric Power Generation and Fuel Consumption, Stocks, and Receipts Monthly Time Series Data, Page 5 Fuel Receipts and Costs. http://www.eia.gov/electricity/data/eia923/ Accessed 30 December 2014.

EIA Metallurgical Coal and Industrial Consumer Prices

EIA provides average prices by the state of origin (the state where coal is mined) for deliveries to domestic power generators, industrial users, and coke plants (metallurgical coal).

EIA data sources are: U.S. Energy Information Administration Form EIA-923, Power Plant Operations Report, Form EIA-3, Quarterly Coal Consumption and Quality Report, Manufacturing and Transformation/Processing Coal Plants and Commercial and Institutional Coal Users, and Form EIA-5, Quarterly Coal Consumption and Quality Report, Coke Plants.

Citation: U.S. Energy Information Administration. Annual Coal Report. Table 34. Average Price of Coal Delivered to End Use Sector by Census Division and State. http://www.eia.gov/coal/annual/ Accessed 30 December 2014.

EIA Export Prices

Average price is based on the free alongside ship (f.a.s.) value for steam coal exports and metallurgical coal exports by foreign nation and regional totals. Data used in this report are total national average export prices, with the exception of exported coal originating in Wyoming and Montana. We use the total Asia export price for steam coal for these states (we assume since there are no domestic deliveries of metallurgical coal from these states that there are similarly no metallurgical coal exports).

EIA data source is Bureau of the Census, U.S. Department of Commerce, Monthly Report EM 545.

Citation: U.S. Energy Information Administration. Quarterly Coal Report. Average Price of U.S. Steam Coal and Metallurgical Coal Exports. http://www.eia.gov/coal/production/quarterly/ Accessed 30 December 2014.

APPENDIX B: METHODS

Estimating Average Statutory Rates

The average statutory rate is the weighted average of all surface coal mined in states with federal leases times 12.5 percent and all underground coal times eight percent. The formula is:

$$\text{Weighted Average Statutory Rate} = \frac{(\text{Surface coal (tons)} * 12.5\% + \text{Underground coal (tons)} * 8\%)}{\text{total coal (tons)}}$$

Table B1 shows the results of this calculation using current state production data. Data for surface and underground coal production are reported by MSHA for all coal extracted from each state, including federal, tribal, state, and private leases[40] (see the sidebar titled *Production Data: Federal vs. State Statistics*). These state data are compared to the reported royalty rate for federal production in Figure 3 to estimate the size of royalty rate reductions and allowable cost deductions.

Because not all state production comes from federal leases, comparing state production statistics to federal production statistics introduces error to the estimates. The ratio of surface and underground coal production in each state is more likely to be representative of the same ratio on federal lands if federal production makes up a large portion of total coal mined across the state. Table B2 shows the federal share of state production for each state, and the weighted average for all states with active federal leases. In Wyoming, federal production is more than 90 percent of all state production. In this case, the estimated average statutory rate is likely to be confident.

Table B1: Average Statutory Rate, Current State Production 2008-2012

State	State Surface Coal	State Underground Coal	Total State Production	Average State Statutory Royalty Rate
Alabama	37,967,229	59,747,469	97,714,698	9.7%
Colorado	29,106,476	111,807,443	140,913,919	8.9%
Kentucky	212,184,246	320,064,588	532,248,834	9.8%
Montana	191,530,083	16,175,839	207,705,922	12.1%
New Mexico	88,713,582	27,420,685	116,134,267	11.4%
North Dakota	144,281,418	0	144,281,418	12.5%
Oklahoma	3,652,006	1,976,744	5,628,750	10.9%
Utah	570,138	101,527,508	102,097,646	8.0%
Wyoming	2,162,916,368	18,471,802	2,181,388,170	12.5%
State Total	**2,870,921,546**	**657,192,078**	**3,528,113,624**	**12.3%**

*State total average royalty rate is a weighted average.

Table B2: Federal Share of Total Coal Mined by State, 2008-2012

State	Sales Volume from Federal Leases (tons)	Cumulative State Production, All Leases	Federal Share of State Total
Alabama	9,043,639	97,714,698	9.3%
Colorado	97,242,959	140,913,919	69.0%
Kentucky	977,116	532,248,834	0.2%
Montana	121,474,627	207,705,922	58.5%
New Mexico	18,418,053	116,134,267	15.9%
North Dakota	10,909,897	144,281,418	7.6%
Oklahoma	3,039,401	5,628,750	54.0%
Utah	55,144,127	102,097,646	54.0%
Wyoming	1,974,279,688	2,181,388,170	90.5%
Total	**2,290,529,507**	**3,528,113,624**	**64.9%**

*Total federal share of state total is a weighted average.

A second way to estimate an average statutory rate is to use the estimated amount of surface and underground coal leased since 1990 to describe current production from federal leases. Table B3 shows these results. These data indicate something about the resource base available for production in each state. However, it says little about actual production from all federal leases between 2008 and 2012. The leases sold since 1990 account for just more than a third of actual federal coal production during this recent five-year period.

The results vary very little regardless of which estimate of statutory rates are used. In Wyoming, where most federal coal production and coal value is produced, the difference in estimated statutory rate between the two methods is only .04 percent (four one-hundredths of one percent). The estimate of royalties that would be due if coal valuation were based on net market values would change by 3 cents, falling from an estimate of $2.09 in royalties due per ton to $2.06 in royalties due per ton. The effective rate estimate changes by less than a tenth of a percent (0.07%). In either case, is impossible to assess if the error introduced by poor data accuracy leads to over estimates or under estimates of actual statutory rates.

Table B3: Estimated Amount of Surface and Underground Coal Leased and Estimated Statutory Rate, All Leases Sold Since 1990

State	Estimated amount of coal leased	Coal leased from Surface Mines	Coal leased from Underground Mines	Percent of Coal from Surface Mines	Average Statutory Rate
Alabama	19,014	160	18,854	0.8%	8.0%
Colorado	185,923	0	185,923	0.0%	8.0%
Kentucky	9,400	0	9,400	0.0%	8.0%
Montana	187,100	187,100	0	100.0%	12.5%
New Mexico	63,000	0	63,000	0.0%	8.0%
North Dakota	129,110	129,110	0	100.0%	12.5%
Oklahoma	58,409	58,040	369	99.4%	12.5%
Utah	198,786	0	198,786	0.0%	8.0%
Wyoming	5,426,092	5,327,867	32,445	98.2%	12.4%
Federal Total	**6,276,834**	**5,702,277**	**508,777**	**90.8%**	**12.1%**

*The federal total average statutory rate is a weighted average.

Production Data: Federal vs. State Data

Production statistics are often available at the state level using MSHA and EIA reports. Equivalent data, including delivered costs, transportation costs, extraction from surface and underground mines, and others, are not available for production on federal leases reported by ONRR. When these data are not published for federal leases, we use the state data as a proxy, assuming that characteristics of federal production are similar to the broader production profile of all coal extracted from each state.

We use Federal Total and State Total to distinguish at which scale the data presented in a table or column are organized and reported. For example, Table B1 uses state data to estimate the average statutory rate paid by all coal extracted from each state—not only coal extracted from federal leases—based on the share of mining from surface and underground mines respectively.

See Appendix C for more.

Estimating Average Market Prices by State

Average market prices for each mine state and end use sector are estimated by combining total tons of coal distributed with the delivered price to calculate a weighted average. The EIA reports production and price statistics by state of origin for four types of domestic consumers, and for steam and metallurgical coal exports. Table B4 summarizes these data.[41]

Table B4: Domestic and Foreign Distribution of U.S. Coal by State or Origin and Consumer Type, 2008-2012 (thousand short tons)

State	Electric Power Sector	Commercial/ Institutional	Industrial Plants Excluding Coke	Coke Plant	Total Exports	Total State Distributions*
Alabama	38,786,509	0	6,490,079	5,913,879	46,993,100	98,183,567
Colorado	111,285,735	1,035,698	10,014,682	1,641	13,032,830	135,370,586
Kentucky	450,725,624	2,315,733	36,937,507	4,226,068	33,296,760	527,501,692
Montana	157,090,721	497,850	6,597,881	0	28,086,490	192,272,942
New Mexico	117,007,630	0	1,651,223	0	200	118,659,053
North Dakota	115,291,845	0	29,925,588	0	0	145,217,433
Oklahoma	2,194,940	0	2,141,078	96,375	6,000	4,438,393
Utah	83,977,784	37,655	12,967,191	0	3,498,110	100,480,740
Wyoming	2,115,595,143	280,318	36,538,888	0	20,480,830	2,172,895,179
State Total	**3,191,955,931**	**4,167,254**	**143,264,117**	**10,237,963**	**145,394,320**	**3,495,019,585**

*Note that Total State Distributions in Table B4 do not match Total State Production figures in Tables B1 and B2. Tables B1 and B2 include data from MSHA reports, while data included in B4 are from a variety of EIA reports on coal deliveries. These data sources rely on different methods and do not match perfectly.

Table B5 shows the price received for coal delivered to consumers[42] and for export[43] from each state. Market price estimates are based on EIA price data for domestic consumption and for export. We estimate weighted market prices by state of origin and by consumer type, including domestic consumption and export.

Table B5: Average Market Price of U.S. Coal Delivered to Consumer Types by State of Origin, 2008-2012 (2013 $s per ton)

State	Electric Power Sector	Commercial/ Institutional	Industrial Plants Excluding Coke	Coke Plant	Total Exports
Alabama	$81.52	$96.74	$70.38	$165.76	$83.36
Colorado	$54.66	$97.48	$70.34	$191.01	$75.09
Kentucky	$78.79	$96.33	$70.34	$172.76	$74.72
Montana	$33.42	$96.57	$70.54	$169.39	$61.05
New Mexico	$36.33	$96.74	$70.35	$169.39	$76.16
North Dakota	$46.49	$96.74	$70.48	$169.39	$74.13
Oklahoma	$46.36	$96.74	$70.18	$148.02	$72.78
Utah	$37.52	$96.41	$70.36	$169.39	$74.32
Wyoming	$31.24	$96.92	$70.50	$169.39	$75.60

Weighted average market prices for coal deliveries from federal land are calculated in two steps. First, the average market prices for all coal deliveries from each state (state total) are estimated by summing the gross proceeds for coal delivered to each end use sector (or consumer type), divided by total delivered tons to all sectors. The formula is:

$$\text{Weighted Average Market Price} = \frac{(\text{EP Value} + \text{CP Value} + \text{IP Value} + \text{CI Value} + \text{SE Value} + \text{ME Value})}{\text{Total Delivered Tons}}$$

Where:

EP Value = Delivered Tons * Delivered Price (Electric Power Sector)
CP Value = Delivered Tons * Delivered Price (Coke Plants)
IP Value = Delivered Tons * Delivered Price (Industrial Plants Excluding Coke)
CI Value = Delivered Tons * Delivered Price (Commercial/Institutional)
SE Value = Delivered Tons * Delivered Price (Steam Coal Exports)
ME Value = Delivered Tons * Delivered Price (Metallurgical Coal Exports)

The results are shown in Table B6.

Table B6: Total Gross Proceeds and Market Price for State Coal Distributions by State of Origin and Consumer Type, 2008-2012 (2013 $s per short ton)

State	Electric Power Sector	Commercial/ Institutional	Industrial Plants Excluding Coke	Coke Plant	Total Export	Total Gross Receipts	Average Gross Market Price (State)
Alabama	$3,161,809,501	$0	$456,760,209	$980,312,270	$3,917,444,542	$8,516,326,522	$86.74
Colorado	$6,082,859,024	$100,959,056	$704,442,020	$313,455	$978,578,654	$7,867,152,209	$58.12
Kentucky	$35,514,786,325	$223,084,092	$2,598,185,815	$730,101,088	$2,487,956,742	$41,554,114,061	$78.78
Montana	$5,249,951,047	$48,075,227	$465,421,015	$0	$1,714,780,271	$7,478,227,561	$38.89
New Mexico	$4,251,328,317	$0	$116,166,423	$0	$15,232	$4,367,509,971	$36.81
North Dakota	$5,359,812,923	$0	$2,109,226,601	$0	$0	$7,469,039,524	$51.43
Oklahoma	$101,765,335	$0	$150,257,904	$14,265,606	$436,674	$266,725,518	$60.10
Utah	$3,150,434,125	$3,630,284	$912,355,542	$0	$259,975,787	$4,326,395,738	$43.06
Wyoming	$66,098,624,933	$27,168,579	$2,576,029,876	$0	$1,548,302,450	$70,250,125,837	$32.33
Total States	**$128,971,371,529**	**$402,917,238**	**$10,088,845,405**	**$1,724,992,418**	**$10,907,490,352**	**$152,095,616,941**	**$43.52**

*The total state average gross market price is a weighted average.

Next, we apply the weighted average price for state coal to the total number of tons extracted from federal leases (federal total) within each state. This provides a weighted average national price for coal delivered from federal lands. The results are shown in Table B7.

Table B7: Total Gross Proceeds and Market Price for Federal Coal Distributions by State of Origin and Consumer Type, 2008-2012 (2013 $s per short ton)

State	Deliveries from Federal Leases 2008-2012	Gross Value of Federal Deliveries	Average Gross Market Price (Federal)
Alabama	9,043,639	$784,434,555	$86.74
Colorado	97,242,959	$5,651,339,647	$58.12
Kentucky	977,116	$76,972,625	$78.78
Montana	121,474,627	$4,724,611,243	$38.89
New Mexico	18,418,053	$677,917,345	$36.81
North Dakota	10,909,897	$561,134,088	$51.43
Oklahoma	3,039,401	$182,653,002	$60.10
Utah	55,144,127	$2,374,338,764	$43.06
Wyoming	1,974,279,688	$63,828,848,193	$32.33
Total Federal	**2,290,529,507**	**$78,862,249,462**	**$34.43***

*The Federal Average Gross Market Price is a weighted average price.

Estimating Transportation Costs and Net Market Prices

We estimate net market prices by subtracting transportation costs from the gross market price estimated above. Transportation costs are from EIA 923 Reports, and are only available for coal deliveries to the domestic power generation sector. The estimates assume that transportation costs for deliveries to other end use sectors (including deliveries to domestic coke plants and to export terminals) from each state will be similar, on average, to transportation costs for deliveries to the domestic power sector.

Table B8 shows total state deliveries by state of origin, the share of total state deliveries for which transportation costs are reported, and average state transportation costs per ton by state of origin.

Table B9 shows the weighted average for federal coal deliveries. The federal weighted average of transportation costs by state of origin is calculated in Table B9 by applying the average state transportation cost to the tons extracted from federal lands. We assume that federal coal is delivered to consumers in the same proportion as state deliveries.

Table B8: Transportation Costs for State Coal Deliveries to the Domestic Power Generation Sector by State of Origin, 2008-2012 (2013 $s per ton)

State	State Coal Deliveries (tons) For Which Transportation Costs are Reported	Cumulative Value of State Coal Deliveries For Which Transportation Costs are Reported	Average State Transportation Costs per ton	Percent of Total State Deliveries For Which Cost Data are Reported
Alabama	30,252,466	$127,291,856	$4.21	79.0%
Colorado	64,604,974	$800,143,011	$12.39	59.5%
Kentucky	409,783,398	$6,715,100,463	$16.39	96.5%
Montana	87,672,678	$1,673,328,877	$19.09	87.9%
New Mexico	39,743,496	$386,755,239	$9.73	34.2%
North Dakota	0	$0	W	0.0%
Oklahoma	0	$0	W	0.0%
Utah	63,886,807	$162,857,815	$2.55	79.5%
Wyoming	1,390,646,171	$23,752,227,193	$17.08	86.4%
Total State	**2,086,589,990**	**$33,617,704,453**	**$30.72**	**87.3%**

*Total state average transportation cost is a weighted average.

Table B9: Transportation Costs for Federal Coal Deliveries to the Domestic Power Generation Sector by State of Origin, 2008-2012 (2013 $s per ton)

State	Federal Coal Production	Average State Transportation Costs per ton	Estimated Cumulative Value of Transportation Costs for Federal Coal Deliveries
Alabama	9,043,639	$4.21	$38,052,488
Colorado	97,242,959	$12.39	$1,204,369,713
Kentucky	977,116	$16.39	$16,011,952
Montana	121,474,627	$19.09	$2,318,476,016
New Mexico	18,418,053	$9.73	$179,231,301
North Dakota	10,909,897	W	NA
Oklahoma	3,039,401	W	NA
Utah	55,144,127	$2.55	$140,571,308
Wyoming	1,974,279,688	$17.08	$33,720,683,715
Federal Total	**2,276,580,209**	**$16.52**	**$37,617,396,492**

*Total federal average transportation cost is a weighted average.

Subtracting transportation costs from the gross market price provides an estimate of the average net market price received for coal delivered from federal lands in each state to all types of consumers. Table B10 shows the net market price estimates.

Table B10: Estimated Net Market Price for Federal Coal Deliveries by State of Origin, 2008-2012 (2013 $s per ton)

State	Total Coal Production from Federal Leases	Average Gross Market Price for Federal Deliveries	Transportation Costs per ton	Cumulative Net Value	Net Market Price per ton
Alabama	9,043,639	$86.74	$4.21	$746,382,067	$82.53
Colorado	97,242,959	$58.12	$12.39	$4,446,969,934	$45.73
Kentucky	977,116	$78.78	$16.39	$60,960,673	$62.39
Montana	121,474,627	$38.89	$19.09	$2,406,135,227	$19.81
New Mexico	18,418,053	$36.81	$9.73	$498,686,044	$27.08
North Dakota	10,909,897	$51.43	W	NA	NA
Oklahoma	3,039,401	$60.10	W	NA	NA
Utah	55,144,127	$43.06	$2.55	$2,233,767,456	$40.51
Wyoming	1,974,279,688	$32.33	$17.08	$30,108,164,478	$15.25
Federal Total	**2,276,580,209**	**$34.43**	**$16.52**	**$40,501,065,879**	**$17.79**

*Total state average market prices and transportation costs are weighted averages.

Estimating the Outcome of Levying Royalties on Net Market Prices

Royalties based on the net market price of coal deliveries from each state are estimated by applying the average statutory rate (Table B1) to the average net market price (Table B10). Using the average statutory rate implies that royalty rate reductions are eliminated and the statutory rate is levied on the net market price of coal deliveries from each state. Effective royalty rates are calculated by dividing the royalties due per ton by the average gross market price. Table B11 shows estimates of total royalties due, royalties due per ton, and the effective royalty rate.

Table B11: Royalties Due and Effective Royalty Rate Using Net Market Price by State of Origin for Royalty Valuation, 2008-2012 (2013$s)

State	Total Federal Coal Production	Estimated State Statutory Royalty Rate	Net Market Price per ton	Royalties Due Based on Net Market Price	Royalties Due per ton	Average Gross Market Price for Federal Deliveries	Effective Royalty Rate Using Net Market Price
Alabama	9,043,639	9.7%	$82.53	$72,760,932	$8.05	$86.74	9.3%
Colorado	97,242,959	8.9%	$45.73	$397,092,071	$4.08	$58.12	7.0%
Kentucky	977,116	9.8%	$62.39	$5,970,459	$6.11	$78.78	7.8%
Montana	121,474,627	12.1%	$19.81	$292,334,517	$2.41	$38.89	6.2%
New Mexico	18,418,053	11.4%	$27.08	$57,037,198	$3.10	$36.81	8.4%
North Dakota	10,909,897	12.5%	NA	NA	NA	$51.43	NA
Oklahoma	3,039,401	10.9%	NA	NA	NA	$60.10	NA
Utah	55,144,127	8.0%	$40.51	$179,262,722	$3.25	$43.06	7.6%
Wyoming	1,974,279,688	12.5%	$15.25	$3,752,047,662	$1.90	$32.33	5.9%
Total	**2,276,580,209**	**12.3%**	**$17.79**	**$4,756,505,562**	**$2.09**	**$34.43**	**6.1%**

*Total average market prices, royalties due, and royalty rates are weighted averages.

Table B12 shows a comparison between actual royalties collected between 2008 and 2012 and royalties that would have been due if statutory rates had been levied on the net market price over the same period. Table B12 includes gross royalty collections and effective tax rates.

Table B12: Comparison of Reported Royalties to Estimated Royalties Using Net Market Price, Current Production 2008-2012 (2013 $s)

State	Royalties Due Based on Net Market Price	Reported Royalties Due	Difference Between Royalties Based on Net Prices and Current Royalties	Effective Royalty Rate Using Net Market Price	Actual Effective Royalty Rate, 2008-2012
Alabama	$72,760,932	$34,830,873	$37,930,059	9.3%	4.4%
Colorado	$397,092,071	$269,460,788	$127,631,283	7.0%	4.8%
Kentucky	$5,970,459	$6,019,775	-$49,316	7.8%	7.8%
Montana	$292,334,517	$219,090,309	$73,244,209	6.2%	4.6%
New Mexico	$57,037,198	$45,911,763	$11,125,435	8.4%	6.8%
North Dakota	NA	$3,822,998	NA	NA	0.7%
Oklahoma	NA	$4,046,018	NA	NA	2.2%
Utah	$179,262,722	$132,991,300	$46,271,422	7.6%	5.6%
Wyoming	$3,752,047,662	$3,183,032,256	$569,015,406	5.9%	5.0%
Federal Total	**$4,756,505,562**	**$3,899,206,080**	**$865,168,498**	**6.1%**	**4.9%**

*Federal total royalty rates are weighted averages.

Royalties based on the gross market price of coal deliveries from each state are estimated by applying the average statutory rate (Table B1) to the average gross market price (Table B7). Using the average statutory rate implies that royalty rate reductions are eliminated and the statutory rate is levied on the gross market price of coal deliveries by state of origin. Effective royalty rates are calculated by dividing royalties due per ton by the average gross market price. Table B13 shows estimates of total royalties due, royalties due per ton, and the effective royalty rate.

Table B13: Royalties Due and Effective Royalty Rate Using Gross Market Price for Royalty Valuation, 2008-2012 (2013$s)

State	Total Federal Coal Production	Estimated Statutory Royalty Rate	Gross Market Price per ton	Royalties Due Based on Gross Market Price	Royalties Due per ton	Average Gross Market Price for Federal Deliveries	Effective Royalty Rate Using Gross Market Price
Alabama	9,043,639	9.7%	$86.74	$76,470,473	$8.46	$86.74	9.7%
Colorado	97,242,959	8.9%	$58.12	$504,636,235	$5.19	$58.12	8.9%
Kentucky	977,116	9.8%	$78.78	$7,538,662	$7.72	$78.78	9.8%
Montana	121,474,627	12.1%	$38.89	$574,018,838	$4.73	$38.89	12.1%
New Mexico	18,418,053	11.4%	$36.81	$77,536,772	$4.21	$36.81	11.4%
North Dakota	10,909,897	12.5%	$51.43	$70,141,761	$6.43	$51.43	12.5%
Oklahoma	3,039,401	10.9%	$60.10	$19,945,084	$6.56	$60.10	10.9%
Utah	55,144,127	8.0%	$43.06	$190,543,751	$3.46	$43.06	8.0%
Wyoming	1,974,279,688	12.5%	$32.33	$7,954,283,657	$4.03	$32.33	12.5%
Federal Total	**2,290,529,507**	12.3%	**$34.43**	**$9,475,115,233**	**$4.14**	**$34.43**	**12.0%**

*Federal total royalty rates and market prices are weighted averages.

Table B14 shows a comparison between actual royalties collected between 2008 and 2012 and royalties that would have been due if statutory rates had been levied on the gross market price over the same period. Table B14 includes gross royalty collections and effective tax rates.

Table B14: Comparison of Current Royalties Due to Royalties Due Using Gross Market Price, 2008-2012 (2013 $s)

State	Royalties Due Based on Gross Market Price	Reported Royalties Due	Difference Between Royalties Based on Gross Prices and Current Royalties	Effective Royalty Rate Using Gross Market Price	Actual Effective Royalty Rate, 2008-2012
Alabama	$76,470,473	$34,830,873	$41,639,599	9.7%	4.4%
Colorado	$504,636,235	$269,460,788	$235,175,447	8.9%	4.8%
Kentucky	$7,538,662	$6,019,775	$1,518,887	9.8%	7.8%
Montana	$574,018,838	$219,090,309	$354,928,530	12.1%	4.6%
New Mexico	$77,536,772	$45,911,763	$31,625,009	11.4%	6.8%
North Dakota	$70,141,761	$3,822,998	$0	12.5%	0.7%
Oklahoma	$19,945,084	$4,046,018	$0	10.9%	2.2%
Utah	$190,543,751	$132,991,300	$57,552,451	8.0%	5.6%
Wyoming	$7,954,283,657	$3,183,032,256	$4,771,251,401	12.5%	5.0%
Federal Total	**$9,475,115,233**	**$3,899,206,080**	**$5,575,909,153**	**12.0%**	**4.9%**

*Federal total royalty rates are weighted averages.

Appendix C: Data Withholdings, Database Comparisons, and Interpreting Results

To estimate the effective royalty rate received under the current royalty structure, and to assess the potential changes that would result if reforms are pursued, it is necessary to bring together disparate datasets that have varying levels of specificity, data withholdings, and scales of assessment. This effort results in estimates with varying levels of confidence, and introduces several sources of potential errors.

Data sources are described in Appendix A and the report provides detailed citations where they are used. We also identify in tables and text throughout the report where data withholdings and uncertainty that arises from comparing different databases are relevant to interpreting the results.

Throughout this report we endeavor to use publically available statistics. We do this for two reasons:

first so that our methods and data can be easily assessed and replicated; and second to provide a view of the challenges created by federal data withholdings. It is difficult to characterize accurately the effective rate of return received under the current royalty structure and to assess the potential outcome of reforms. This is not because of difficult assumptions or calculations that must be made. Understanding the coal royalty structure is limited primarily by data availability.

The two main data challenges are first, comparing production statistics for federal leases to total coal production from all land ownership. This challenge applies to production statistics and prices. Second, transportation costs are only provided for deliveries to domestic power providers. These issues are discussed in more detail below.

Lease Data vs. Current Data
Data to describe current royalties, royalty rate reductions, and allowable cost deductions are from two different sources.

Current Production, 2008 to 2012
The main findings presented in Figure 1 are based on the most current production data, including sales volume, sales value, royalties, transportation costs between the mine and consumers, and market prices between 2008 and 2012.

Lease Data, 1990 to 2013
Because of data withholdings, we requested data from ONRR for a known set of leases for which we have additional information on bonus payments, allowable transportation and processing cost deductions, and royalty rate reductions.

The size and value of royalty rate reductions and allowable costs deductions are calculated using the lease data. We use these averages as a share of current reported royalty rates to estimate their relative size and value for current production from all leases between 2008 and 2012. If royalty rate reductions and cost allocations are quite different as they apply to coal extracted from leases sold prior to 1990, then our estimates will contain error.

Federal vs. State Statistics
Production statistics are often available at the state level using MSHA and EIA reports. Equivalent data, including delivered costs, transportation costs, extraction from surface and underground mines, and others, are not available for production on federal leases reported by ONRR. When these data are not published for federal leases, we use the state data as a proxy, assuming that characteristics of federal production are similar to the broader production profile of all coal extracted from each state.

Transportation Costs
Transportation costs are reported only for deliveries to domestic power plants, and not for deliveries for export markets, coke plants, and other industrial users. Where sales to these sectors other than domestic power plants are larger (as a share of total sales), transportation cost data may be poor proxies of transportation costs to these consumers.

All transportation costs are withheld for coal sales from North Dakota and Oklahoma, so it is not possible to estimate net market prices for these states at all. In Wyoming, by comparison, coal sales to domestic power generators account for 97 percent of all current coal deliveries (2008 to 2012). Montana coal sales to domestic power plants account for 82 percent of sales over the same period. As a result, the estimates for these two states are more realistic, and in total the value of marketing margins during the five years is likely to be more than $4 billion dollars, and forgone royalties on these values are likely to be about $100 million annually during the same period.

Figure C1 provides a visual assessment of where error is likely to be higher or lower based on the quality of database comparisons. Throughout the report we use one database to make estimates that are applied to a second database. For example, we use data reported for all coal extracted from a state to draw conclusions about the makeup of coal extracted only from federal leases in the same state. When federal coal represents a large share of total state production, the comparisons are more likely to be robust than when the share of federal coal makes up only a small percent of total state production. The larger the percent listed in the table, the larger the correlation between the two datasets.

Table C1: Assessment of Data Withholdings, State and Federal Production and Price Statistics, and Transportation Costs

State	Federal Share of State Total	Share of State Production Delivered to Domestic Power Generators that Transportation Costs are Available	Share of Deliveries to Domestic Power Generators of Total
Alabama	9.3%	79.0%	39.5%
Colorado	69.0%	59.5%	82.2%
Kentucky	0.2%	96.5%	85.4%
Montana	58.5%	87.9%	81.7%
New Mexico	15.9%	34.2%	98.6%
North Dakota	7.6%	W	NA
Oklahoma	54.0%	W	NA
Utah	54.0%	79.5%	83.6%
Wyoming	90.5%	86.4%	97.4%

Reported Data as a Share of Estimated Data

- 90-99%
- 80-89%
- 70-79%
- 60-69%
- 50-59%
- Less than half

Table C1 shows that certain data are withheld for North Dakota and Oklahoma, and we do not have estimates of transportation costs or net market prices for these states. By comparison, Wyoming has excellent data across all data sets. Wyoming's coal production is dominated by production on federal land (90.5 percent). Using statewide coal production data to estimate prices and costs for Wyoming's federal coal should produce confident results.

ENDNOTES

[1] Government Accountability Office. (2013). Coal Leasing: BLM could enhance appraisal process, more explicitly consider coal exports, and provide more public information. (GAO Publication No. 14-140). Washington D.C.: U.S. Government Printing Office. http://www.gao.gov/products/gao-14-140.
[2] U.S. Department of the Interior, Office of the Inspector General. Coal Management Program, U.S. Department of the Interior. Report No.: CR-EV-BLM-0001-2012. June 2013. http://www.doi.gov/oig/reports/upload/CR-EV-BLM-0001-2012Public.pdf. Accessed December 22, 2014.
[3] U.S. Library of Congress, Congressional Research Service, *U.S. and World Coal Production, Federal Taxes, and Incentives*. By Marc Humphries and Molly F. Sherlock. CRS Report R43011. March 14, 2013. Available at http://fas.org/sgp/crs/misc/R43011.pdf. Accessed December 22, 2014.
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[9] Congressional Research Service, *U.S. and World Coal Production, Federal Taxes, and Incentives*.
[10] Once a lease is secured, the lessee will pay a rental fee until extraction activities begin. Rental payments are modest and make up a tiny fraction of total revenue collected from federal leases. Government Accountability Office. (2013). Coal Leasing: BLM could enhance appraisal process, more explicitly consider coal exports, and provide more public information. (GAO Publication No. 14-140). Washington D.C.: U.S. Government Printing Office. http://www.gao.gov/products/gao-14-140.
[11] For example, see Government Accountability Office. (2013). Coal Leasing: BLM could enhance appraisal process, more explicitly consider coal exports, and provide more public information. (GAO Publication No. 14-140). Washington D.C.: U.S. Government Printing Office. http://www.gao.gov/products/gao-14-140. Accessed December 22, 2014; and U.S. Department of the Interior, Office of the Inspector General. Coal Management Program, U.S. Department of the Interior. Report No.: CR-EV-BLM-0001-2012. June 2013. http://www.doi.gov/oig/reports/upload/CR-EV-BLM-0001-2012Public.pdf. Accessed December 22, 2014.
[12] Ibid.
[13] Federal Coal Leasing Amendments Act requires competitive leasing where the winning bid must meet or exceed a fair market value as determined by the BLM, and pay royalties of at least 12.5 percent for coal extracted from surface mines. Federal Coal Leasing Amendments Act of 1976. Pub. L. 94-377, Aug. 4, 1976, 90 Stat. 1083.

[14] U.S. Code of Federal Regulations. title 30 (2009). Part 203 – Relief or reduction in royalty rates. http://www.gpo.gov/fdsys/pkg/CFR-2009-title30-vol2/xml/CFR-2009-title30-vol2-part203.xml.
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[17] Government Accountability Office. (2013). Coal Leasing. The GAO uses the term "effective rate" to describe the rate calculated by dividing royalties by the mine price. In the context of this report, this rate is more appropriately called the reported rate. We define the effective rate as royalties divided by the gross market price of coal delivered to consumers, including power generators, coke plants, other industrial users, and for export.
[18] *Code of Federal Regulations,* Mineral Resources, title 30 (2009), sec. 206.255 – point of royalty determination.
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[20] *Code of Federal Regulations,* Mineral Resources, title 30 (2009), sec. 206.258 – Washing allowances-general.
[21] *Code of Federal Regulations,* Mineral Resources, title 30 (2009), sec. 206.261 – Transportation allowances-general.
[22] *Code of Federal Regulations,* Mineral Resources, title 30 (2009), sec 206.258 Washing allowances—general.
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[26] U.S. Department of Interior, Office of Natural Resources Revenue. Reported Sales Value, Allowed Deductions, and Royalty Due for Federal Leases Sold Since 1990. FOIA Request no. 2014-0034, August 21, 2014.
[27] Personal communication with Senate Energy and Natural Resources Committee Staff, June 13, 2014.
[28] BLM. "Total Federal Coal Leases in Effect." 1990-2013.
[29] Some disagreement exists about the accuracy of estimates of total recovery at the time of lease sales. For example, see Senator Ron Wyden quoted in the New York Times "[the BLM] appears to have repeatedly shortchanged taxpayers by underestimating the volume of coal contained in reserves that is sold to lessors." Davenport, Coral. February 7, 2014. "U.S. Charging Coal Companies Too Little for Land, Report Says." New York Times. http://www.nytimes.com/2014/02/08/us/us-charging-coal-companies-too-little-for-land-report-says.html?_r=0. Accessed September 2014.
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http://www.eia.gov/coal/production/quarterly/.

Senator WYDEN. I'll just wrap up with that request.

Madam Secretary, if you and I could have further conversation on this I'd appreciate it.

Secretary JEWELL. I'd be delighted. Thank you.

Senator WYDEN. Thank you, Madam Chair.

The CHAIRMAN. Thank you, Senator Wyden.

Senator Lee.

Senator LEE. Thank you, Madam Chair, and thank you, Secretary Jewell, for joining us today and for all you do.

I want to talk to you about the PILT program for a minute, Payment In Lieu of Taxes. On the Department of the Interior website there's an explanation that the PILT program involves, "payments to local governments that help offset losses in property taxes due to non taxable, federal lands within their boundaries."

Based on this explanation, I assume you agree with that definition, with that description of the program?

Secretary JEWELL. (Nods.)

Senator LEE. Based on that you would identify this, not as a handout. It's not a special interest, carve out or something like that. This is a payment we make to local governments in order to help make them whole or at least in some way offset the burden of having non taxable, federal land within their jurisdiction. Is that right?

Secretary JEWELL. That's correct. I agree with that.

Senator LEE. Now the 2016 budget proposes a yearlong extension of the PILT program. Then there's a statement in there to the effect that while we're doing this we also need to look at a sustainable, long term funding solution and that a sustainable, long term funding solution needs to be developed.

Can you talk to us about your policy priorities or how you framed this issue as you look to make this a sustainable program over the long haul and tell me whether you would consider tying some federal resource to this whether it's perhaps revenue from timber harvested on federal lands or selling excess federal land to make it sustainable or something like that? How do you do that?

Secretary JEWELL. Well thank you for the question and for highlighting the importance of PILT. As Senator Wyden did with Secure Rural Schools, we know this is really important.

We know that many of these communities rely on this money for the public services that they provide to the rural residents but also to the visitors to those communities.

This budget, as I said in the front end, is a forward looking budget. It assumes that we move beyond sequestration. It assumes that we make investments in the future of this country.

I think as you've seen over the last year with continued economic growth in the country, when we invest in this country, we see a brighter future and people appreciate that.

Finding a long term, mandatory funding source for PILT is very important, just as I believe in support for the Land and Water Conservation Fund which has been talked about at this session. We have lots of revenues that are collected on federal waters, for example. The funding for the Land and Water Conservation Fund was intended to come from offshore oil and gas revenues. We collect something like $14.7 billion, a lion's share of that from offshore oil and gas revenues.

It is possible that that funding source could be dedicated to PILT and Secure Rural Schools as well as the Land and Water Conservation Fund. We believe it should be mandatory. We'd like to work with you on solutions to make PILT mandatory so it's not a worry every single year or not subject to sequestration as we felt in 2013.

Senator LEE. That's great. Thank you, I appreciate that, and I appreciate your willingness to put a high priority on this.

My personal view is that it's got to be a high priority, and while you've got a lot of priorities to manage it's a difficult thing. I do think that PILT funding and making sure that it's fully funded, that it's adequately funded, that we're making adequate PILT payments, certainly ought to be of a greater priority than say other priorities like acquiring more federal land.

At a time when the federal government owns nearly one-third of the landmass in the United States, more than two-thirds of the land in my state and where disproportionately the land owned by the federal government that is bringing about these economic burdens on states and local taxing jurisdictions or disproportionately in the Western United States, it makes it a high priority.

On February 10th of this year Utah Governor Gary Herbert issued an executive order to further facilitate the protection of the Greater Sage Grouse. Now, as you know, the State of Utah has already developed a conservation plan for the sage grouse, one that, I think, addresses a lot of the competing interests and certainly addresses the most significant threats to the population of this bird.

Can you tell me whether the Fish and Wildlife Service has endorsed this plan and what the Department is doing to coordinate with the State of Utah? Can you also give me your commitment that you'll work with Governor Herbert in giving this a chance to succeed?

Secretary JEWELL. Certainly. I have been working with Governor Herbert, and I'll continue working with him. I'm aware of his executive order, and I very much appreciate it.

I saw him just a couple days ago at the National Governor's Association and asked if he could remove the 2017 expiration date because the Fish and Wildlife Service needs to look over the long term to make sure that they can rely on the executive order in order to make their determination. He said he wasn't aware of that and would certainly look into it.

So I appreciate—that's the kind of cooperation I have, not just with Governor Herbert, but with all the Western Governors and the states as we have been very much at the table multiple times a year to address what's unique to Utah, what's unique to Wyoming, what's unique to Colorado and Nevada and Oregon and Montana and the other states.

So you certainly have my word I'll stay at the table. I'm keeping my teams at the table. The BLM plans are being finalized right now. I think it will be in the spring that those final records of decision come out. And then the Fish and Wildlife Service will have all of that, the state plans, the BLM plans, to take into account as they make their final listing determination.

But they've been at the table all along, so no surprises, no secrets. We are finally getting information shared with us from the states which is very useful including Utah because they'll need all hands on deck to make the right decision and we are very, very hopeful that the kinds of efforts made by Utah and other states will give them the confidence they need to not feel a listing is warranted.

Senator LEE. Thank you, Madam Secretary. I appreciate that, and I have great respect for Governor Herbert and his efforts in this area.

Secretary JEWELL. I do too.

Senator LEE. I appreciate your willingness to work with him and give that a chance to succeed.

Thank you, Madam Chair.

The CHAIRMAN. Thank you. We will do a quick second round of questions. I appreciate the time that you've given us this morning, Secretary Jewell.

Because so many members have mentioned the sage grouse and this is fortunately an issue that we're not dealing with up north and want to keep it that way, in response to Senator Barrasso's question about the listing, you had said, Madam Secretary, that you were bound by the court to render a determination even though Congress had banned the issuance of the rule. But isn't it true that the settlement provides that such determinations are subject to appropriations? Because that was the language that we had included in the appropriations last year as part of a rider. So it's still subject to appropriations.

Secretary JEWELL. We'll look into the specific language, Senator. My understanding is that Fish and Wildlife Service can say we believe a listing is warranted or not warranted, but they have no appropriations to write a rule about that.

The CHAIRMAN. Correct.

Secretary JEWELL. Yeah.

The CHAIRMAN. It's subject to the appropriations. Anyway, I wanted to make sure that we had cleared that up because I thought as long as it is subject to appropriations and those have not been made, you are not able to move forward with it.

I wanted to ask you about the cleanup of environmental contamination on lands that have been transferred to Alaska Native corporations under the Native Land Claims Settlement Act.

Back in 2013 I asked the Department what they were doing to speed up the cleanup. This had been in response to a study that had been done way back in 1998. It proposed a six point effort to speed up the cleaning of contaminated land. In January of last year you sent me a letter that proposed that the Department was going to update its contaminated lands survey and then address the other recommendations coming out of that 1998 letter.

I am trying to understand where we are in this timeline. I have been led to believe that the updated list would be finalized this fall. There were more than 650 sites on the old list. We haven't received that yet.

The question to you this morning is when might we expect an updated, comprehensive list of the contaminated sites? Further to that point, what is the proposal or what is the plan within DOI to really facilitate and move forward with speeding up and funding the contamination for the cleanup on these native lands?

Secretary JEWELL. Senator, I'll have to get back to you on the timing. I'm not exactly sure. I had brought up date from the BLM that they are assessing the sites.

The CHAIRMAN. Right.

Secretary JEWELL. And I know they have been prioritizing those. Some are native conveyances and some are not. So we're sorting that out first.

And they're also in the process of identifying potentially responsible parties that could be responsible for the cleanup, if there is a responsible party, clearly that's where we go first as opposed to the federal Treasury. So I will need to get back to you on when the list is going to be updated and we'll get to you with some specifics on their plans, if that's okay?

The CHAIRMAN. That would be appreciated.

We did have language within the current spending authorization that requires the Department to report by June of this year about the comprehensive inventory and what the plan is. But again, I think you sensed the priority when you were up in Alaska in addition to the legacy wells which we have had plenty of opportunity to discuss what that plan is and how we're going to be able to clean up that mess caused by the federal government.

We have these native lands that have been conveyed pursuant to ANSCA. And again, just a frustration with a decades-long delay in addressing this.

Please know that this is a priority for me. It's a priority for, I believe, the entire delegation, and it's clearly a priority for our native people.

One final question for you and this is a question that I am posing at every budget hearing this year, and that relates to the Administration's proposal for an Arctic strategy. The implementation plan for the Administration under the National Strategy for the Arctic region has the Department of the Interior designated as the lead agency in five different project areas. You are also designated as a supporting agency for numerous other projects.

So the question is, what funding is included in the President's budget for the five projects that DOI is the lead agency as well as for any other projects that the Department may be involved with with the Arctic region?

Secretary JEWELL. Mike and I are scrambling for our notes on this. So, yes, as we take over chairmanship of the Arctic Council which is largely driven by the Department of State we certainly intend to be at the table on that. I don't think this—let me see if I've got the numbers here. [Laughter.]

Okay. No, Senator, rather than trying to run through this because this is very broad. Let me get back to you, specifically on the Arctic Council work, because this—oh, here we go.

I don't know if this addresses your question. Arctic funding only pretty large numbers. $145 million in total. That's about a $3 million increase, but that includes everything that we're doing up there, the offshore oil and gas activity, the research activity, the USGS, even Park Service and Bureau of Indian Affairs. I don't think that's specific to your question.

The CHAIRMAN. Offset——

Secretary JEWELL. So let me get back specifically on the Arctic Council work and those committees.

The CHAIRMAN. I would appreciate a further breakdown. I had my folks scrub it pretty carefully. To be honest with you, we weren't able to find much that acknowledges that we do have this increased role. It is not just, as we assume the Chair of the Council, it is leading in the Arctic going forward and recognizing that DOI, again, is the lead agency in several of these different areas, five of these areas.

We are trying to figure out are we doing anything or is it just window dressing? So if you can help me identify that, that would be greatly appreciated.

Secretary JEWELL. We're happy to do that. And I will say that it's very much on our radar, the USGS' radar. And so some of what we may be doing is steering existing resources to focus on the Arctic so that we can be prepared when the Arctic Council happens. We'll get back to you with more specifics.

The CHAIRMAN. I would appreciate that.

Secretary JEWELL. Thank you.

The CHAIRMAN. We will go to Senator Cantwell and then Senator Hoeven and Senator King.

Senator CANTWELL. Well, thank you, Madam Chair.

I will say in general I am very impressed, Secretary Jewell, by the level of specificity you are giving to all our questions because we are covering a broad range of subjects. And so I'm going to throw three other ones at you. [Laughter.]

First of all the Columbia River Treaty is hugely important to the Pacific Northwest. Again, I don't know whether Mr. Connor wants to take this or not, but what can we get from the Department of the Interior about clarifying these interests so we can move forward on a proposal through the Administration? Obviously, Interior has to weigh in with the White House and the State Department and we want to make sure that that's happening so that we can elevate the discussions with Canada.

Secondly I want to get your thoughts on working with the Department of Energy on the finalization of the Manhattan Project implementation. You mentioned other park projects and their significance, but we want to ensure that the Park Service works closely with the local community in planning that park. And so we want to see if you can commit to finalizing that by the end of the year.

And then lastly, my colleague, Senator Wyden, brought up, again, this process of BLM coal valuation and wanted to get a sense whether you could commit to your process by the end of the year on that, on the royalty issue. So?

Secretary JEWELL. Okay. Great. Let me turn to Mike on the Columbia River Treaty, and then I'll address the other two.

Mr. CONNOR. Just very quickly on the Columbia River Treaty. The Secretary endorsed the regional recommendation that we move forward with modernizing the treaty, and we've informed the State Department. So that's—when that process and notification to Canada—when that's going to occur, I'm not quite sure.

But with respect to the regional group we have a framework for modernizing the treaty that we'd like to proceed with dealing with the services they provide with respect to flood control, with respect to the ecosystem services and the fisheries' issues that we would like to include in those discussions.

Senator CANTWELL. So you've sent that to State?

Mr. CONNOR. Yes, we have.

Senator CANTWELL. Okay.

Secretary JEWELL. Okay, quickly on the Manhattan Project. This came under the NDAA. There wasn't money in the current budget. We are pushing DOE for its support on this, and I know that the National Park Service will be very, very interested engaging local communities. And that will be part of the effort.

So, I can't answer whether we'll have it finalized by the end of the year because we've got to cobble together some resources from somewhere to look at it because it's not currently in the budget request because the budget was done before it came up. So we are working with DOE. We're going to need their financial support to do this.

Senator CANTWELL. I just talked to Secretary Moniz at last week's hearing about this. So——

Secretary JEWELL. Great. Did he commit? [Laughter.]

Senator CANTWELL. Yes, he did.

Secretary JEWELL. Okay.

Senator CANTWELL. So, yes.

Secretary JEWELL. So the Park Service does engage with local communities. I'll make sure this is on their radar, and we'll do our best to get it done by the end of the year and get it in the next budget cycle so that we can move forward. It's an important opportunity.

On coal valuation we just released the draft, I think, on January 6th. We just extended the comment period to May 8th because there are—it's complicated and we're going to have a lot of comments. So whether we can get it across the finish line by the end of the year is questionable just because it depends on how many comments we get because we have to respond to all of those comments.

We certainly are focused on getting it done while I'm in this chair and while the President is in his chair. It's been very important and we've heard about it from the GAO and our own IG, as you point out. We want to make sure that the American taxpayer is getting a fair return.

We've also had extensive consultations with industry, and the proposal that we've put out there actually streamlines and makes the process more efficient and provides more certainty on that end while also providing, you know, more certainty that will get the return that we should be getting as American people.

So, it's going to depend on the comments, but we are certainly focused to getting this done. I think just conversing with my colleague here, end of the year may be tight given the time frame on the comment period.

Senator CANTWELL. Okay. Thank you.

Secretary JEWELL. Thank you.

Senator CANTWELL. Thank you, Madam Chair.

The CHAIRMAN. Senator Hoeven.

Senator HOEVEN. Thank you, Madam Chairman.

I appreciate both you and the Ranking Member holding this hearing today, and I want to thank both the Secretary and Deputy Secretary for being here.

First, I want to thank Secretary Connor for work that you're doing to try to help and facilitate the Dakota Access Pipeline. So, that's just to thank you. I want to acknowledge you right up front. It is very important, and we appreciate it.

I'd like to ask Secretary Jewell about BLM in regard to coal leasing. I was just out in the coal fields and they're actually moving one of these big drag lines. It's a ten million pound drag line and they're going to put it on carts and move it. If you can imagine that, it's just unbelievable.

While I was out there they showed me a tract of land that they're in the process of leasing and it includes 350 mineral acres owned by BLM. BLM does not own the surface acres and it's only 350 mineral acres, but BLM has indicated to the mining company there that it's going to take seven to ten years to get an approval.

For heaven's sake, that's just totally unrealistic. If in fact that's the case, the company will mine right around it. Again, BLM doesn't even own the surface acres. And they'll just mine right around it because the private leaseholders, you know, they'll have that squared away probably in a year or less. And that's typically what BLM has done too.

So I'm absolutely flabbergasted as to what possibly could be going on here. Do you have any idea?

Secretary JEWELL. I don't know that circumstance at all. Is the surface acre owner supportive of the mining activity?

Senator HOEVEN. Yes.

Secretary JEWELL. Yeah.

Senator HOEVEN. And there's mined land all around there and reclaimed land all around there. In fact the reason that it's coming into place is because they're moving this huge drag line. And they've reclaimed the land all around it and you know, you, of course you've been to North Dakota. Thank you so much. We'd welcome you out anytime to see it.

But the reclaimed land is beautiful. It's being hayed and grazed and there's geese all over. So now they're moving to this new track, and here's 350 acres and BLM doesn't even own the surface acres. The private owners, of course, want it mined.

Secretary JEWELL. Yeah.

Senator HOEVEN. Because it's a lot of revenue and it's revenue to the federal government. But seven to ten years and then they wanted something like $230,000 or $250,000 to go through the study to determine if they could even lease it out. That's never going to happen. All they're going to do is mine around you, and then the Federal Government is just out the revenue. It doesn't make any sense at all.

Secretary JEWELL. Well, Senator, it's not necessarily easy to do business on Federal/public land because of the requirements that we have as a Federal land management agency. It triggers NEPA. It triggers and environmental impact assessment.

And so, I will talk to the BLM about this specific project and talk about the time frame they're talking about, the seven to ten years that you referenced, and see if there is anything they can do to speed that up. But I will say the rules are different. Doing business on federal lands based on the laws that we have to abide by.

Senator HOEVEN. And we know Neil Kornze. We have a good relationship with him.

Secretary JEWELL. Yeah.

Senator HOEVEN. But you've been doing it in a year and now seven to ten years?

Secretary JEWELL. On coal we have been doing it on new sites?

Senator HOEVEN. Yes. You've been doing it in a year, bigger tracts. I think they just did a tract out there that was over one thousand acres and it took less than nine months to a year to do.

Secretary JEWELL. We'll take a look at it.

Senator HOEVEN. Yeah. So something is going on.

Secretary JEWELL. Okay.

Senator HOEVEN And again, we know Neil and we work with him but something needs to be checked on here.

Oil lease. We're still working to expedite that process. You're still running 180 to 270 days for an approval on BLM land verses a few weeks on private.

And Jamie Connolly out there is fantastic. Anything you can do to help her, help us, please do.

Secretary JEWELL. Let me just say, I said this earlier, but there is money in this '16 budget to automate our BLM applications for permits to drill. It's paper-based, and it's more custom than we would like it to be.

We've got a pilot going in Carlsbad, New Mexico that I went and took a look at. We've got a pilot going in Vernal, Utah. We'd like to take the learnings from that and apply it, and that will help our folks expedite their process.

I'll also say that oftentimes in that 180 to 270 days is time that the permit is back with the company providing information we need. But if there's a way we could work on getting that dealt with up front so there isn't the to-ing and fro-ing, I think that that will help.

And there is money in the budget to do that along with a request that we are able to charge fees to industry, not only for APDs but also for inspections because we can't get out and inspect 100,000 wells that we have. So that's part of this budget request as well.

Senator HOEVEN. Great. Those are exactly the kinds of things that Jamie has been working with us and our industry on. So anything you can let her do as a pilot project, I would recommend it because she's got a good relationship out there.

Secretary JEWELL. Right.

Senator HOEVEN. With industry and she is creative and she does try to do things. So I hope some of these dollars and/or programs could be moved her way to try and help us improve the process.

Secretary JEWELL. Well this budget lets us roll it out everywhere. And so——

Senator HOEVEN. Good. I think she'd be a great one to help you do it.

Secretary JEWELL. She would.

Senator HOEVEN. And we would like to work with you on that.

Secretary JEWELL. Great.

Senator HOEVEN. The last thing, if I can beg the indulgence of the Chairman for one more question?

The CHAIRMAN. Quickly.

Senator HOEVEN. Hydraulic. When are you coming out with your hydraulic fracturing rules?

Secretary JEWELL. Soon. A specific date I can't give you, but we have gone through our extensive process. We've revised the rules, and we're just waiting for final clearance. So it will be soon.

Senator HOEVEN. Where you can work with the states I strongly encourage it. We have done that with the tribes, and it is working well.

Secretary JEWELL. Yeah.

Senator HOEVEN. And so I just would ask for your willingness to work with the states.

Secretary JEWELL. We will do that.

Senator HOEVEN. Thank you.

Secretary JEWELL. Thank you.

Senator HOEVEN. Thank you, Madam Chair.

The CHAIRMAN. Senator King.

Senator KING. Thank you, Madam Chair.

Madam Secretary, I just want to associate my comments with that of Senator Portman on the long eared bat issue. I think this is real opportunity for the service to really link closely the remedy with the science. The results of an overly broad structure of regulation as a result of any kind of listing would be just, I believe, catastrophic across the country because the habitat is so broad.

I believe in the Endangered Species Act, but we have to be careful how we administer it that we don't undermine public support for it. I think this is a good test case. So I urge you, again, associate my comments with Senator Portman.

Secondly, you may have noticed out of the corner of your eye I was playing with this. I wasn't texting or tweeting. I was sadly trying to find an app to buy a park pass, and when you put in National Park pass, to my dismay you get Australia National Park pass. You don't get USA park pass.

So then I went to the website and found that I can buy a park pass I didn't go all the way through it, but just below are the most dreaded words on any website, "If you need your pass within ten days or less, it is recommended that you either purchase your pass at the first site you visit or request expedited shipping service for your order."

Come on. You have to mail the pass out in 2015? I hope I am wrong about that, and if I am I will be delighted to be corrected. If you have got to go online, buy the park pass and then somebody has to mail it to you and you are not able to print it yourself, make it printable. Again, I hope I am wrong.

The point is, let's say by June 1st, let's have a National Park app, like Starbucks has an app. Everybody has an app. You wave your phone at the kiosk on the way into the National Park, and you get the fees and everybody is happy, and it is a good customer experience.

So how about giving me a commitment that you will get us a National Park app within a couple of months remembering that Eisenhower retook Europe in 11 months? [Laughter.]

Secretary JEWELL. Point well taken, Senator King.

As a person that did a lot of business in electronic commerce I can tell you that it actually requires investments to be able to do what you're suggesting. The Park Service budget for this year requests significant amount of money, overall, to improve our technological support.

We are in the process as the President announced a few days ago, of something called Every Kid in a Park, and that is automating a pass for fourth graders and their families to use parks for free. We are working with some wizards in the White House that have come from private industry, Google, specifically, and other similar firms to help us pull that together.

If there is an opportunity to automate what you're talking about for others we'll look at it, but I will also tell you that it's very expensive. Of having worked at REI, it's very expensive to actually do automated and cross checks and tying into credit cards and all of those things. I think perhaps an appropriate way forward is to work with private industry to facilitate the sale of those park passes so we can lean into that technology that's there.

We're behind in every department of the Interior and perhaps a lot of parts of the federal government in the use of technology from automating our oil and gas permits to facilitating visits to the National Parks. I do have National Park apps on my phone. They aren't provided by the National Park Service even though——

Senator KING. Individual.

Secretary JEWELL. The information is——

Senator KING. Individual parks.

Secretary JEWELL. Ah, no, actually NPCA has an app that I use that's got lots of information.

Senator KING. Oh, that's the one I just downloaded. That's for all the parks, but it's a private site.

Secretary JEWELL. It's private, yeah. That's right. It's a non-profit organization.

Senator KING. Well, you get the point.

Secretary JEWELL. I do get the point.

Senator KING. And if you need more money to do it. This is basic customer service.

Secretary JEWELL. Yeah.

Senator KING. If you need more money to do it, tell us. And if what's in the budget isn't sufficient because I just think, as I said before, there's money left on the table here. This would pay for itself, probably, in a year in terms of increased revenues to the Department based upon easier access to park passes.

Secretary JEWELL. This is certainly something we'll look into, and I appreciate your point.

Senator KING. Thank you.

Secretary JEWELL. We are not nearly as automated as we would aspire to be.

Senator KING. Good. Thank you.

Secretary JEWELL. Thanks.

Senator KING. Thank you, Madam Chair.

The CHAIRMAN. Thank you.

Good hearing. There have been a lot of different questions.

I appreciate what you are saying though, Senator King, about making it easier to access the parks. Given that we have got this centennial coming next year, I have had long conversations already with John Jarvis about the goal of getting more people into the parks. My response back is well we've got to figure out then how we are going to deal with the maintenance issues, because I do not want families coming to one of their national parks for the very first time and seeing that it looks shoddy.

We've got some work to do here in terms of how we are going to be dealing with this $13 billion backlog that is out there. I happen to think we might be able to get a little bit more creative with our LWCF fund instead of purchasing more federal land. I think we might want to look to that as perhaps a funding opportunity.

Madam Secretary, I will be submitting a host of other questions for the record as I think other members will.

I just want to put you on alert. I have been to a couple different events in the past several weeks where large gatherings of hunters come together, and the most talked about issue was the filming on public lands, whether it is our Park Service lands, our Forest Service lands, and being able to film.

It is clear to me that there is an inconsistency that doesn't help and real frustration with those who want to be able to show our amazing public lands through capturing videos and photographs and filming and the requirements that are being placed on them.

I will conclude my remarks here today with a statement that you just used in response to a comment from Senator Hoeven. You stated, "it's not easy to do development on federal lands." I think this is where you hear the greatest frustration from those of us who have such great percentages of our states that are federally held.

I appreciate that there are differences, but it ought not be next to impossible. In many instances that's seemingly what our issue is. So how we make it easier and better and more fair to do development on federal land is what, I think, we need to get to because as Senator Hoeven says, you're just going to go around your Federal lands and then we get no revenue to the Treasury. It just does not make sense, so we need to work in that regard.

With that, I appreciate you have given the Committee a lot of time. Senator Cantwell, if you want to have the final word?

Senator CANTWELL. Well, I would just say thank you, Madam Chair, for this hearing. I think a lot of members showed up and we had a lot of input and a lot of questions across the board.

I get your point about Federal lands. And yes, I am sure that there is a higher percentage in Alaska than in Washington State. But in Washington State we get a lot of revenue from those public lands and so that's been a big benefit to us.

I definitely want to work with you as we move forward on trying to think about an energy package and what we can do together to bolster our economies and to work together on policies that can move us forward.

I feel like we had a broad range of things brought forward here today. And I certainly appreciate the witnesses and this particular budget proposal. So——

The CHAIRMAN. Thank you. We stand adjourned.

[Whereupon, at 12:33 p.m., the hearing was adjourned.]

APPENDIX MATERIAL SUBMITTED

Responses to Questions for the Record
from The Honorable Sally Jewell
February 24, 2015 Hearing: The FY16 Budget Request for the Department of the Interior

Questions from Senator Capito

Question 1: The office of Surface Mining (OSM) has spent more than $8 million over the past several years to develop a rule to replace the 2008 stream buffer zone rule. OSM recently repealed the 2008 rule and reinstated the rules that were in place before 2008. You previously committed to taking a fresh look to decide whether any new rulemaking was necessary. In light of these developments, is there any need for spending more tax-payer money on a new rulemaking?

Response: In February 2014, a federal district court vacated the 2008 stream buffer zone rule and reinstated the prior rule, the 1983 stream buffer zone rule. On December 22, 2014, the Office of Surface Mining Reclamation and Enforcement (OSMRE) published a ministerial notice in the *Federal Register* to remove the provisions of the vacated 2008 rule from the Code of Federal Regulations and reinstate the prior regulations, which were in effect in the primacy states throughout the litigation.

The regulations reinstated by the court are over 30 years old. During this period, there have been significant advances in scientific knowledge and mining and reclamation techniques. Outdated rules should be modernized to reflect current knowledge and technology to better protect people and the environment, provide industry more certainty, and address court decisions.

Question 2: The earlier stream buffer zone rule development included several cooperating primacy states, including West Virginia, as part of the NEPA process. Has this arrangement continued? If so, when was the last time OSM communicated with those cooperating state agencies on the status of any further rule development?

Response: When the previous Administration prepared the 2008 stream buffer zone rule, it did not include state coal mine regulators as cooperating agencies. However, when OSMRE began the development of the Stream Protection Rulemaking to replace the court now-vacated 2008 rule, it included state regulators as cooperating agencies. This is believed to be the first time it has done so. The Bureau's engagement with the state agencies occurred early in the Development of the Draft Environmental Impact Statement and provided us with meaningful input. OSMRE recently invited the states to a meeting, scheduled for late April, to meet regarding the analysis in the current DEIS, specifically with regard to the issue they raised in the early drafts.

Question 3: I want to ask about habitat conservation, and in particular that related to the Northern Long-eared bat, which is a huge issue in my home state. It appears that the assumptions made by BLM and FWS about drilling impacts in connection with the Northern Long-eared do not take into consideration recent technologies developed and in use by the oil and gas industry. In fact, the majority of studies on

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oil and gas industry impacts are based upon assumptions of well density and drilling footprints that are decades old. Shouldn't the conservation and management strategies of FWS and BLM incorporate information from engineers and other industry specialists who develop and implement technological innovations that improve the efficiency of oil and gas operations and reduce their environmental impacts? Also, why don't BLM-FWS Assumptions on Effects of Oil and Gas Development take into account new technologies and smaller drilling footprints?

Response: The FWS recently issued a final rule listing the northern long-eared bat as threatened, and at the same time issued an interim 4(d) rule, which is expected to be finalized by the end of the year. The interim (4d) rule eliminates unnecessary regulatory requirements for landowners, land managers, government agencies and others in the range of the northern long-eared bat. This includes the exemption of forestry management impacts from the regulatory requirements, provided certain conservation measures are implemented. These forestry practices, unlike activities causing conversion of forest lands, generally ensure the presence of forested habitat across the landscape. The public comment period on the interim 4(d) rule is open until July 1, 2015. During this time, the FWS will consider whether modifications or other categories of activities beyond those covered in the proposal should be included within the scope of the final 4(d) rule and may make revisions based on the additional information it receives.

On the specific topic of oil and gas development, these activities fall under the habitat destruction and disturbance category as a compounding stressor. The FWS and BLM acknowledge that new technologies have reduced the environmental impacts of oil and gas development. At the same time, like any activity that results in the conversion of forested habitat, the continued expansion of oil and gas development across the range of the northern long-eared bat may have some localized impact on the species. Some public comments that the FWS received on the proposed 4(d) rule suggested that the amount of conversion from oil and gas development is minimal, and should also be exempted.

Question 4: On July 17, 2014, the US Fish and Wildlife Service announced that it was banning the use of neonicotinoids on USFWS lands. What other federal agencies did the USFW consult before making this decision?

Response: In some cases, the FWS permits agricultural activities to occur on national wildlife refuges to achieve wildlife management objectives where those activities provide benefits to certain wildlife species. In this case, the FWS determined that, for such agricultural practices, neonicotinoid pesticides was not necessary to achieve wildlife purposes and therefore should be phased out.

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In making this decision, the agency followed the Department of Interior (DOI) policy 517 to DM 1 (Integrated Pest Management Policy) and USFWS policy 569 FW 1 (Integrated Pest Management). These policies do not direct that such a decision be done in consultation with other federal agencies.

Question 5: What input, if any, did USFWS receive from these agencies?

Response: As indicated in the previous response, the FWS received no specific input from other agencies.

Question 6: Were any NGO organizations consulted or have input into this decision?

Response: The FWS did not consult with NGOs on this decision. In 2014, the FWS received a petition signed by several NGOs regarding neonicotinoid pesticides; however, this petition did not influence the decision.

Question 7: Why was this decision not published in the Federal Register for public comment?

Response: The decision was made in conformance with long-standing Department and FWS policies on integrated pest management, which establishes policy, procedures, and responsibilities for pest management activities on and off FWS lands. Those policies have received public review through Federal Register notice and have been in place for many years. The FWS is not required to publish in the Federal Register the application of policies that are already in place.

Question 8: Are agricultural operations on USFWS lands reviewed as a part of each refuge management plan where such operations occur?

Response: We review agricultural practices on a refuge within the context of an individual refuge's comprehensive conservation plan (CCP) or a step-down management plan. These management plans are prepared in accordance with applicable statutes, regulations, and policies, including the National Wildlife Refuge System Administration Act and the National Environmental Policy Act and are subject to public review and comment.

Question 9: Why was this action not undertaken as a part of refuge management planning process?

Response: The decision was made to ensure practices conform to existing FWS regulations and policies, which guide and direct refuge management decisions at the individual level. It is not necessary to generate new planning or policy documents to apply existing policy to the management of refuges.

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Question 10: Was an economic analysis conducted before this decision was made? If so, please provide a copy. If not, why not?

Response: An economic analysis was not conducted. The FWS recognized that the prophylactic use of the neonicotinoid pesticides was not necessary to achieve wildlife management objectives. In this case, the FWS is applying existing policy and no further steps are required.

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Questions from Senator Risch

There are several Idaho federal water storage project feasibility studies that were authorized under BOR (e.g., Snake River systems including; Boise River Project – Lucky Peak, Arrowrock, Anderson, and Deer Flat; Upper Snake River: Teton, Idaho site reservoirs, Deer Flat,).

Question 11: What is the feasibility study status of the BOR Idaho water project studies?

Response: This spring, the Bureau of Reclamation intends to mail letters of interest to Boise River basin irrigation and water districts, the State of Idaho, and local and Tribal agencies to seek cost share partners to conduct feasibility level studies on the Boise and Payette river systems to address current and future water supply gaps. If sufficient partnerships and funding can be obtained, Reclamation plans to initiate a feasibility study to evaluate raising Anderson Ranch Dam to provide additional water supply to the Boise Valley.

Due in part to the fact that the U.S Army Corps of Engineers (Corps) and the Idaho Water Resource Board (IWRB) are partnering on a feasibility study on the lower Boise River, Reclamation is not pursuing further feasibility studies at this time. The Corps/IWRB feasibility study will evaluate alternatives to reduce flood risk and meet current and future water supply needs. Raising Reclamation's Arrowrock Dam up to 70 feet is one of several study measures. The Corps obtained full funding in FY 2015 and is expected to complete the feasibility study in the next few years. The Corps is the lead federal agency in preparation of the Environmental Impact Statement (EIS) and in FY 2014 issued a Notice of Intent and completed the scoping process. Reclamation is a cooperating agency in preparation of the EIS and has secured $250,000 in funding to participate in FY 2015.

Reclamation's Henrys Fork Basin Study evaluated structural and management alternatives to address an existing 600,000 acre feet water imbalance identified by the State of Idaho. Basin Studies are appraisal level efforts to analyze the impacts of climate change and develop adaptation strategies to meet future water supply and demand imbalances. Seven water storage sites were evaluated in the Henrys Fork Basin Study ranging from 20,000-120,000 acre feet. IWRB is currently evaluating the feasibility of enlarging Island Park Reservoir, a reservoir on the Henrys Fork, by installing a bladder dam on the spillway of the dam. Reclamation is providing information to support IWRB's effort. Reclamation has no other actions planned for any of the other alternatives identified in the Henrys Fork Basin Study at this time.

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Question 12: What possible actions does BOR consider pursuing on the Snake River system via the outcome of the feasibility studies?

Response: Actions available to Reclamation once the Snake River feasibility studies are complete will be contingent on authority and appropriations. Typically, feasibility studies will identify several alternatives, a preferred alternative is selected, and the final documents are published and transmitted to Congress consistent with the relevant statutory authorization. Upon review of the studies and, if applicable, the relevant environmental documentation, Congress may elect to authorize projects for construction and provide appropriations.

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Questions from Senator Barrasso

Question 13: During the hearing, I asked you whether BLM's final rule on hydraulic fracturing would allow states to apply for a variance. In response, you stated that BLM's "proposed regulations say that if a state's rule is stronger than the proposed federal rule, that the state's rule will govern." Will BLM allow states (not operators) to apply for a variance from BLM's final hydraulic fracturing rule? If so, under what circumstances will a state be able to obtain a variance from BLM's final rule?

Response: The final rule, issued on March 20, would allow for two kinds of variances. One would be proposed by an operator, and BLM would consider the alternatives if the operator can demonstrate that the objectives of the rule would be met or exceeded using an alternate approach. The other would be developed with a state or a tribe and would apply to all lands within that state or tribal lands, or in specific fields or basins. Like the operator variance, this would be granted only if the state or tribal provisions meet or exceed the objectives of the rule.

Question 14: During the hearing, we discussed your letter to Governor Matt Mead dated January 26, 2015. In the letter, you state that: "The rider attached to H.R. 83… does not affect the U.S. Fish and Wildlife Service's…court-ordered obligation to make a determination by September 30, 2015, as to whether the greater sage-grouse does or does not warrant protection under the Endangered Species Act." I specifically asked you whether such a "determination" would be legally binding. You stated that you "would have to defer to the solicitors." Please clarify for the Committee whether such a "determination" would be legally binding if the rider remains in effect.

Response: We will comply with our obligation to the court to make a determination by the end of fiscal year 2015 as to whether a listing proposal is still warranted, or not warranted. That determination does not involve writing or issuing a listing rule. If we find that listing is still warranted, the rider language and the Anti-Deficiency Act will prevent us from proceeding to write or issue a proposed listing rule, and we will not do so.

Question 15: I understand there are significant delays in obtaining sundry notices and rights-of-way for natural gas gathering lines on Federal land from BLM. However, in response to one of my questions on this matter, you said that you are "not aware of circumstances where permits have been slowed down by the BLM."

A. What is the total number of requests for sundry notices and rights-of-way for natural gas gathering lines pending at the Bureau of Land Management?

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Response: Pipelines authorized on an oil and gas lease under the Mineral Leasing Act are authorized during the APD approval process or by approval of a sundry notice. The BLM's current Automated Fluid Minerals Support System (AFMSS) lacks capability to query for details of each sundry notice, which contain requests for approval of gathering lines and other types of activities. BLM is finalizing a new electronic tracking system (AFMSS II), which we expect to deploy Bureau wide in 2015. This new system will have improved capability to store and retrieve this information.

With respect to rights-of-way applications (ROW), the BLM is working to determine how to develop the information requested. These applications should be reflected in the BLM's land record system (LR2000), but that system does not distinguish between requests for oil or gas, gathering or transport, lines.

B. What is the total number of requests for sundry notices and rights-of-way for natural gas gathering lines pending at each BLM Field Office?

Response: As noted in response to the previous question, the current system lacks the capability to query for details of each sundry notice associated with a particular APD. BLM is finalizing a new electronic tracking system (AFMSS II), which it expects to deploy Bureau wide in 2015. This new system will have improved capability to store and retrieve this information.

As noted in response to the previous question, the BLM is working to determine how to develop the information requested.

C. When were each of the pending requests for sundry notices and rights-of-way for natural gas gathering lines first submitted to BLM?

Response: The current AFMSS database does not capture the date submitted for sundry notices for oil and gas pipelines, but the new AFMSS II will have improved capability to store and retrieve such information. The BLM estimates that researching this information in the LR2000 land record system would be labor intensive and take approximately one month, diverting limited resources from other important oil and gas work, including processing APDs, sundry notices, and ROW applications. BLM will contact your office about this request.

Question 16: On February 20, 2015, the Office of Surface Mining Reclamation and Enforcement (OSM) published a notice in the *Federal Register* to pursue a rulemaking to revise regulations under the Surface Mining Control and Reclamation Act on the use of explosives on surface coal mining operations. A. Does OSM plan to consult with the state regulatory authorities prior to initiating this rulemaking? B. If so, when will this consultation take place and which states will it involve?

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Response: On July 25, 2014, OSMRE published a notice seeking public comment on a petition to initiate a rulemaking to prohibit the generation of orange clouds (NOx) during blasting. The 60-day public comment period, which closed September 25, was intended to aid the Director's decision-making whether to grant or deny the petition. During the public comment period, OSMRE received comments from citizens, environmental advocates, the mining industry, mining industry advocates, the blasting industry, and numerous state regulatory authorities. Stakeholder input, including the input of state regulators, was important and helped inform the decision whether to proceed with a proposed rule to clarify our regulations. OSMRE anticipates publication of the proposed rule in the *Federal Register* in 2015. There will be a public comment period on the proposed rule, and state regulatory authorities will also have the opportunity to provide input during that period. This input will assist OSMRE in making informed decisions on any final rule.

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Questions from Senator Flake

Question 17. In the Department's wildfire budget justification, the anticipated cost of wildfire suppression based on the average of the previous 10 years is $384 million. The Department's anticipated 'worst case' scenario cost, based on a Forest Service mathematical model is $467 million. The Department claims that the 'on budget' funding is sufficient to fight the predictable 99% of the fires which account for 70% of the costs. But, the Department has only requested enough funds to cover 70% of the *predictable* costs, not the *worst case* costs - meaning that the plan going into the year is to have insufficient funds to fight the fires that are predicted to happen. Why doesn't the department request 'on-budget' discretionary amounts sufficient to cover at least 70% of the worst case scenario?

Response: Fire seasons are becoming longer and more intense. The impacts of climate change, cumulative drought effects, increasing risk in and around communities, and escalating emergency response requirements continue to impact wildland fire management and wildfire response operations. The Administration believes it is prudent to budget for wildfire suppression costs similar to how the federal government budgets for other natural disasters. This means funding the more predictable suppression costs within the domestic discretionary budget caps and funding the unpredictable and extraordinary suppression costs through a cap adjustment. The 2016 budget proposal for Interior and the Forest Service models this approach.

The 10-year average includes the costs of all wildfires, including those wildfires that are above an expected seasonal activity level. The Administration determined that funding 70 percent of the 10-year average within the discretionary budget caps is essentially funding all but "extraordinary" fires that carry outsized costs.

For 2016, the request for the budget cap adjustment is $200 million and only those extraordinary or extreme fires requiring emergency response or those that are near urban areas or activities during abnormally active fire seasons will be funded through adjustment to the spending limit. This new framework will allow the program to minimize the adverse impacts of fire transfers on the budgets of other programs, as well as reduce fire risk, manage landscapes more comprehensively, and increase the resilience of public lands and the communities that border them.

The budget cap adjustment proposal will also eliminate the need for transfers and borrowing from other fire and non-fire programs to cover the wildfire suppression costs each year, stabilizing other programs annual work plans.

Question 18. The maintenance cost for the National Park System continues to rise. This year the Department is requesting a 94% increase in deferred maintenance

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funding and a 67% increase for regularly scheduled maintenance. Together the costs of just maintaining the current park system are over $308 million. Yet, even with this ever-increasing cost, the Department is proposing to more than triple the amount spent on Federal land acquisitions in FY16 to $447 million. What impact will the proposed additional land acquisition have on the continually increasing maintenance bill of the National Park System?

Response: National Park Service (NPS) federal land acquisition dollars are used only to acquire land within authorized park boundaries. When done strategically, acquisitions of fee title or easement interests in lands can strengthen national parks and result in cost savings that can offset most, if not all, additional operational costs. The land acquisition projects requested in FY 2016 would not significantly increase the maintenance costs of the NPS. The majority of the projects requested have either no costs associated with them, or will generate a savings for park operations. The FY 2016 requested projects reflect important factors, including contribution of leveraged funds, partner participation, and urgency of project completion to protect natural areas and wildlife species' habitats from development or other incompatible uses.

Question 19. Last year the Federal government, as a landowner of nearly half the land area in the Western US, met its obligations to counties and local governments by appropriating money out of discretionary funds to make Payment in Lieu of Taxes (PILT) payments. The Department is requesting no discretionary funds for PILT in FY16, relying instead on Congress to use mandatory spending to fund PILT. How does the Department intend to offset the cost of the proposed mandatory spending increase?

Response: The 2016 President's Budget includes proposals that contain offsets to fund national priorities such as the PILT program. These legislative proposals were detailed in the written statement submitted for this hearing. The Administration looks forward to working with Congress to develop a longer term strategy for providing sustainable levels of funding for PILT payments.

Question 20. The recently-passed water rights settlement on the Bill Williams River, Arizona is contingent on the completion of several actions, including approvals by the Lower Colorado River Multi-Species Conservation Plan Steering Committee. What is the Department doing to facilitate the final implementation of the settlement?

Response: Work on conforming the settlement documents to the legislation is underway. A motion to approve the Bureau of Reclamation entering into a lease for Planet Ranch for the Lower Colorado River Multi-Species Conservation Program is scheduled for the April 22, 2015

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Steering Committee meeting. Reclamation, along with other Interior agencies as cooperating partners, is preparing an Environmental Assessment for the proposed Federal Action, which we expect to release for public review within a few months.

Question 21. In July 2014, the Bureau of Reclamation partnered with municipal water providers in Arizona, California, Colorado, and Nevada to create the Colorado River System Conservation Program. How much funding does this program currently have? How many projects has it funded? How much water has been conserved? What has been the effect on reservoir levels? What additional steps will the Department take in FY16 with this program?

Response: The Bureau of Reclamation and the municipal water providers (Denver Water, Southern Nevada Water Authority, the Metropolitan Water District, and Central Arizona Water Conservation District) are jointly funding $11 million for the Pilot Colorado River System Conservation Program (Pilot Program). Reclamation will contribute $3 million and the other four funding partners will contribute $2 million each. Up to $8.25 million is allocated for use in the lower Colorado River Basin (Lower Basin) and $2.75 million is allocated for use in the upper Colorado River Basin (Upper Basin).

In October 2014, Reclamation sent letters to more than 50 Colorado River water entitlement holders in the Lower Basin seeking pre-proposals for short-term pilot projects. Seventeen pre-proposals were received from Indian tribes, irrigation districts, and municipalities in Arizona, California, and Nevada. Proposed conservation measures include efficiency improvements, land fallowing, water reuse, and landscape conversions. Water conservation estimates among the proposals range from 100 acre-feet per year to more than 10,000 acre-feet per year, however, additional information and investigation will be needed before firm estimates of demand reduction are known. At current Lake Mead elevation, approximately 93,000 acre-feet would have to be conserved to raise Lake Mead elevation by 1 foot.

In FY16, from the first round of solicitation in the Lower Basin, at least two pilot projects are expected to be in the implementation phase. Potentially the nine pre-proposals which require modification may come into compliance with Pilot Program requirements and succeed in being implemented in FY15 and FY16. In the Upper Basin, solicitation of Pilot Program projects is expected to occur in FY15. Implementation of selected Upper Basin pilot projects may occur in late FY15 and in FY16. Subsequent rounds of pilot project solicitation may occur in FY16 if funding is available.

Question 22. The Department has requested $244 million for Indian water rights settlements and negotiation. Which new Indian water rights settlements are being prioritized by the department? What will the additional $16.9 million for

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negotiation and legal support allow the department to do? What is being done to increase the pace of settling outstanding claims?

Response: Our first priority, and the majority of the requested funding, is to implement enacted settlements in accordance with statutory requirements. The Department's priorities on negotiating Indian water rights settlements are determined by a number of factors including the willingness of the negotiating parties, the prospects for a successful negotiation process, and pending congressional actions. Last year, bills were introduced on the Blackfeet and Fort Belknap settlements in Montana, and the Pechanga settlement in California. These settlement teams are all still very active. There are also several other very active settlements receiving considerable attention within the Department, including a number of settlements in Arizona.

The additional $16 million for negotiation and support of Indian water rights settlements will allow the Department to adopt and put into effect policies and strategies to ensure analytically robust, methodical, and cost-effective approaches to negotiating Indian water settlements. The additional funds will be used for economic, hydrology, infrastructure and other studies designed to help the tribes, other settlement parties, and the Department to make decisions on optimal infrastructure and water delivery systems, the costs of such systems, and the appropriate roles for all financial contributors to settlements including the federal government.

Question 23. The Fish and Wildlife Service (FWS) published the final EIS and draft Record of Decision on the Proposed Revision to the Regulations for the Nonessential Experimental Population of the Mexican Wolf on November 25, 2014. The final EIS differed significantly from the draft EIS published in July 2014, due in large part to extensive negotiations between the FWS and the Arizona Game and Fish Commission. Senator McCain and I sent a letter to Director Ashe on December 21, 2014 requesting an extension of the public comment deadline to allow stakeholders, including the Arizona Game and Fish Commission, time to analyze the significantly changed proposed regulations. In this letter we specifically identified provisions in the consent decree that allow a modification of the deadline upon showing good cause, consistent with the Federal Rules of Civil Procedure. Did the FWS approach the Department of Justice about seeking an extension of the public comment deadline? What was the Department of Justice's reason for not seeking an extension?

Response: The FWS informed the Department of Justice (DOJ) of the request for an extension but did not request that DOJ seek an extension from the court because, in light of the extensive public engagement in course of this rulemaking, there does not appear to be good cause for such an extension.

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Question 24. There is a proposal for the President to bypass Congress and designate over 1.7 million acres of land in northern Arizona as the Grand Canyon Watershed National Monument. This would lock up not only Federal land, but over 60,000 acres of State Trust land and nearly 30,000 acres of private land. Such a designation would have a devastating effect on the economic productivity of State trust land which is managed primarily to benefit Arizona public schools. It would have a similarly chilling effect on the economic productivity on private land and existing mining operations. The creation of this monument has been strongly opposed by the State of Arizona. Would any of the Department's proposed funding be used to pursue the designation of a National Monument in Arizona?

Response: The Department has no current plans to propose a designation of monuments in Arizona under this authority. Moreover, the Department engages in robust consultation with national, state, local, and tribal stakeholders prior to the designation of any monument, in keeping with the President's commitment.

Question 25. In order to get the most value for every dollar spent on managing National Parks, the Park Service is required to seek competing bids for private companies to run concessions within the National Parks. In instances where a concessionaire has held the contract for extended periods the leasehold surrender interest (LSI) that must be paid to the outgoing concessionaire when a contract changes hands can become a significant barrier to the competitive bidding process. What actions is the Department pursuing to ensure a true competition for park concessions while still respecting the investment made by private companies in their business?

Response: The NPS is dedicated to ensuring that it maintains the most competitive environment possible for awarding concession contracts. We are using a variety of techniques to address the LSI burden in order to maximize competition which ensures the best value for the park visitors and in turn the individual park. Prior to announcing a concession opportunity, a financial analysis is prepared to ensure that the opportunity will provide the concessioner with a reasonable opportunity to make a profit. If such an opportunity is not feasible for a particular concession opportunity, the NPS may buy down the LSI from the existing concessioner, as was done at the Grand Canyon, in order to reduce the economic barriers to new entrants into that market.

Question 26. Arizona counties and municipalities have tried to work with the BLM to authorize third-party concessionaires to operate on Recreation and Public Purposes Act (RPPA) parcels. The BLM in Arizona will not permit local governments to allow a third-party concessionaire on the exact same land that the BLM could itself allow a concessionaire to operate if the BLM still controlled the

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land. During Director Kornze's nomination hearing in December 2013, I asked specifically about the status of the Solicitor's Office evaluation of the August 2011 Instructional Memorandum for Third Party Uses on Recreation and Public Purposes Acts Patents and Leases (2011-162), and when Arizona local governments could expect a decision about the ability to enter into agreements with third-party concessionaires. In the written responses, Director Kornze did not provide an update on the Solicitor's evaluation or an expected timeline for the local governments. What is the status of the Solicitor's office evaluation of the above memorandum, and when does the office expect to make a decision regarding third-party concessionaries to operate on RPPA lands?

Response: BLM is continuing its ongoing discussions with Maricopa County and other Arizona local governments that have expressed interest in allowing for-profit businesses to operate on R&PP-leased or patented lands as a means of generating revenue to the counties for local parks. Lands leased or patented to local governments under the Recreation and Public Purposes Act have restrictions that limit for-profit activities on the lands. As indicated in the response referenced in the question, generally, options to remove these restrictions may include replacing existing R&PP leases with commercial leases and purchase by local governments of the reversionary interests in existing R&PP conveyances. These options require payment of fair market value to the United States.

BLM Instructional Memorandum (IM 2011-162) is current policy and is not being reviewed by the DOI Solicitor's Office. The BLM's Recreation Permit and Fee Administration Handbook was issued in December 2014; the BLM is working to update its recreation commercial service authorization guidance to ensure concession fees are set at fair market value.

Question 27. In a December 5, 2014 report, the Congressional Research Service identified several potential technical discrepancies in how some Federal payments to counties are treated in the calculation of Payments in Lieu of Taxes (PILT) payments. The report specifies that payments made under the Bankhead-Jones Farm Tenant Act by the BLM require a reduction in the following year's PILT payments, but payments for similar lands administered by the Forest Service do not require a reduction. Additionally, the report claims that payments under the Secure Rural Schools (SRS) program require an offset in the following year's PILT levels for payments from the Forest Service but not payments from the BLM. As the agency responsible for making annual PILT payments, does the Department treat SRS payments by the Forest Service and the BLM differently when computing PILT payments? Similarly, does the Department treat payments made under the

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Bankhead-Jones Act by the Forest Service and BLM differently for purposes of PILT payments?

Response: The underlying statute for the BLM payments is not included in the list of payments deductible from PILT. Because of this and because the Secure Rural Schools and Community Self-Determination Act of 2000 is not listed in law as a separate payment for deduction, payments made by BLM for Oregon and California lands have not been deducted the following year from PILT payments.

The Department deducts payments made under Section 33 of the Bankhead-Jones Farm Tenant Act by both the Forest Service and the BLM as required in Section 6903 of the PILT Act.

Question 28. Your testimony includes several references to encouraging individuals to serve, work, and volunteer on public lands. Some have suggested that questions of legal liability act as a disincentive for federal agencies to work with volunteers. Has the Department identified any such impediments to promoting volunteer work on public lands? If so, does the Department have suggestions on how to remove these barriers?

Response: The Department has robust volunteer programs and has not found legal liabilities to be impediments to the programs.

Question 29. The trans-canyon pipeline that supplies water to Grand Canyon National Park has incurred repeated maintenance issues over the last thirty plus years. Most recently, we witnessed two separate closures of Phantom Ranch as crews sought to address pipeline breaks, and a section of the pipeline is undergoing repairs until July of this year. According to some estimates, the cost to replace the entire pipeline would fall between $100 million and $150 million with additional operations and maintenance charges. Does the Park Service have updated estimates regarding the cost to repair the trans-canyon pipeline?

Response: The Trans-Canyon Pipeline was built in the mid-1960s and feeds water from Roaring Springs to Grand Canyon National Park. As the pipeline ages, the frequency of leaks, fissures, and breaks has increased; a small portion of the pipeline at Phantom Ranch is currently being repaired. The NPS is currently conducting engineering and hydrology studies to establish baseline information about the water supply at Grand Canyon National Park, which will inform any decisions on a replacement of the entire pipeline. A current estimate on the cost of a full replacement of the pipeline ranges from $138,000,000 to $168,000,000, depending on the year of construction and the number of phases necessary to complete the project.

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Question 30. I understand that the Park Service is evaluating potential solutions to the water pipeline challenges at the Grand Canyon National Park by developing a water-delivery study. Please describe the alternatives being considered and the costs associated with each option. When do you expect to complete the final study?

Response: The NPS is currently conducting pre-planning work, including engineering and hydrology studies, to establish baseline information about the water supply at Grand Canyon National Park. The NPS intends to begin the NEPA process with public scoping this summer and hopes to have a recommendation for a preferred NEPA alternative which will provide information needed to proceed with project development and cost estimates by late 2016.

Question 31. In evaluating potential water-delivery options, has anyone from the Park Service considered regional water-supply solutions? If so, who has the Park Service met with, and what options are being considered?

Response: The park is a member of the Colorado Plateau Watershed Partnership and the Colorado Plateau Watershed Advisory Council. These are regional, collaborative workgroups to address regional water issues that include representatives from county, city, state and federal agencies. These groups have considered various options for providing water to the park and surrounding communities. However, a viable method for providing water to the park on a regional basis has not yet been determined.

Question 32. Is there an opportunity for the Park Service to achieve cost savings by pursuing a regional water-supply solution, as opposed to solely looking at replacement of the trans-canyon pipeline?

Response: The NPS will continue to evaluate all options to ensure that the park maintains an appropriate water supply.

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Questions from Senator Franken

Question 33: As you know, a recent court decision reversed the Fish and Wildlife Service's determination to delist the gray wolf from the Endangered Species Act. Right now, farmers and ranchers in Minnesota are concerned about losing their livestock to wolf attacks, and they really need federal funds that can help to protect their herds. For example, the Wolf Livestock Loss Demonstration Program provides funding to livestock producers so they can employ strategies to help prevent wolf attacks from occurring in the first place. Can you tell me why the Fish and Wildlife Service has proposed to discontinue funding for this program in FY 2016?

Response: The FWS proposes to discontinue funding for the demonstration program, funded at $1,000,000 in FY 2015, because there are other programs that are better suited to deliver this funding. For example, the 2014 Farm Bill makes the Livestock Indemnity Payments (LIP) a permanent program and provides retroactive authority to cover eligible livestock losses back to October 1, 2011. LIP provides compensation to eligible livestock producers who have suffered livestock losses in excess of normal mortality due to adverse weather and attacks by animals reintroduced into the wild by the federal government or protected by federal law, including wolves and avian predators.

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Questions from Senator Heinrich

Question 34: In December, Congress passed the Manhattan Project National Historical Park Act, which directs the National Park Service to establish the Manhattan Project National Historical Park in three states within one year of enactment. Do you expect to be able to meet that deadline?

Response: We are committed to meeting the deadline for establishing the park. As required by the Act, the NPS and the Department of Energy are working on a memorandum of agreement that will govern roles and responsibilities for the DOE facilities in the new park, including provisions for enhanced public access, management, interpretation, and historic preservation. A meeting between the agencies on this issue was held on February 12, 2015, at DOE Headquarters.

Question 35: When and how does the National Park Service plan to involve local communities in the park planning process for the Manhattan Project National Historic Park?

Response: The NPS and DOE interagency team will initially conduct site visits and public open houses in Oak Ridge, Tennessee on March 25-26, 2015, in Hanford, Washington on April 14-16, 2015, and in Los Alamos, New Mexico on June 2-4, 2015. The NPS is committed to civic engagement and will ensure that there are various opportunities for public participation, including consultation with state, county and local stakeholders, during the planning process.

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Questions from Senator Hirono

Question 36: National Monuments

Madam Secretary, I would like to thank the Administration for taking action to protect and preserve lands across our nation, the recent executive action for Honouliuli in Hawaii is a good example. It is a sobering, yet important piece of our nation's history that will serve to educate future generations. In 2009, when I was a member of the House of Representatives I worked with Senators Inouye and Akaka to authorize a special resource study on World War II internment camp sites in Hawaii. Now that the President has designated Honouliuli as a national monument to be managed by the National Park Service, an agency well-seasoned and experienced with management of national monuments across our country. I want to see Honouliuli and other sites recently designated get off to a strong start.

This designation has been a collaborative, inclusive effort—between the local community, Hawaii's Congressional delegation, and other public and private stakeholders. Can you give me a sense of what the path will be to move Honouliuli forward in FY 2016 and beyond?

Response: President Obama's designation of the Honouliuli Internment Camp will help tell the story of significant events in American history and will permanently protect a site where Japanese American citizens, resident immigrants, and prisoners of war were held captive during World War II. As with any newly created park unit, the NPS is currently engaged in discussions, both internally and with our partners in Hawaii, to chart a path forward for this monument and to start the planning and development of the park within budgetary constraints.

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Questions from Senator Lee

Antiquities Act

Question 37. Secretary Jewell, during your confirmation hearing, I asked if you would seek the input of local stakeholders regarding national monument designations. You confirmed you would do this. However on October 31, 2013, you said, "if Congress doesn't step up to act to protect some of these important places that have been identified by communities and people throughout the country, then the president will take action ... there's no question that if Congress doesn't act, we will." One would think that the elected representatives of the people would be a group of stakeholders whose buy in and support should necessary in designating monuments. Has your opinion changed from the answer you gave me your confirmation hearing?

Transcript, Sally Jewell Confirmation Hearing, March 21, 2013

Senator Lee: *The monument designation question is important because, as you were discussing that with Senator Heinrich, I appreciated your commitment to work with local stakeholders whenever they are dealing with something like monument designation. We had about 2 million acres designated as a monument a few years ago in my state, and it was not only not done without extensive consultation, input, and buy-in of local officials and residents, it was done completely by surprise. It was brought upon us completely by stealth. It was announced from a neighboring state, and we would have like to have had input. So, I would really appreciate if you would commit to me that you would advise the president that it is best to work with locals affected by broad decisions like that in advance of making such a decision.*

Secretary Jewell: *That is certainly consistent with what I believe in and with what the White House believes in as well.*

Response: The Department has engaged in robust consultation with national, state, local, and tribal stakeholders prior to the designation of each monument, consistent with the statements made at the March 2013 confirmation hearing and with the President's commitment. In the remarks to the National Press Club that you reference, Secretary Jewell noted her belief that we have an obligation to build on the legacy of public lands protection that we have and to leave to the next generation our lands, waters, and wildlife in better condition that we found them. Fulfilling that obligation could happen through legislation or use of the Antiquities Act, as 16 Presidents of both parties have over the course of more than 100 years.

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Question 38. The President added four new national monuments in 2014. Regarding your commitment to an open process with local consultation, were these communities given proper notice before these monuments were designated? Did you change anything about the designation area or timing in relation to the concerns of the impacted community or state?

Answer: This Administration has demonstrated a commitment to working with the public, local governments, tribal governments, and Congress in making federal land use decisions. We recognize and respect the importance of public input in considering protections for our natural, historic, and cultural treasures. We strive to take into account the interests of a wide range of stakeholders both to protect America's public lands and to provide for economic development in a manner that is consistent with applicable laws and sound public policy. The Administration engaged in robust consultation with national, state, local, and tribal stakeholders prior to the designation of each monument. The monument boundaries, timing, and specific provisions included in the Proclamations for monuments designated in 2014 took these local concerns and the strong public support for these designations into consideration. The Department will continue to engage with the public as we work to develop management plans for the new National Monuments.

Question 39. The Antiquities Act also states that the President is to reserve "the smallest area compatible with the proper care and management of the objects to be protected." However, of the 11 monuments President Obama has designated so far, just the last three monuments constituted over 250 million acres of new federal property. Would you consider these areas to be the smallest areas available?

Response: Yes. As detailed in the Presidential proclamations, the boundaries described for each of the designations are confined to the smallest area compatible with the proper care and management of the objects to be protected, which are also described in detail in the proclamations.

Endangered Species Act

Question 40. As you know, the agency recently put out a rule related to adverse modification – "Definition of Destruction or Adverse Modification of Critical Habitat." Can you please provide me the statutory authority for this rule?

Response: The phrase "destruction or adverse modification of critical habitat" is found in section 7(a)(2) of the ESA. However, the phrase was not defined or clarified in the ESA. Under section 11(f) of the ESA, the Secretary is authorized to promulgate regulations appropriate to enforce the Act. In addition, under general principles of administrative law, an agency may

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resolve ambiguities and define or clarify statutory language as long as the agency's interpretation is a permissible interpretation of the statute. The FWS and National Marine Fisheries Service first promulgated a definition of the phrase in the 1986 implementing regulations at 50 CFR 402.02. This definition had been invalidated by several courts, and the FWS is promulgating a new definition in the implementing regulations. Additional information regarding why the agency's revised definition is a permissible interpretation of the statute may be found in the preamble to the proposed revised regulation.

Question 41. How much does the Department spend on ESA litigation? If attorney's fees were capped, is it possible that money could instead be used for species recovery?

Response: Of the funds appropriated for ESA-related sub-activities, the FWS may support listed species recovery only with funds appropriated for recovery, if the Service is to be consistent with Congressional intent.

In FY 2013, the FWS spent $58,000 on attorney's fees related to ESA litigation. None of those fees, however, stemmed from litigation over agency actions that are supported by funds appropriated for recovery, and therefore none of those attorney's fees were paid from recovery funds. As a result, these funds could not have been used for species recovery.

In FY 2014, the FWS spent $236,263.63 on attorney's fees related to ESA litigation. Of that amount, $72,413.63 were paid toward ESA litigation involving recovery and thus were paid from recovery funds. Therefore, this amount could have been spent on recovery activities if they were not needed to pay litigation-related expenses. Note that these figures do not include time spent on litigation support by FWS and Solicitor's Office personnel, expenses by other agencies within the Department, or attorney's fees paid by the Department of the Treasury out of the Judgment Fund pursuant to 31 U.S.C. § 1304.

Question 42. In a hearing before the House Natural Resources Committee on April 3, 2014, you stated that the Department publishes the underlying data for potential ESA listings. However, my staff has experienced many examples where the data used in listings is simply not available because the Department has, in fact, *not* made it available – for example, the underlying data for the listing of the Gunnison sage grouse was not released. Why does the Department publish scientific findings for some listings, but not for others? Can you commit to making available to the public all underlying data for all potential listings?

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Response: The Administration is committed to decision-making that is transparent and supported by public participation and collaboration. In line with this commitment and because high-quality science and scholarly integrity are crucial to advancing the Department's mission, the Department carefully documents and fully explains its decisions related to the listing of species under the ESA, and provides public access to the supporting information and data through established Department and bureau procedures.

While certain information and data may not be disclosed under the terms of the Freedom of Information Act (*e.g.*, confidential commercial or privacy information), FWS policies and practices do not keep publicly funded data from the public. Under Federal Acquisition Regulations, the government's access and distribution rights extend only to data "first produced in the performance of" a contract. The FWS routinely provides data that it produces or obtains with respect to endangered species determinations upon request. It also posts on regulations.gov a list of the publications, reports, and studies on which it relied in making its listing determinations. Sometimes, however, the FWS contracts for studies to analyze data that were first produced by states, universities, or other non-federal entities. In these instances, the FWS neither obtains, nor has any right to release, the underlying data. State law regarding release of wildlife data can be restrictive. For example, Texas Government Code Section 403.454 prohibits the disclosure to any person of information that "relates to the specific location, species identification, or quantity of any animal or plant life" for which a conservation plan is in place or even under consideration.

Question 43. How do you ensure that state and local entities are able to stay informed and participate in the listing determination process? On average, how many meetings does your Department have with state and local officials during the listing process?

Response: Meetings are held regularly between FWS staff and staff from appropriate state agencies at field, regional, and headquarters levels to coordinate on ESA issues pertaining to those agencies' jurisdiction, including listing determinations. Under sections 4(b)(1) and 4(b)(5) of the ESA, the FWS must take into consideration any efforts by states or political subdivision when developing a listing determination and notify them of such action. These requirements are further elaborated and expanded on in the ESA implementing regulations, the FWS's Policy Regarding the Role of State Agencies in ESA Activities (July 1, 1994), and a 2014 Memorandum from the FWS Director.

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National Park Service

Question 44. What is the current maintenance backlog for the National Park Service? What is the proportion of the Service's budget that is spent on administrative overhead versus park maintenance?

Response: The deferred maintenance backlog was $11.5 billion at the end of FY 2014. Because a portion of administrative costs support park maintenance efforts, such costs cannot be considered as a budget component separate and apart from park maintenance costs. Many NPS administrative costs are managed centrally to increase efficiency, including unemployment compensation, worker's compensation, and many information technology costs. The NPS has also consolidated other administrative components at a network level to support park operations efficiently, including human resources and acquisition offices. These programs ensure, for instance, that rangers who are hired are also capable of performing appropriate trail maintenance work, or that construction project contracts are awarded and managed to accomplish large projects.

Question 45. How does the Department intend to prioritize its funding to address this backlog? Is it your opinion that we should consider a moratorium on the addition of National Park land until the NPS addresses the backlog in its current portfolio?

Response: The FY 2016 budget request includes funding to bring all of the NPS's highest priority non-transportation assets into good condition and maintain them in good condition with regular cyclic maintenance funding, if funded at the requested levels over the next ten years. The request includes $242.8 million in discretionary funding increases and a mandatory funding proposal of $300 million annually for three years. The NPS will continue to utilize the Capital Investment Strategy to focus funding on our most important assets and pursue disposal of non-mission critical assets in serious disrepair. Regarding acquisition, the mission of the National Park Service is to protect and preserve cultural and natural resources for the enjoyment of the public and future generations. There are many sites currently unprotected and vulnerable to development or degradation that may be as important to our American story as resources already under NPS protection. Thus, we believe that a moratorium should not be enacted.

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Questions from Senator Manchin

Question 46: Secretary Jewell, I am very interested in some of the AML proposals in the Interior budget. As you know, I am very supportive of funding the UMWA's pension plan. Our miners have mined the coal that powered our nation and we need to ensure they continue to receive their hard earned benefits.

I am also interested in the proposal to use AML money for coalfield communities in Appalachia, like those in my home state of West Virginia. As you're aware, this program would require a legislative solution.

In your view, what would this legislative solution look like and can I get your commitment to work with me and other members from the region to ensure this money reaches the communities who need it the most?

Response: The AML proposals, both components of the President's POWER+ Plan, would provide $1 billion of unappropriated AML funds over five years to states and tribes for abandoned mine reclamation that could revitalize coalfield communities and provide additional funding to shore up the long-term solvency of the 1974 UMWA Pension Plan and Trust and guarantee health benefits to more retired miners and their dependents.

The accelerated distribution of the AML funds would expedite abandoned mine reclamation and create new development opportunities and new jobs in communities impacted by abandoned mine lands and mine drainage. We would expect the legislation needed to accomplish this proposal to emphasize the involvement of local communities in determining what development is best for their particular community. In addition, funding would be based on AML program and economic eligibility criteria—such as the unemployment rate of coal mining regions and remaining priority coal problems, including abandoned mine drainage. We look forward to working with you and other federal, state, and local leaders to enact this important piece of legislation.

Question 47: OSM's budget justification document notes that States and Tribes directly regulate 97 percent of the Nation's coal production under approved regulatory programs. The agency's budget also notes the reduced workload anticipated by OSM.

With the states responsible for most of the regulatory work why does OSM ask for $5.5 million more for itself while cutting the states grants by more than $3 million? What is OSM planning to use the extra $5.5 million for?

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Response: OSMRE's budget request of $65.5 million is expected to fund the federal share of State and Tribal regulatory programs at the maximum level allowable under SMCRA. It does not represent a loss of regulatory grant funding for states.

For the Regulation and Technology Account, OSMRE is requesting a net increase of $5.7 million, including funding for fixed costs for pay and other items, and funding for program monitoring and support services. The programmatic increases support improvements and investments in technology to better implement SMCRA. These include additional technical staff to support improvements in the implementation of existing laws and technical assistance to states/Tribes; data applications for electronic permitting and federal cost recovery; and expansion of the GeoMine Project (a coal mining geographic information system) to share data among states, governments, industry and the public to provide for more efficient, quality decisions, among other things.

Question 48: As you know, I have serious concerns about the potential OSM Stream Buffer Zone rule. The original intent of this rulemaking was in response to the 2008 rule promulgated under the Bush Administration. Why is OSM moving forward with this process when the 2008 rule was vacated?

Response: In February 2014, a federal district court vacated the 2008 stream buffer zone rule and reinstated the prior rule, the 1983 stream buffer zone rule. On December 22, 2014, the Office of Surface Mining Reclamation and Enforcement published a ministerial notice in the Federal Register to remove the provisions of the vacated 2008 rule from the Code of Federal Regulations and reinstate the prior regulations, which were in effect in the primacy states throughout the litigation.

The regulations reinstated by the court are over 30 years old. During this period, there have been significant advances in scientific knowledge and mining and reclamation techniques. Outdated rules should be modernized to reflect current knowledge and technology to better protect people and the environment, provide industry with more certainty, and address court decisions.

Question 49: In 2013, the Director of Mining and Reclamation at West Virginia's Department of Environmental Protection testified in the House about their experience as a cooperating agency during the Stream Protection Measures Rulemaking process. Under this agreement, OSM should be coordinating with West Virginia and the other cooperating state agencies.

Instead, OSM denied the agencies the opportunity to review the first chapter of the Environmental Impact Study and provided them only a few days to review and comment on hundreds of pages of the following chapters.

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After this, according to the West Virginia DEP, OSM "shifted to a nearly complete blackout on information about the development of the Stream Protection Measures Rule."

Yesterday, 11 states, including West Virginia sent a letter to OSM stating that several of the states are "seriously contemplating withdrawing from the EIS development" due to a continued lack of cooperation from OSM.

Can you explain this?

Response: When the previous Administration prepared the 2008 stream buffer zone rule, it did not include state coal mine regulators as cooperating agencies. However, when OSMRE began the development of the Stream Protection Rulemaking to replace the court now-vacated 2008 rule, it included state regulators as cooperating agencies. This is believed to be the first time it has done so. The Bureau's engagement with the state agencies occurred early in the Development of the Draft Environmental Impact Statement and provided us with meaningful input. OSMRE recently invited the states to a meeting, scheduled for late April, to meet regarding the analysis in the current DEIS, specifically with regard to the issue they raised in the early drafts.

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Questions from Chairman Murkowski

Question 50: Please provide a record of the authorities on which the Department relied for the development of the Comprehensive Conservation Plan (CCP) and accompanying Environmental Impact Statement for the Arctic National Wildlife Refuge (EIS), including, the approval for and authorization of funds expended by year, including Congressional authorization or appropriation, for the development of the CCP and EIS.

Response: The primary authorities the Department relied on for the development of the CCP and EIS for Arctic National Wildlife Refuge were section 304(g) of the Alaska National Interest Lands Conservation Act and the National Environmental Policy Act. The Department used funds from the appropriations for the FWS for Fiscal Years 2009 - 2012.

Question 51: Please provide a detailed current plan, calendar and itemized budget for the development and implementation of the Step-Down Plans identified in the CCP and EIS.

Response:

Plan	Start	Est. Completion
Visitor Use Management Plan	2013	2018
Wilderness Stewardship Plan	2013	2018
Ecological Inventory and Monitoring Plan	2013	2018
Land Protection Plan	2013	2018
Comprehensive River Management Plan	2017	2020
Integrated Cultural Resources Management Plan	2015	2018

The information in the CCP and EIS for the implementation of the Step-Down Plans requires updating and needs to be revised to reflect the current workforce and budgets, and the FWS is working to update this information.

Question 52: Please a comprehensive list of the dates and times of any meeting, call or other interaction held by the Department of the Interior (DOI) or any of its

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component parts including the United States Fish and Wildlife Service (USFWS) or contractor operating on behalf of DOI, with any entity not considered a cooperative agency, including any corporation or non-governmental organization.

Response: The Revised CCP and Final EIS were made available at the end of January 2015. As noted in the FWS's published *Notice of Availability*, government agencies, tribes, and the public were given extensive opportunity to participate in the preparation of the EIS. Volumes 3 and 4 of the plan provide information on the public comments received and how they were addressed. Volume 3 summarizes all the public comments received on the draft plan and EIS, presents the substantive comments received, and includes the FWS's responses to each substantive comment. This includes communications from Governments, Agencies, Tribes (App. O); Communications from NGOs (App. P); and from Individuals and other sources (App. Q). Volume 4 contains indices to assist with navigating through Volume 3 and contains full text samples of communications received on the draft plan. All meetings or fora held to collect input from stakeholders for this CCP are noted in the record.

In all, the FWS received over 600,000 communications during the public review period on the draft plan/EIS, and considered all public comments throughout the process. Public comments were incorporated in various ways, such as in identifying the significant planning issues and the different alternatives addressed in the revised plan/final EIS.

Question 53: Please identify in a log any legal or policy analysis provided to or given by DOI or USFWS related to sections 1002, 1003 or 1326 of ANILCA as it might apply to the CPP or EIS.

Response: Chapter 3 of the CCP contains a discussion of the issues and alternatives considered and analyzed as part of the process of developing the CCP and EIS, including issues related to ANILCA 1002, 1003, and 1326 (See also Appendix D). In addition, as noted in the response to the previous question, Volumes 3 and 4 of the plan provide information on the public comments received and how they were addressed.

Question 54: Please provide a comprehensive list of programs or initiatives within DOI in support of the US Chairmanship of the Arctic Council and in fulfillment of Executive Order Enhancing Coordination of National Efforts in the Arctic. Please include in the list a identification of the funds expended or to be expended for any and all programs or initiatives on the list.

Response: The U.S. has proposed an ambitious program for the U.S. chairmanship of the Arctic Council, beginning in April 2015. The USGS will lead a project to improve digital topographic information in the Arctic by coordinating the harmonization of digital elevation datasets around the Arctic into a Pan-Arctic Digital Elevation Model. The 2016 budget includes $1.3 million for

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the USGS to complete 3-D digital elevation mapping of Alaska which will contribute to the pan-Arctic model.

The Department, on behalf of the United States, is co-leading the development of the Arctic Resilience Report (ARR) with Sweden. The ARR will be finalized in 2017 and will examine the interaction of drivers of change and evaluate strategies for adaptation of communities and the ecosystems upon which they depend. The Department will also coordinate an interagency effort, in coordination with State of Alaska local governments, to consolidate data and tools that increase the resilience of Arctic communities and ecosystems. Funding for tribal land resilience will support Alaska Native Villages in the Arctic in evaluating options for the long-term resilience of their communities.

The FWS will lead a project that assesses pathways of invasive species in the Arctic. The project will also assess current policies and practices to prevent and manage invasive species in the region and will recommend a set of voluntary guidelines for best practices for Arctic Council Member States. The project will also achieve objectives set out in the U.S. National Strategy for the Arctic Region's implementation plan.

The Bureau of Safety and Environmental Enforcement will lead the development of a circumpolar pollution response equipment database. The database will increase cooperation and enhance preparedness and response capabilities across the Arctic.

The Executive Order on Enhancing Coordination of National Efforts in the Arctic was issued January 21, 2015, and the Executive Steering Committee it established to oversee coordination of effort held its first meeting February 20, 2015. The Steering Committee is considering a number of projects, some of which would involve the Department. However, all of these are proposals currently under development by interagency working groups for future consideration by the Steering Committee and at this point there are no programs or initiatives on which we could report. No actions will be undertaken until detailed proposals are finalized and approved by the Steering Committee.

In general, the Department is requesting over $144 million for activities specifically identified in the Arctic. The Department, however, also dedicates existing resources to improve coordination of ongoing work and support for the Arctic Council and priorities identified in the National Strategy.

Question 55: with respect to the issue of climate change, please provide a comprehensive list of DOI programs or initiatives dedicated to adaptation or

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promoting resilience in communities in response to a changing climate and the funds associated with these initiatives or programs.

Response: The Department is dedicated to implementing the President's Climate Action Plan and the Climate and Natural Resources Priority Agenda, among other initiatives. In addressing global climate change, the Department provides science to help anticipate, monitor, and adapt to climate and ecologically-driven changes to lands, water, and other natural resources. Extreme weather events, including severe storms, wildfire, and drought, are expected to increase in both frequency and intensity in the future. As part of the Administration's effort to better understand and prepare for the impacts of a changing climate, the budget includes $195.3 million to increase the resilience of communities and ecosystems to changing stressors, including flooding, sea level rise, and drought, including the following investments specifically dedicated to climate resiliency.

Coastal Resilience – The Department proposes an investment of $50.0 million for planning and technical assistance to communities, and Tribes; and for projects to improve ecosystem and community resilience. Modeled after the Hurricane Sandy Competitive Grant program, the Department will fund coastal resilience projects that restore natural systems to support both ecosystem and community resilience and will focus on projects with a physical or ecological nexus to federal lands. This program will incorporate monitoring and performance requirements and will help add to the growing knowledge base on the performance of natural approaches to reducing coastal risks.

Challenge Cost-Share – The Challenge Cost-Share program is a 50:50 partner matching program that funds projects mutually beneficial to public lands and the cost-sharing partner. The Department proposes $30.0 million—split evenly between the BLM, NPS, and FWS—to leverage non-federal investments in projects that increase the resilience of landscapes to extreme weather events with a focus on inland challenges, including wildfire, flooding, and drought.

Tribal Land Resilience – The Department will provide government- wide leadership and funding to Tribes in support of climate preparedness and resilience. Criteria for tribal funding will be developed and prioritized in consultation with Tribes, Alaska Native Villages, and the interagency White House Council on Native American Affairs subgroup on climate. Funds will be used to develop science tools and training, conduct climate resilience planning, and implement actions to build resilience into infrastructure, land management, and community development activities. Funding will also support Alaska Native Villages in the Arctic in evaluating options for the long-term resilience of their communities.

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Insular Areas and Resilience – The Department will work with other federal agencies serving the insular areas to support island communities in planning, preparing, and responding to the impacts of climate, including sea level rise. Climate change is an immediate and serious threat to the U.S.-affiliated insular areas. By their geography and mid-ocean locations, these island communities are on the frontline of climate change, yet among the least able to adapt and to respond to the expected far-reaching effects on island infrastructure, economic development, food security, natural and cultural resources, and local culture. An additional $7.0 million is requested to address the immediate threats in the insular areas related to sea level rise by supporting development of infrastructure and community resilience initiatives.

In addition, to support the understanding and managing of landscapes and to support climate resilience, the budget proposes $1.1 billion in research and development investments across the Department to improve scientific understanding, develop information and tools, and expand public access to this important information. Finally, the Department will continue working through the Arctic Executive Steering Committee referenced above to coordinate across the federal government on promoting the resiliency of vulnerable communities in the Arctic that are experiencing directly the effects of climate change.

Question 56: Please provide an itemization of any funds expended since January 1, 2012 related to international travel costs for DOI personnel in support for arctic initiatives, studies, programs or workshops.

Response: The Department has responsibilities across the nation and travel is necessary for our programs. The Department does not track travel costs related to arctic initiatives, studies, programs, or workshops separately.

Question 57: Please provide an estimate of any funds expended since January 1, 2012 related to Alaska specific travel costs for DOI personnel in support for arctic initiatives, studies, programs or workshops.

Response: The Department operates parks, refuges and public lands in Alaska, and travel to Alaska is part of the operation of our programs. The Department does not track travel costs related to arctic initiatives, studies, programs or workshops separately.

**Question 58: In the 2016 Budget Justification, the Bureau of Land Management (BLM) notes: "*Since 2009, the BLM has approved 52 renewable energy projects, including 29 utility-scale solar facilities, 11 wind farms, and 12 geothermal plants, with associated transmission corridors and infrastructure to connect with established power grids. If fully constructed, these projects will provide more than 14,000 megawatts of power, or enough electricity to power about 4.8 million homes, and provide over 20,000*

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***construction and operations jobs."* (p. I-3) Please provide a detailed timeline for each of these identified projects including (1) date on which BLM received an initial application for approval (2) date on which a ROD was issued (3) description of the project – including estimated capital costs as well as construction and operating jobs and (4) estimated cost of mitigation measures required by BLM.**

Response: The table included below shows the project name; location; MW capacity; date the application was received; date the project was approved; capital costs; and construction jobs.

The capital costs are based on Energy Information Administration estimates and jobs figures are provided by the project proponent. These factors are included in the economic analysis portion of the NEPA review for a project.

The environmental mitigation costs for these approved projects are difficult to estimate, are highly variable based upon on-site locations and conditions, and are unknown in the long-term. Mitigation costs can range from approximately $1,000 per acre of disturbance to several thousand dollars per acre.

Project	County/State	MW Capacity	Application Date	Decision Date	Capital Costs ($ million)	Estimated Jobs
2009						
Lime Wind	Baker/OR	4 MW	June 2007	Dec 2009	$9	10
Salt Wells Geo	Churchill/NV	18 MW	May 2007	Sept 2009	$45	25
Blue Mtn Geo	Humboldt/NV	49 MW	April 2007	Oct 2009	$122	175
2010						
Imperial Solar	Imperial/CA	709 MW	Jan 2007	Oct 2010	Terminated	Terminated
Ivanpah Solar	San Bernardino/CA	370 MW	Nov 2006	Oct 2010	$1,867	2,100
Blythe Solar	Riverside/CA	485 MW	Mar 2007	Oct 2010	$1,729	620
Calico Solar	San Bernardino/CA	663 MW	Feb 2007	Oct 2010	Terminated	Terminated
Genesis Solar	Riverside/CA	250 MW	Jan 2007	Nov 2010	$1,261	1,135
Lucerne Solar	San Bernardino/CA	45 MW	Feb 2007	Oct 2010	Terminated	Terminated
Silver State Solar	Clark/NV	50 MW	Mar 2008	Oct 2010	$178	310
Crescent Dunes Solar	Nye/NV	110 MW	Nov 2008	Dec 2010	$555	550
Amargosa Solar	Nye/NV	464 MW	Nov 2007	Nov 2010	Terminated	Terminated
Spring Valley Wind	White Pine/NV	150 MW	Oct 2007	Oct 2010	$331	237
Jersey Valley Geo	Pershing/NV	30 MW	Mar 2010	June 2010	$75	70
2011						
Sonoran Solar	Maricopa/AZ	300 MW	June 2007	Dec 2011	$1,069	374
Desert Sunlight Solar	Riverside/CA	550 MW	Dec 2006	Aug 2011	$1,960	645
Rice Solar	Riverside/CA	150 MW	May 2009	Dec 2011	$757	500
Mojave Solar	Riverside/CA	250 MW	May 2010	July 2011	$1,261	890
C Solar West	Imperial/CA	250 MW	Oct 2009	Aug 2011	$891	290
Imperial Solar South	Imperial/CA	200 MW	Oct 2009	July 2011	$713	255
Centinela Solar	Imperial/CA	275 MW	Apr 2010	Dec 2011	$980	367
Tule Wind	San Diego/CA	186 MW	Dec 2007	Dec 2011	$410	337
West Butte Wind	Crook/OR	104 MW	Dec 2008	July 2011	$229	415
Echanis Wind	Harney/OR	104 MW	Dec 2008	Dec 2011	$229	235
Coyote Geo	Churchill/NV	62 MW	Oct 2010	Mar 2011	$155	105
Salt Wells Geo	Churchill/NV	40 MW	Nov 2010	Sept 2011	$100	68

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Salt Wells Geo	Churchill/NV	120 MW	Nov 2010	Sept 2011	$299	104
Tuscarora Geo	Elko/NV	15 MW	Dec 2010	July 2011	$37	25
McGinness Geo	Lander/NV	90 MW	Sept 2010	July 2011	$224	153
2012						
Moapa Solar	Clark/NV	350 MW	Sept 2010	June 2012	$1,247	400
Campo Verde Solar	Imperial/CA	139 MW	Sept 2011	Sept 2012	$495	250
Ocotillo Wind	Imperial/CA	315 MW	Oct 2009	May 2012	$695	350
Chokecherry Wind	Carbon/WY	3,000 MW	Jan 2008	Oct 2012	$6,615	1,000
Cove Fort Geo	Millard/UT	30 MW	June 2012	Oct 2012	$75	250
Wild Rose Geo	Mineral/NV	40 MW	Jan 2012	Oct 2012	$100	239
2013						
Copper Mtn Solar	Clark/NV	220 MW	Dec 2011	Feb 2013	$784	300
Mountain View Solar	Clark/NV	20 MW	May 2012	Feb 2013	$71	20
Quartzsite Solar	La Paz/AZ	100 MW	May 2008	June 2013	$505	438
Midland Solar	Clark/NV	350 MW	May 2012	June 2013	$1,247	350
Desert Harvest Solar	Riverside/CA	150 MW	Nov 2007	Mar 2013	$535	250
McCoy Solar	Riverside/CA	750 MW	Jan 2007	Mar 2013	$2,673	503
Techren Solar	Clark/NV	300 MW	Aug 2011	Mar 2013	$1,069	375
Searchlight Wind	Clark/NV	200 MW	Jan 2008	Mar 2013	$441	275
Alta East Wind	Kern/CA	153 MW	May 2010	May 2013	$278	262
Tule Wind	San Diego/CA	51 MW	Dec 2007	Dec 2013	$112	100
Mohave Wind	Mohave/AZ	500 MW	July 2009	June 2013	$1,103	725
New York Geo	Pershing/NV	70 MW	Jan 2010	June 2013	$175	150
Casa Diablo Geo	Mono/CA	40 MW	Feb 2010	Aug 2013	$100	182
2014						
Silver State Solar	Clark/NV	250 MW	Feb 2011	Feb 2014	$891	350
Stateline Solar	San Bernardino/CA	300 MW	Dec 2006	Feb 2014	$1,069	400
Ocotillo Solar	Imperial/CA	20 MW	Dec 2009	Apr 2014	$71	120
Moapa Solar	Clark/NV	200 MW	Aug 2010	May 2014	$713	500

Question 59: Please provide an equivalent description of the number of new oil and gas units or developments approved by BLM since 2009.

Response: The following table provides a sampling of full field oil and gas development projects (i.e., large scale) that have been approved by the BLM since 2009. Data on capital costs, job creation statistics, and estimated expenditures for mitigation measures are not typically made available by the proponents of these projects, and therefore are not provided in the table below.

Project	Field Office (FO)/County	Date Submitted	Date Approved	Wells
UTAH				
West Tavaputs Plateau EIS	Price FO/ Carbon County	Aug. 2005	July 2010	626
Greater Natural Buttes	Vernal FO/ Uintah	Aug. 2006	May 2012	3,675

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EIS	County			
GASCO EIS	Vernal FO/ Duchesne County	Nov. 2004	June 2012	1,298
Riverbend Natural Gas Infill Development EA	Vernal FO/ Uintah County	June 2007	Jan. 2013	250
North Alger Development EA	Vernal FO/ Uintah County	Sept. 2011	Jan. 2013	124
Wild Horse Bench Development EA	Vernal FO/ Uintah County	April 2013	Jan. 2015	125
COLORADO				
Cache Creek MDP* EA	Colorado River Valley FO/ Garfield County	---	Nov. 2009	79
Gibson Gulch MDP EA	Colorado River Valley FO/ Garfield County	Nov. 2007	Dec. 2009	104
Gibson Gulch II MDP EA	Colorado River Valley FO/ Garfield County	Nov. 2010	Oct. 2011	88
Kokopelli MDP EA	Colorado River Valley FO/ Garfield County	Nov. 2007	July 2009	112
North Castle Springs MDP for Natural Gas Exploration and Development EA	Colorado River Valley FO/ Garfield County	Jan. 2010	July 2010	284
West Mamm MDP EA	Colorado River Valley FO/ Garfield County	Oct. 2009	June 2010	89
Whitewater MDP EA	Grand Junction FO/Mesa County	Aug. 2011	June 2014	108
NEW MEXICO				
Rosa Unit Natural Gas Pads and Water Management System	Farmington FO/ San Juan County	Aug. 2011	Dec. 2012	464
*Master Development Plan				

Question 60: In the 2016 Budget Justification, BLM notes that since 2000, BLM has permitted nearly 47,000 new wells – please provide the number of permitted new wells since 2009.

Response: The following table provides the total number of drilling permits approved since 2009:

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Number of Drilling Permits Approved by FY on Federal Lands

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Total	4,487	4,090	4,244	4,256	3,770	3,769	24,616

Question 61: Please provide the number of permitted new wells since 2009 that have been drilled.

Response: The following table provides the total number of wells started since 2009:

Number of Wells Started During the FY on Federal Lands

	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	Total
Total	3,267	3,166	3,260	3,022	2,413	2,544	17,672

Question 62: Please provide estimates of revenues from NPRA production provided to Congress, the White House or other similar governmental institution issued prior to, or associated with, the passage of the Energy Policy Act of 2005.

Response: BLM is not aware of revenue estimates developed in relation to the passage of the Energy Policy Act of 2005. BLM develops revenue estimates for NPRA leases as part of the annual budget process, and those estimates are reported in the Congressional Justifications for the Office of Natural Resources Revenue, found at: http://www.doi.gov/budget/appropriations/2016/upload/FY2016_OS_Greenbook.pdf. Estimates fluctuate over time based on changes in the expectations regarding future NPRA leasing and production. Once leases are producing, the revenue stream will depend on the production volume, the royalty rate, and the market price of oil at the time.

Question 63: Please provide an accounting of revenues received from production in the National Petroleum Reserve Alaska since passage of the Energy Policy Act of 2005.

Response: There is no production from federal lands within the NPRA at this time. The Greater Mooses Tooth Unit – One project, which the BLM approved on Feb.13, 2015, will allow for the first production from federal lands in the NPRA.

Question 64: In its *Report to Congress June 2006* related to Sec. 207 of the Alaska Land Transfer Acceleration Act, BLM identified roughly 56,870,900 acres of BLM-managed lands that are withdrawn by "d-1 PLOs" and made recommendations –

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primarily that those d-1 withdrawals could be lifted. With next year being ten years since that report was issued I feel compelled to ask if anything has happened.

Response: All of the BLM land use plans prepared since the 2006 Report to Congress, including the Bay, East Alaska, Ring of Fire, and Kobuk-Seward Peninsula Resource Management Plans, contain recommendations for D-1 PLOs to be lifted within those planning areas. The BLM continues to consider recommending D-1 withdrawals across the state as part of ongoing resource management planning processes.

Question 65: Please provide an update on where the Department stands in settling with the state on the proper process to complete patenting of the state's lands. The Alaska Statehood Act set up a very specific process for federal surveying to complete the patented transfer of lands. To reduce its costs, the department has proposed a new surveying process, taking advantage of GPS coordinates. But apparently there is now a difference of opinion between the State of Alaska and your Department over the process to be used. Please describe that disagreement and how the department plans to resolve the issue?

Response: The BLM has been surveying and conveying lands based on standards outlined in a 1973 agreement between the agency and the State. The Bureau has recently taken a close look at the best available practices for this program and has determined that, using modern tools and techniques, the remaining surveys and conveyances can be accomplished in a substantially shorter amount of time while providing the State with higher quality data than was technically possible in 1973. The new approach also has the potential to save hundreds of millions of dollars for the American taxpayer, while fulfilling the promise of land conveyances called for in the Alaska Statehood Act. It is a significant opportunity for the State and the BLM to jointly innovate and to demonstrate meaningful progress on an issue important to many Alaskans. BLM Director Kornze and Alaska BLM Director Cribley are actively engaging State leadership about this issue and are hopeful that a mutually beneficial approach can be adopted before the 2015 field season begins.

Question 66: Relating to the U.S. Geological Survey budget, the USGS is a major source of grant funding for a series of seismic monitors on volcanoes in Alaska, largely on the Alaska Peninsula and the Aleutian Chain, near the air corridor for flights to America from Asia. The grants help fund the work of the Alaska Volcano Observatory, a joint entity between USGS and the University of Alaska. Ash from eruptions is particularly dangerous to such flights as shown by the near crash of a jumbo jet years ago.

A) The problem is many of the seismic monitors need not just upgrading to digital technology, but antenna and battery replacements since the stations are rapidly going off line.

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B) I believe this is causing a real health and safety issue not just for Alaskans, but international passengers on trans-Pacific flights. While Congress added money to your budget this year to help with the maintenance costs on the network, your FY 16 budget seems to propose only a slight increase for hazards funding, even while your overall budget calls for a $759.2 million increase – 6% above FY 15. That is disappointing since estimates are that it will require an additional $5 to $7 million a year for perhaps five years just to keep the Alaska seismic network functioning, much less to meet the entire U.S.G.S. earthquake monitoring budget needs.

C) Why is there not more money in your spending plan devoted to basic health and safety needs?

Response: Alaskan volcanoes tend to erupt explosively and have the capability of injecting ash to commercial flight levels. The USGS recognizes the need to monitor Alaskan volcanoes in real time for adequate warning of ash-forming eruptions that pose significant hazards to commercial and military air traffic in the region -- and ultimately to national and international public safety. Approximately 40,000 to 50,000 people travel the North Pacific air corridor per day, largely a result of the proliferation of new air carriers from East Asian countries.

The USGS appreciates the increase in programmatic funding for the Volcano Hazards Program including the Alaska Volcano Observatory (AVO) provided by Congress in FY15; the President's FY16 request maintains this level and proposes an additional increase to address monitoring needs. The AVO is a partnership between the USGS Volcano Hazards Program, the University of Alaska Fairbanks, Geophysical Institute, and the Alaska Division of Geological and Geophysical Surveys. Funds allocated to the USGS are passed to the other AVO partners through Cooperative Agreement Awards. The USGS works closely with its AVO partners to monitor the 52 active volcanoes in the Alaska Peninsula and the Aleutian Chain.

The USGS anticipates being able to make significant progress in the long-term maintenance for its monitoring networks at the FY15 funding level and also being able to repair 2 to 3 networks each year. It will take roughly 4 years to bring all networks up to the required level of operation on the very-high-threat and high-threat volcanoes in Alaska with proper annual maintenance, then continuing into the future to prevent outages as were seen in the last couple of years. Requested funding for the USGS in FY16 will allow this repair work on Alaska volcano monitoring networks to continue, such that the networks can be restored and upgraded where needed for long-term monitoring. The USGS and its AVO partners also recognize the opportunity to redesign some of the failed networks for better performance and maintenance cost-efficiency in years ahead.

Question 67: The State of Alaska a number of years ago requested that it receive the conveyance of several thousand acres along the Susitna River in Southcentral

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Alaska as part of its statehood conveyance. In 2013 my staff had been assured by Department personnel that the transfer would be completed, since none of the land is in conservation system units. But apparently the transfer is still pending. What is the hold up and when will the transfer of the acreage be completed to the State of Alaska?

Response: The State of Alaska has expressed interest in lands along the Susitna River that were withdrawn, prior to the passage of the Alaska Statehood Act, by Power Site Classification 443, are controlled by the Federal Energy Regulatory Commission (FERC), and that are unavailable for State selection. The State has requested that the Power Site Classification be modified so that the State's "top-filed" selections can be fulfilled. If the BLM recommends that the withdrawal for the Power Site Classification be opened, the classification must then be modified by FERC before BLM can move forward with the conveyance of these requested lands.

Question 68: We have spoken often about the need for the Department to speed up the cleanup of 136 abandoned oil and gas exploration wells in northern Alaska, wells drilled by the government in both the 1940s and late 1980s and early 1990s. You had about $2 million in your budget last year for such cleanups. Fortunately in the Helium bill in 2013 we were able to increase your cleanup funding by $50 million so that the Department will be able to tackle the worst of the wells in coming years and gain efficiencies by being able to reduce mobilization costs and improve coordination of the cleanup efforts. But that $50 million will not solve all of the problems.

A) **My question is this: when will the Department change its priorities and increase its regular budgetary funding to tackle environmental cleanups of abandoned federal wells on an annual basis?**

Response: The BLM will continue to allocate available funds to complete clean-up of abandoned federal wells in Alaska and has spent nearly $60 million dollars towards this clean-up from FY 2002 through FY 2014. In FY 2014, BLM spent over $800,000 on priority wells on Simpson Peninsula and to prepare for winter remediation. Additionally, the funding in the 2013 Helium bill has allowed the BLM to spend nearly $10 million on remediation of priority wells in the Umiat area this year. And for winter 2015-2016 the BLM is planning to spend nearly $7 million for remediation of additional wells in the Barrow region on the north slope.

B) **Abandoned well cleanup truly is a federal responsibility. How will you assure me that we aren't back in the same position in four or five years of having insufficient funding to clean up environmental well problems on federal lands?**

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Response: The BLM regularly reviews oil and gas bonds to determine whether the bond amount appropriately reflects the level of potential liability posed by the operators. The BLM is working to strengthen bond adequacy standards in response to Government Accountability Office recommendations, for example, by providing clear instructions to BLM field offices for increasing bond amounts based on a systematic risk-based formula that can be consistently applied across all field offices (BLM IM 2013-151). The agency will continue efforts to strengthen the bond adequacy program, including soliciting input from the public on this issue, to ensure sufficient funding to clean up oil and gas wells on federal lands in the future.

Question 69: Recently I have received a number of complaints from placer miners in the eastern Interior part of Alaska about Department policies involving the current and future regulation of placer mining. There are concerns about the draft Eastern Interior Resource Management Plan and its apparent designation of about 700,000 acres of the FortyMile River mining district as "areas of critical environmental concern" where the Department is considering closing the area to mining. Significantly, as I understand it, this land was specifically kept open to mining by Congress in 1980's Alaska National Interest Lands Conservation Act when it was not included in the Yukon-Charley National Preserve. There are also a host of concerns about new regulations for mining efforts in still open areas, concerning about reclamation cost estimates, reclamation standards, new bonding processes and the turnover in our compliance staff that makes consistency in mining enforcement difficult at best.

- **Recognizing that the issue of mining on the FortyMile is complicated, please tell me the reason for all of these changes in mining practice now in Interior Alaska, when mining had been working seemingly fine based on the 1983 management plan crafted just after passage of ANILCA?**

Response: The Draft Eastern Interior Resource Management Plan identified a range of alternatives for management of between 547,000 and 732,000 acres allocated as an Area of Critical Environmental Concern (ACEC) with the primary purpose of maintaining the quality of Dall sheep and caribou habitat. The BLM public comment period on these proposed ACECs closed on March 3. Additionally, portions of the wild segments of the Fortymile Wild and Scenic River within one of the proposed ACECs were withdrawn from entry under the Wild and Scenic River Act as amended by the Alaska National Interest Lands Conservation .

The Department balances the important placer mining industry in Alaska with its mission to protect public resources. In 2001, BLM developed surface management regulations (43 CFR 3809) with specific performance standards requiring the rehabilitation of fish and wildlife habitat as part of mine reclamation. Due to the unique circumstances of placer mining in Alaska and the

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challenges of restoring habitat function in a sub-Arctic environment the BLM focuses on stream stability and sufficient bonding for new or modified plans of operation to ensure successful reclamation without incurring a cost to the American public. Bonding requirements are implemented in coordination with the established Alaska Statewide Bond Pool. The BLM continues to work collaboratively with industry, the State, and other stakeholders to provide technical support to miners to help them integrate concurrent reclamation and other best management practices into their mining operations.

Question 70: Just recently I learned that your Department has decided to implement a new southern boundary of the wilderness area inside Denali National Park and Preserve. Apparently 35 years ago when the Alaska lands act passed, no one noticed that the world is round and that map boundaries might need to be adjusted for the curvature of the earth. The problem appears to be that now the Department wants to add up to fifth-eighth of a mile to the wilderness area south of Denali. That might not seem like much, but it could have significant impacts. For example, there are potential impacts on:

- **Hundreds of commercial air taxi and scenic flights to see the mountain.**
- **Potential for impact climbers getting to base camp to climb Denali.**
- **Snowmachine recreation efforts in the eastern sections of the park, and caribou and moose hunting for both subsistence and sport hunters in the Cantwell area.**

Apparently the boundary change will add about 23,500 acres to the wilderness area in the park. But Alaska lands act (Sect. 103c) specifically limits "minor boundary adjustments" to just 23,000 acres.

- **Will the Department work with us, either administratively or if a legislative fix is required, to make sure that this boundary expansion does not impact tourism and recreational hunting interests in Southcentral Alaska?**

At a time when Department policy changes are having such a huge impact on future oil and gas and mineral development, this change that could impact another major leg of the state's economy – tourism – may be exceptionally hard for Alaskans to accept, especially 35 years after ANILCA's passage and after business and lifestyles have adapted to the changes generated by passage of the lands act.

Response: The Old Park/wilderness southern boundary is a 100-mile-long, line-of-sight line. The resurvey, completed by the BLM in 2011, plotted and monumented intermediate points along this line in accordance with the BLM's Manual of Surveying Instructions. When these

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points are plotted on two dimensional maps, the line bends to the south between the two end points, moving southward up to 3,000 feet at its midpoint in the Eldridge Glacier area. Previous maps, including the USGS topographic maps, showing the Old Park/wilderness boundary did not account for the curvature along the 100-mile-long line. The Department and the NPS are happy to discuss the issue further.

> **Question 71: In late 2013 it became clear that the Cook Inlet Region Inc. (CIRI) Alaska Native Regional Corp. was coming up short by 42,000 acres of the land conveyance it was promised as a result of the Alaska Native Claims Settlement Act of 1971. The shortage was the result of the complex settlement of land conveyances to CIRI village corporations that had been complicated by the 1976 Cook Inlet land exchange. For the past year the BLM in Alaska has acknowledged that CIRI is short of its required conveyance and apparently has been working to identify solutions. Please update us on where Interior is with crafting a solution to the CIRI land shortage, and how soon such a fix may be proposed by your Department?**

Response: BLM met with CIRI in the fall of 2014 to discuss options for fulfillment of its entitlement. The parties agreed that the remaining acreage is in the range of 42,000 acres and that the final figure won't be known until after BLM surveys the remainder of un-surveyed lands conveyed by interim conveyance. Nearly 500,000 acres of interim conveyed land were surveyed during the summer of 2014. Survey of additional CIRI lands is scheduled for this coming field season. Completion of the associated survey plats over the next two years will allow a considerably more precise calculation of CIRI's remaining entitlement. The *Terms and Conditions for Land Consolidation and Management in the Cook Inlet Area* is a comprehensive agreement between the Department and CIRI which provided a number of mechanisms for BLM and CIRI to use to fulfill CIRI's entitlement including a possible option to convey of subsurface estate outside the Cook Inlet region.

> **Question 72: The Department has a legal responsibility to fulfill the government's obligations under the Alaska Native Claims Settlement Act (ANCSA). Under ANCSA, Alaska Native Corporation often had to select lands for conveyance that were outside their traditional aboriginal lands because those lands were already occupied by the Federal government, the Department of Defense, or various state and local governmental entities. Accordingly, land exchanges and selection of other lands was necessary to fulfill Alaska Native Corporation (ANC) entitlements under ANCSA.**
>
> **Given that ANCs have been denied their traditional aboriginal lands and, out of convenience to the government, have selected other lands and are now trying to develop those lands, it's troubling--but not surprising--that I often hear that your**

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Department delays and impedes the issuances of permits to Alaska Natives who wish to develop their subsurface lands within the boundaries of a National Refuge.

A) **What are you going to do to make sure your department protects Alaskan Native Corporations' rights to the lands selected under ANCSA and that the agencies in your department expeditiously assist them in permitting, conveyance, and other dealings with your department?**

Response: The Department supports the goal of completing ANCSA entitlements as soon as possible so that Alaska Native corporations may each have the full economic benefits of completed land entitlements. With regard to permitting for development of subsurface lands, the Alaska National Interest Lands Conservation Act requires that the Secretary provide adequate and feasible access to inholdings, subject to reasonable regulations. In those instances where such development is sought, for example in a National Wildlife Refuge, the FWS must address the refuge's mandates to conserve fish and wildlife populations and habitats and provide opportunities for fish and wildlife-oriented recreation, while also meeting the statutory obligation under ANILCA to allow adequate and feasible access. The Department will continue to work collaboratively with Alaska Native and industry stakeholders, the State, and Tribal governments to accomplish this as expeditiously as possible.

Question 73: The U.S. Geological Survey recently released its Mineral Commodity Summaries report for 2015, and it shows that the United States is at least 50 percent reliant on foreign nations for at least 43 different commodities. The report also states, as it annually does, that "U.S. import reliance has increased significantly since 1978, the year that this information was first reported."

A) Is our nation's foreign mineral dependence a matter of concern to you?
B) What are you doing, at Interior, to help reduce and eliminate it?

Response to A and B: The Department has several roles in addressing the problem of mineral resource supply and import dependence indicated in the Mineral Commodity Summaries report. Information provided by the Department, through the USGS, is widely used by industry and other stakeholders and is relied upon by other agencies to take corrective actions against other countries. USGS information has figured in the World Trade Organization's case against China related to restrictions on the trade of rare earth elements, and in considering resource implications to the United States and the West resulting from imposition of sanctions on Russia related to actions in Ukraine.

The Department also participated in the creation of a criticality assessment and early warning system. This has been done in conjunction with the Critical and Strategic Minerals Supply Chain

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Subcommittee of the National Science and Technology Council. The Department, through the USGS, has taken the lead role in implementing this initiative with support from the Departments of Energy, Defense, and Commerce, as well as other stakeholders. By looking at changes in supply risk and the impact of supply disruption over time, this initiative aims to establish a capability to anticipate potential issues before they become a crisis.

C) Do you believe the proposals in Interior's budget request – which would impose new taxes and fees on top of an already-slow permitting process – will somehow increase our nation's mineral security?

Response: The 2016 budget proposal would reform hardrock mining by instituting a leasing process under the Mineral Leasing Act of 1920 (MLA) for certain minerals. The Department believes that the proposal could streamline and would simplify the sometimes complex process of mineral right acquisition as required by the general Mining Laws.

D) It takes an average of 7 to 10 years (even absent significant litigation) to permit a new mine in the United States, which is considerably longer than other countries with similar environmental standards. Will you commit to reviewing the federal mine permitting process, and will you commit to identifying steps to make the process more efficient?

Response: The Bureau continually reviews its permitting process to ensure efficient permitting times are achieved consistent with the Bureau's multiple-use, sustained yield mission.

Question 74: The FY 2016 Land and Water Conservation Fund budget request is $900 million: $400 million in discretionary funding and $500 million in permanent funding for DOI agencies and the Forest Service. In 2017 the President's budget request proposes that all $900 million would be mandatory funding.

A) Please explain to me why, with such an enormous maintenance backlog (According to CRS, over $22 billion at the federal agencies combined, $13 billion at NPS alone), DOI would propose to focus such a large amount of funding on acquiring more federal land?

Response: When done strategically, acquisitions of fee title or easement interests in lands can and do strengthen national parks, national wildlife refuges, and other federally managed public lands, resulting in cost savings that can offset most, if not all, additional operational costs. The LWCF projects included in the FY 2016 budget request reflect consideration of several important criteria, including contribution of leveraged funds, partner participation and urgency of project completion to protect natural areas and wildlife species' habitats from development or other incompatible uses.

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B) Shouldn't these funds be used to pay down the maintenance backlog to, at least, stem the growth of the backlog?

Response: The LWCF was envisioned as a program that would use a portion of the proceeds from the depletion of one natural resource - offshore oil and gas - for the conservation of another natural resource - our land and water - for the benefit of all Americans. The LWCF has been used to protect national parks, forests, and wildlife refuges, and other critical habitat from development or other incompatible uses, and to provide matching grants for state and local partners for planning, acquisition and development of outdoor recreation lands and facilities throughout the country.

The maintenance needs of sites managed by the Department are being addressed through sources of funding that are available for that purpose. The FY 2016 budget request includes a significant commitment to address the NPS deferred maintenance backlog. As of the end of FY 2014, the total backlog stood at $11.5 billion; of this, $2.2 billion is attributable to the NPS' highest priority non-transportation assets. If fully funded, the levels requested in FY 2016 would restore all these highest priority non-transportation assets to good condition over ten years, and maintain them there through regular cyclic maintenance. The request includes $242.8 million in a recurring discretionary funding increase, and a mandatory appropriations legislative proposal for $300 million a year for three years.

C) More generally, how do you reconcile additional federal land acquisition at this time of staggering national debt and maintenance backlogs?

Response: The United States has a significant investment in federal lands within National Park System boundaries that has accrued over time. These lands need to continue to be protected and preserved in order to maintain the current investment. Acquiring inholdings from willing sellers helps maintain the integrity of the lands where there is already a federal investment and protects them from harms that would result from incompatible uses on adjacent lands.

The budget proposal seeks to turn the LWCF program into a permanent mandatory program without making any changes to it. I don't support that. I am also concerned that this program has been overly focused on federal land acquisition. Part of the reason for that is the 60 percent set-aside for state-side grants was stripped from the LWCF Act. These state-side grants are valuable tools to develop state parks and other outdoor recreation opportunities on non-federal land.

D) Shouldn't a larger percentage of LWCF funds be set-aside for state-side grants? Why or Why not?

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Response: The Department is committed to the LWCF State and Local Assistance Program goals and agrees that the grants are valuable to state and community efforts to create and develop close-to-home parks and recreation opportunities. Over the last 50 years, the program has awarded over 42,000 grants supporting parks in every county in the United States. The Department's FY 2016 budget request reflects the needs of both the federal and state components of the LWCF program.

Question 75: As many colleagues and I have emphasized many times, we have a nearly $13 billion parks maintenance backlog. And with that staggering figure, there is a very strong argument that we should not be adding any new parks to the system until we can take care of what we already have. Alaskans are particularly concerned with the prospect of additions of new Parks with roughly 2/3 of the entire system located within my State.

With the Parks Centennial upon us in 2016, it would seem that this could be a great time to reevaluate how we establish and maintain the Parks as well as how we build support for the Parks in their local communities, nationwide and even internationally. In a time of severe budget constraints, all options need to be on the table. One idea that I am particularly interested in is increasing private donations to the system through private endowments.

A) **Will you agree to work with me and the other members of this committee to review options and find a path forward to create a sustainable supplementary funding stream for America's Parks for the second century?**

Response: Yes. We take seriously the responsibility to maintain facilities and infrastructure at the sites managed by the NPS and we are focused on ensuring NPS is able to fulfill its mandate to conserve and protect the special places it manages for the benefit of future generations. The FY 2016 budget request includes a Centennial legislative proposal that the Department will transmit in the near future. We look forward to engaging with you on proposals that will ensure success for the NPS's second century of operations.

Question 76: I have some questions regarding the general approach of the National Park Service to rule making as well as some questions regarding a specific rule proposed by NPS.

A) **In the past, NPS has put into place regulations that shortened the hunting seasons as defined by the Alaska Board of Game. When instituting the closures, the NPS has cited "Park Values" in those closures.**

   I. **Please provide me with a definition of "Park Values"?**

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Response: Section 101 of ANILCA cites as purposes of the Act the preservation for present and future generation of "nationally significant natural, scenic, historic, archeological, geological, scientific, wilderness, cultural, recreational and wildlife values" and stated it was the intent of Congress "to preserve unrivaled scenic and geological values." Additional definitions of park resources and values are found at Section 1.4.6 of the 2006 NPS Management Policies. Section 1313 of the Act authorizes the NPS to designate where and when to close or restrict hunting in preserves for reasons of public safety, administration, floral and faunal protection, or public use and enjoyment.

II. **Do you believe that the State of Alaska has the right to manage wildlife within the borders of the State? When is it proper for the federal government to reverse State Board of Game decisions?**

Response: Yes, the State of Alaska has the right to manage wildlife within the State, and non-conflicting State general hunting and trapping regulations are adopted on lands in the National Wildlife Refuge System and on National Parks and Preserves. ANILCA section 1313 also provides that the taking of fish and wildlife for sport purposes and trapping in preserves is subject to applicable state and federal law. In instances where State regulations conflict with relevant federal statutes and policy, it is appropriate for the federal government to act to ensure that such State measures do not compromise wildlife conservation and management actions mandated by federal law.

B) Recently, the National Park Service has proposed a rule (Regulation Identifier Number 1024-AE21) that would close a number of preserves in Alaska to the take of predators, such as bear and wolf.

I. I am aware of several stakeholders who have contacted you regarding their concerns about the potential for this proposed regulation to unduly impact subsistence communities across Alaska. One of these stakeholders includes the Wrangell-St. Elias National Park Subsistence Resources Commission, an official Federal advisory committee created by the Alaska National Interest Lands Conservation Act (ANILCA) to make recommendations to you, the Secretary of the Interior, regarding fish and wildlife resources for subsistence dependent communities. I would like to hear from you how the Department proposes to avoid any undue impact on these communities, communities whose lives depend on the take of predators.

Response: NPS is continuing to analyze the more than 122,000 comments received on the proposed rule. The proposed rules apply to sport hunting regulations and would not change Title VIII subsistence regulations nor close Alaska preserves to the take of predators. The proposed

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rules would prohibit certain recent rule changes related to sport hunting implemented by the Alaska Board of Game. For wolves and coyotes, the changes would return the season to the traditional fall-winter-spring period, and prohibit taking pups and wolves while denning, a time when their pelts are of little value to subsistence or other users. Regarding brown bears, the NPS has proposed to prohibit using bait - human food - when hunting. No other restrictions to seasons or bag limits are proposed. And the NPS has proposed prohibiting sport hunters from taking black bear cubs and sows at dens using artificial light, a practice that is traditional for a small number of rural communities, but which was authorized by the State for all hunters. The NPS has met with subsistence stakeholders and will consider their concerns.

II. The take of certain predators by Alaska Natives is done for cultural, economic, traditional, and spiritual needs. Can you describe to me how this proposed rule incorporates these significant considerations?

Response: As indicated in the response to the previous question, the proposed rule affects only a small number of sport hunting regulations related to the take of bears, wolves, and coyotes; no Title VIII subsistence hunting regulation would be changed.

Question 77: Please describe the role of DOI in any additional discussions that have taken place with the State Department since the Regional Recommendation was finalized in December 2013. Who participated in these discussions? Does DOI defer to other agencies (i.e., the U.S. Entity) in discussions with the State Department regarding potential U.S. negotiating positions? Why or why not? If not, what are the major outstanding points of disagreement between DOI and other agencies?

Response: The Department has engaged in numerous discussions with the State Department on the Columbia River Treaty - both agency to agency and as part of interagency meetings. There are no major outstanding points of disagreement between the Department and other agencies.

Question 78: What is DOI's position on the "ecosystem-based function" principles and recommendations outlined in the Regional Recommendation? Please provide specific examples of the department's positions on these principles and recommendations?

Response: The Department strongly supports the Regional Recommendation including the recommendations regarding ecosystem-based function.

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Question 79: Total domestic oil production increased 15% from 2012 to 2013. Can you confirm that on federal lands, however, it only increased by 1% over the same period?

Response: According to Office of Natural Resource Revenue information (available on their website), oil production on federal lands increased over 7% from 2012 to 2013 and by nearly 50% on Indian lands from 2012 to 2013.

Question 80: While EIA is still assessing the 2014 data, according to its latest Monthly Energy Review, total U.S. field production averaged 16.3% higher in 2014 than in 2013. How much do you expect oil production on federal lands has increased over the past year?

Response: According to data from the ONRR, oil production from federal lands increased 8.5% from FY2013 to FY2014. Including both federal and Indian lands over which the BLM has permitting responsibilities, oil production increased 11.5% over that period. Looking from FY2008 to FY2014, oil production from federal and Indian lands increased 81%, from 113 million barrels to 205 million barrels.

Question 81: The Bureau of Land Management issued 3,769 drilling permits in FY 2014. This is one less than it approved in FY 2013, and 2,848 fewer than the 6,617 permits that were approved in FY 2008. Is it accurate to say that permits have fallen by 43% during this administration and that you are doing little if anything to correct this trend?

Response: The significant increase in the development of shale resources – which are predominantly located on non-federal lands – over the past few years has made development of more remote, conventional oil and gas resources somewhat less attractive to industry; this includes many federal lands in the rural west. Industry demand for APD processing has changed in both location and type of wells requested for approval, and the BLM is responsive to industry demand for APD processing. Further, there has been a shift from the many simple vertical wells in the coalbed methane development areas in recent years to complex, long, hydraulically fractured, horizontal lateral wells more often used for shale oil and gas production. Nonetheless, industry demand for onshore federal oil and gas leases remains significant, and APD numbers have remained stable or increased on the federal mineral estate in the Bakken region in North Dakota (Dickinson Field Office), the Permian Basin in New Mexico (Carlsbad Field Office), and the Unitah Basin in Utah. The Uintah and Bakken fields also cover most of the Indian mineral development for which the BLM is responsible for APD processing. The number of APDs processed for Indian lands has risen by nearly 70% since 2008 and are in addition to the numbers reported for federal lands.

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So while market forces will necessarily impact industry's demand for APDs, the BLM has also taken a number of measures to improve the processing of these permits, including strike teams to assist offices with large numbers of pending APDs and working with operators to improve the quality and completeness of submitted drilling application packages. The BLM also expects to deploy the new AFMSS II electronic permit processing system in 2015. That system will have improved capability for tracking the permit approval process and will facilitate submission of more complete drilling permit packages, as well as speed the BLM review process.

Question 82: Over the past decade, has federal natural gas production increased or decreased? What is the Department doing to reverse this trend?

Response: As with oil, the production of natural gas is dependent on market forces -- price and many other factors. Production of natural gas from onshore federal lands has increased by nearly 17% from 2003 to 2013, but declined by approximately 16% on Indian lands.

Question 83: Given the nature of U.S. Geological Survey's core mission, many of us have requested that an economic geologist to be nominated to lead that agency. We did have a nominee in the last Congress, but she was not brought up for confirmation by the previous majority, and the agency has now gone without a confirmed director for two full years.

A) Can you tell us when you anticipate the President will send this Committee a nominee to consider for USGS?
B) Can you tell us whether the President is taking our request for an economic geologist seriously, as he searches for a new candidate?

Response: On February 26, President Obama resubmitted the nomination of Suzette Kimball to be Director of the U.S. Geological Survey. Dr. Kimball has a doctorate in environmental sciences with a specialty in coastal processes from the University of Virginia, a master's in geology and geophysics from Ball State University, and a bachelor's in English and geology from the College of William & Mary. She has served the USGS as Deputy Director, Associate Director for Geology, Eastern Region Director, and Eastern Regional Executive for Biology. This breadth of experience makes her well qualified to lead the USGS, whose mission is to provide reliable scientific information to describe and understand the Earth; minimize loss of life and property from natural disasters; manage water, biological, energy, and mineral resources; and enhance and protect our quality of life.

Question 84: The Department of Interior is mandated to provide a subsistence priority on federal land, yet nearly every rural community in Alaska struggles to

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meet their subsistence needs because of low moose populations, low caribou populations – in some cases, and nearly non-existent king salmon populations.

A) **What is the Department's plan to ensure that adequate amounts of food can be put on the table?**
B) **How do you reconcile a mandate to provide a subsistence priority with the competing mandates that creating wilderness, not managing for abundant and healthy wildlife populations, and limiting access by subsistence hunters fishers?**
C) **Why is it difficult for your agency to manage predators to increase prey species to sustainable levels?**

Response: The Federal Subsistence Program is designed to be a locally-driven process, where the rural individual, as well as the Regional Advisory Council structure, have a significant say in the manner in which natural resources are managed while continuing to implementation the remaining 2010 Secretarial Recommendations for the Program.

There are approximately 18.6 million acres designated as Wilderness in Alaska, and subsistence gathering continues on all of those lands and waters. ANILCA provides a priority to rural Alaskans for the nonwasteful taking of fish and wildlife for subsistence uses on refuges in Alaska. Under ANILCA all refuges in Alaska (except the Kenai Refuge) also have a purpose to provide the opportunity for continued subsistence use by rural residents, as long as this use is not in conflict with refuge purposes to conserve fish and wildlife populations and habitats in their natural diversity or fulfill international treaty obligations of the United States.

National Wildlife Refuges in Alaska are mandated to conserve species and habitats in their natural diversity and ensure that the biological integrity, diversity, and environmental health of the National Wildlife Refuge System are maintained for the continuing benefit of present and future generations of Americans. The Congressional record for ANILCA states:

In summary, it is the intent of the above language (conserve species and habitats in their natural diversity) to direct the U.S. Fish and Wildlife Service to the best of its ability:

- *to conserve, protect and manage all fish and wildlife populations within a particular wildlife refuge system unit in the natural 'mix' as occurring now and not to emphasize management activities favoring some species to the detriment of others;*
- *to manage wildlife refuges to assure that habitat diversity is maintained through natural means, avoiding artificial developments and habitat manipulation programs...;*
- *to assure that wildlife refuge management fully considers the fact that humans reside permanently within the boundaries of some areas and are dependent, ... on wildlife refuge subsistence resources; and*

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- *to allow management flexibility in developing new and innovative management programs different from lower 48 standards, but in the context of maintaining natural diversity of fish and wildlife populations and their dependent habitats for the long term benefit of all citizens.*

Question 85: In 2013, I wrote a letter to the Department asking what you could do to speed up the cleaning of environmental contamination on lands that you have transferred to Alaska Native Corporations to satisfy their aboriginal land claims under the 1971 Alaska Native Claims Settlement Act. Your Department studied the issue in 1998 and proposed a six-point effort to speed up the cleaning of such contamination. Last January in a letter to me you proposed that the Department would update its contaminated lands survey and then address the other five recommendations all involving how to tackle the actual cleanups. I had been led to believe that updated list would be finished in the fall –there were more than 650 sites on the old list—unfortunately, it was not completed.

A) **When will an updated, comprehensive list of contaminated sites on Native conveyed lands be finished? What will the Department propose to actually speed up and fun the cleanup of the contamination –all caused by the federal government prior to transfer of the land to Alaska Natives?**
B) **Most recently, the Department's current spending authorization requires the Department to provide to Congress by June of this year a detailed report including the comprehensive inventory of contaminated land conveyed through ANSCA including sites identified since the 1998 report and a detailed plan addressing how the Department intends to complete the cleanup of each contaminated site. What is the status of the effort to comply with this recent statutory directive?**

Response: The BLM is in the process of developing a database of potential contaminated sites conveyed to ANCSA corporations based on inventories compiled by state and federal partners in Alaska. A preliminary review of inventoried sites in the database has found that a majority of sites are not on land conveyed to an ANCSA entity, and those sites that were conveyed are on parcels that were not managed by the BLM prior to conveyance. The BLM expects to make the database available to the public after verification of contents.

Question 86: In the past Alaska Fire Service had two CL215s which carry about 1,400 gallons. There are plans to replace these with Fire Boss Single Engine Air Tanker (SEAT) aircraft.

- **What is the cost per gallon dropped for the two aircraft?**
- **What is the cost difference between the CL215s vs the Fire Boss Single Engine Air Tanker (SEAT) in total budget cost to AFS?**
- **How effective do you expect the SEATs to be at Initial Attack?**

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Response: An analysis based on flight rates from 2014 for the Canadair CL-215, and rates from 2015 for the Fire Boss SEAT (Single Engine Aerial Tanker) estimate the following per gallon rate for each aircraft:

- CL-215 aircraft averaging four drops per hour at a yield of 5,600 gallons is estimated to cost $6,872 per flight hour or $0.815 per gallon.
- Fire Boss aircraft averaging four drops per hour at a yield of 2,800 gallons is estimated to cost $3,792 per flight hour or $0.738 per gallon.

The estimated difference between the aircraft in availability cost indicates that three Fire Boss aircraft operating in 2015 for 75 days each is estimated to be $716,445 less than the cost of two CL-215s operating for 80 days each in 2014. In 2016, the expectation is to use four Fire Boss aircraft for 75 days which is estimated to be $387,520 less than the two CL-215s used in 2014.

We fully expect the Fire Bosses to be effective in initial attack. The aircraft utilize a gated drop system that allows for adjusting the coverage level while a CL-215 does not have that system. This means the Fire Boss will be more effective in medium and light fuels, but with its smaller load of 700 gallons may not have as much canopy penetration in heavy fuels as the CL-215 with 1,400 gallons. The Fire Bosses can also carry retardant which is not an option for the CL-215.

Additionally, the turbine Fire Bosses have a superior maintenance record and are able to respond more quickly than the CL-215s, effectively increasing their efficiency. The Fire Bosses provide more flexibility for prepositioning of the aircraft and increased initial attack capability over the CL-215.

Question 87: The BLM's FY16 budget request proposes to reduce funding for the Oregon and California Grant Lands program by $6.043 million overall, with a $3.8 million decrease in Other Forest Resources management and a $3.2 million decrease in Western Oregon Resource Management Planning. The BLM Budget Justification also shows that the agency plans to offer less timber for sale in FY 16 (204 mmbf, down from 215 mmbf in FY15 and 239.8 mmbf in 2014)

- **What is the updated schedule for finalizing the new Resource Management Plans? If planning activities will continue into FY16 how would the proposed $3.2 million decrease in the planning account impact the agency's ability to finalize the plans and maintain the timber sale program?**

Response: The President's FY 2016 budget reflects a decreased need for funding as the BLM completes the Western Oregon Resource Management Plans (RMPs). The requested funding will be used to ensure consistent interpretation, implementation, and interagency coordination of the

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new Western Oregon RMPs at the regional level with the various cooperators including EPA, USFS, NOAA, FWS, Tribes, counties, and the public as a whole.

The planning effort remains on schedule, as follows:

- January-November 2014: Modeling and Analysis
- December 2014-March 2015: Writing and Reviews
- April 2015: Release of Draft Resource Management Plan/Environmental Impact Statement
- April-June 2015: Comment Period
- May-August 2015: Develop and analyze Proposed Resource Management Plan
- September-December 2015: Reviews
- Winter 2016: Publish Proposed Plan/Final Environmental Impact Statement
- Winter-Spring 2016: Protest Period, Governor's Consistency Review, Resolution
- Spring 2016: Record of Decision

- **The BLM is under Court Order to meet the mandate of the O&C Act to offer the Allowable Sale Quantity (ASQ) in at least two districts in Western Oregon. How will the proposed reductions in the FY16 timber sale program affect the Court Order requirements to increase timber sale levels? Will the BLM meet the terms of this Court Order to offer the ASQ in certain districts as well as offering enough timber to meet the ASQ's of other districts in the O&C in FY16?**

Response: The court order calls for the BLM to offer at least 80 percent of the ASQ volume in the Roseburg and Medford Districts as declared in the 1995 RMPs. The BLM is making its best efforts to offer the necessary timber volume. The proposed total volume for western Oregon in FY 2016 of at least 203 million board feet meets or exceeds the volume level of the court's order. The court order has caused the BLM to redistribute funds and volume targets among the six O&C districts to align more closely with each district's declared ASQ. The court order has had the effect of directing higher volume targets to two districts that have high numbers of northern spotted owls and greater social controversy. The FY 2016 proposed funding will be sufficient to address the normal workload of offering 200 to 205 million board feet annually, as well as meet critical non-discretionary workload associated with managing the other four resource programs.

- **How much money does the BLM spend annually to comply with the "Survey and Manage" requirements of the Northwest Forest Plan in Western Oregon? How many acres of BLM timberland in Western Oregon are encumbered by complying with the "Management Recommendations"**

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associated with the "Survey and Manage" requirements of the Northwest Forest Plan?

Response: Survey and Management compliance costs include surveys (contracts and in-house), data management, scientific support, and program management. In recent years, the BLM estimates that these average annual expenditures are approximately $1 million. The cost varies year-to-year depending on specific projects and design. Costs are generally higher in the southern Districts (Roseburg and Medford) and lower in the northern and coastal Districts (Coos Bay, Salem, and Eugene), as harvests are generally younger stands that qualify for the "Pechman exemptions". The Pechman exemptions were an outcome of past litigation over the Survey and Manage program that allowed certain restoration projects and timber thinning in stands less than 80 years-old to proceed without surveys or managing known sites. At present, it is estimated there are over 9,000 known sites being managed in accordance with Survey and Management requirements on western Oregon BLM lands, totaling at least 45,000 acres.

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Questions from Senator Sanders

The Department of Interior manages the vast amount of mineral and energy assets that are owned by the American people. There have been numerous reports and studies by the Government Accountability Office and others that suggest that the American people are in fact not getting a fair return on these assets that they own, and instead that the big corporations like oil and coal companies are reaping huge windfalls. In addition, these activities are being done in ways that increase carbon emissions which are making climate change worse. I believe that DOI can and should be doing more to ensure that the American people receive a fair return from the development of these resources.

Question 88: For coal on federal lands, oil and gas development on federal lands, and offshore oil and gas development, what is the Department looking at specifically to ensure that taxpayers are getting fairly compensated? Please include all relevant rulemakings under development and an estimate of their timing for finalization.

Response: Rulemakings under consideration address recommendations from the Department's Inspector General and the Government Accountability Office to ensure fair compensation for the public from the use of federal resources. The pending rulemaking actions are in various stages of development. Timing for finalization is difficult to specify as review and public comment periods vary based on the complexity of the issue.

The Department has also undertaken a number of activities to improve production verification. The Department has completed 100 percent of its high priority production inspections. The Department published a Federal Register notice reminding lessees, operators, and lessees' representatives of their responsibility for accurate royalty measurement of federal offshore gas production processed at gas processing plants and other processing facilities. New risk-based measurement inspection frameworks should help improve efficiencies in production verification.

With regard to ongoing rulemakings, the BLM is working on developing the following rules:

- a proposed rule aimed at better preventing waste of gas produced from federal lands and modernizing requirements regarding venting and flaring of natural gas;

- three proposed rules (to replace the current Onshore Oil and Gas Orders 3, 4 and 5) regarding site security, measurement of oil, and measurement of gas produced from federal leases, intended to improve measurement and accounting of oil and gas produced from federal leases;

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- an Advance Notice of Proposed Rulemaking to seek public comment on the appropriate royalty rates for oil and gas produced from public lands; and

- the Consolidated Federal Oil and Gas and Federal and Indian Coal Valuation Proposed Rule, which is available for public comment until May 8, 2015.

Question 89: What statutory changes are needed to expedite DOI's ability to recover fair market returns from the use and development of taxpayer-owned minerals, or access to federally-owned lands?

Response: As detailed in the written statement for this hearing, the Department's budget request includes a suite of legislative proposals and offsetting collections requiring Congressional approval to achieve a fair return to the American taxpayer from the sale of federal resources. These proposals would help ensure that industries and businesses that profit from the use and development of federal resources help finance the management and sustained use of these resources for the future. Without these reforms American taxpayer dollars, through discretionary appropriations, will continue to subsidize the use of federal resources.

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Questions from Senator Wyden

Question 90: Secretary Jewell, I want to take a moment to focus on an issue of particular importance to my home state of Oregon and to the Northwest region—the Columbia River Treaty.

In November of 2013, when I was Chairman of the Committee, I held a hearing on the modernization of the Columbia River Treaty, urging the Administration to follow the consensus document known as the "Regional Recommendation," and to engage Canada expediently in negotiations. Now, over a year later, it is my impression that the Administration has <u>not</u> been expedient about addressing this issue.

What can you tell me about why this process has taken so long? And what will it take for you and the Administration to act to advance the Columbia River Treaty and engage Canada?

Response: Since the December 2013 release of the "Regional Recommendation," agencies have been deliberating on flood risk management, ecosystem-based function, and power generation concerns, studying the tradeoffs associated with prospective areas of modernization. The National Security Council has the lead in seeking interagency consensus for modernization. The Department of State is the lead agency on negotiating with Canada for modernizing the Columbia River Treaty. The Department of the Interior supports the regional recommendation to move forward with these discussions.

Question 91: As you know, the National Park System turns 100 years old next year, and during its time has become one of America's greatest success stories. In nearly every state, Americans can visit a national park, trial, or monument and learn about the nation's rich cultural and ecological heritage. To ensure that these parks remain the treasures that they are, it's imperative that the Administration and Congress invest in them to keep them maintained and safe for visitors.

What are the Department of Interior's plans for ensuring that the deferred maintenance backlog remains a priority and that the backlog "to-do" list gets consistently checked off?

Response: Addressing the deferred maintenance backlog remains a priority for the NPS. The FY 2016 budget request includes a significant commitment to reverse this trend. The proposal will bring all of NPS's highest priority non-transportation assets into good condition and maintain them in good condition with regular cyclic maintenance funding, if funded at the requested levels over ten years. The request includes $242.8 million in discretionary funding increases and a mandatory appropriations legislative proposal for $300 million annually for three

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years. The NPS will continue to utilize the Capital Investment Strategy to focus funding on our most important assets and pursue disposal of non-mission critical assets in serious disrepair.

> **Question 92: I understand that some of my colleagues were suspicious about what you and the Administration were doing to protect sage grouse habitat, but in Oregon, this work is really important. Can you assure me that you'll continue the important work you are doing with private landowners in places like Eastern Oregon?**

Response: Conserving sage grouse will benefit other sage grouse-dependent species, help sustain Western communities, and support economically-important outdoor recreation. The BLM has worked closely with many stakeholders, including governors, state Fish and Game agencies, FWS, and USFS on this highly collaborative effort to identify preliminary priority and general habitat.

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Questions from Senator Portman

Question 93: When groups want work together to raise money for a project on a certain park, for example: let's assume a structure in Cuyahoga National park needs a new roof, how can groups who donate money through the current Centennial Challenge ensure all the money from their donations comes back to the roof in Cuyahoga that they donated for without having to donate it to the federal government's centennial challenge?

Response: When NPS accepts donations from partners and others that are restricted to a specific park or park project, the funds are only used in accordance with those restrictions. Prior to applying for federal matching funds, the partner and the park must agree upon the scope of the Centennial Challenge project. Centennial Challenge projects must have partners who are ready, willing, and able to contribute at least 50 percent of the project cost to the NPS in the form of cash or assets from non-federal sources. In-kind services from the partner may only be received in addition to, not in place of, the cash or asset contribution.

Question 94: Last year the FY15 Omnibus provided $10 million to reinvest in the Centennial Challenge. Can you provide a status of the projects for FY15, what projects or types of projects have been chosen?

Response: The NPS opened its project selection process in early 2015; in less than four weeks, parks submitted more than 200 projects, many more than can be funded with $10 million. Project selection is underway and a full list will be announced in the coming weeks. Parks were given criteria when applying for projects; the evaluation criteria specified that priority would be given to projects that leverage higher rates of partner contributions, address critical high priority deferred maintenance needs, and benefit multiple parks or contribute to Centennial goals, particularly youth engagement. The projects submitted for FY 2015 largely reflect these criteria; for example, many projects leverage well over a 1:1 partner match.

Question 95: When was the last time Ohio was mapped via USGS using LIDAR technology, and what percentage of the state has been mapped using LIDAR as part of 3D Elevation Program?

Response: Ohio was an early adopter of LIDAR technology and statewide coverage was obtained in 2006 - 2007 as part of the Ohio Statewide Imagery and Elevation Program (OSIP), with funding contributed by the USGS and other federal agencies. In 2012, 3DEP was initiated to address the needs of 50 states, 34 federal agencies and other stakeholders for higher quality LIDAR data. The goal of 3DEP is to provide nationwide coverage in 8 years and provide a return on investment of 5:1.

Responses to Questions for the Record
from The Honorable Sally Jewell
February 24, 2015 Hearing: The FY16 Budget Request for the Department of the Interior

Currently no publicly available, 3DEP-quality data exist in the State, although USGS stands ready to refresh Ohio's existing data coverage with current, higher quality 3DEP data in collaboration with the State. 3DEP is identified in the FY16 President's Budget for a total increase of $4.5M, which will be applied to data acquisition partnerships.

Question 96: The Service proposed to list the northern long-eared bat as endangered under the ESA in October 2013, but it is my understanding that service is now leaning toward a determination that the species threatened, and issuing a 4(d) rule. For species listed as threatened, the Service may issue a 4(d) rule to provide protections that are deemed necessary and advisable for conservation of the species. The 4(d) rule as I understand it would provide limited exemptions for forest management practices, maintenance and limited expansion of transportation and utility rights-of-way, removal of trees and brush to maintain prairie habitat, and some tree removal projects.

But there remains concern that the proposed 4(d) rule, which would accompany a potential threatened listing, does not accommodate similar exemptions for oil and gas activities, renewable power (such as solar and wind), commercial or residential construction, or agricultural practices. Major industries that drive our economy.

Can I get your commitment that you will work with folks in those industries to ensure equal consideration within the 4(d) rule for these types of activities that are substantially similar to activities exempted under the rule?

Response: The FWS recently issued a final rule listing the northern long-eared bat as threatened, and at the same time issued an interim 4(d) rule, which is expected to be finalized by the end of the year. The interim 4(d) rule eliminates unnecessary regulatory requirements for landowners, land managers, government agencies and others in the range of the northern long-eared bat. This includes the exemption of forestry management impacts from the regulatory requirements, provided certain conservation measures are implemented. These forestry practices, unlike activities causing conversion of forest lands, generally ensure the presence of forested habitat across the landscape. The public comment period on the interim 4(d) rule is open until July 1, 2015. During this time, the FWS will consider whether modifications or other categories of activities beyond those covered in the proposal should be included within the scope of the final 4(d) rule and may make revisions based on the additional information it receives.

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

JUN 1 8 2015

The Honorable Lisa Murkowski
Chairman, Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Chairman Murkowski:

At the request of your staff, I am enclosing information prepared by the Department of the Interior in response to questions received by the Department following the March 4, 2015, hearing before the Senate Appropriations Subcommittee on Interior, Environment, and Related Agencies, regarding the Department's Fiscal Year 2016 budget request.

Thank you for the opportunity to provide this material to the Committee.

Sincerely,

Christopher P. Salotti
Legislative Counsel
Office of Congressional
and Legislative Affairs

Enclosure

cc: The Honorable Maria Cantwell
Ranking Member

Interior Support for the National Strategy for the Arctic Region

Role of Interior in Arctic Policy

The Department's bureaus manage wildlife refuges, national parks, outer continental shelf resources, and subsistence programs in the Arctic. All of these activities occur on the front lines of a rapidly changing climate.

As one of eight member nations of the Arctic Council, and the chair of the Council starting in April 2015, the United States actively seeks to promote the viability and socioeconomic well-being of Arctic communities and supports scientific research and international cooperation in achieving these goals. U.S. Arctic policy focuses on environmental protection and sustainable development, with particular emphasis on the role of indigenous people and other Arctic residents as stakeholders in the Arctic. This policy is reflected in the President's 2009 National Security Directive and then the 2013 National Strategy for the Arctic Region.

The Department is the lead agency for five efforts under the 2013 National Strategy:

- Ensure the safe and responsible development of non-renewable energy sources,
- Advance Integrated Arctic Management,
- Understand the effects of climate change on terrestrial ecosystems, and
- Investigate the role of wildland fires in the Arctic, and
- Identify and assess invasive species impacts and risks.

To support these focus areas in 2016, the Department is requesting over $144 million for activities specifically identified in the Arctic. Interior, however, also dedicates existing resources to improve coordination of ongoing work and support for the Arctic Council and priorities identified in the National Strategy.

The 2016 budget request provides targeted increase to address Arctic priorities. In particular, additional funding is provided for the science needed to inform decision making in all five areas where Interior is the lead agency in the National Strategy. For example, the 2016 budget proposes an increase of $4.2 million for U.S. Geological Survey (USGS) to research wildlife and environmental health issues and to identify hydrologic, biogeochemical, and ecosystem effects of permafrost thawing. The requested increase would allow for development of new tools that integrate elevation data with surface water information, transportation data, jurisdictional boundaries, and manmade structures. Completion of this project will allow managers in the Arctic to understand the potential climate impacts to glaciers and determine potential changes in production of salmon and migratory waterfowl, wildfire regimes across Alaska and changes in permafrost.

The 2016 budget for the Bureau of Ocean Energy Management (BOEM) includes an increase of $500,000 for collaborative ecosystem science. The increased funding will support BOEM's engagement in Arctic Council efforts. BOEM would use the requested funding to continue building upon its Arctic knowledge and develop greater expertise in greenhouse gases and ocean atmospheric interactions, and evaluate their impacts on Outer Continental Shelf (OCS) resources, including marine ecosystems, ocean acidity, and ambient air quality.

The 2016 budget provides a total of $50 million, a $40 million increase over 2015, to support tribal communities and Alaska Native Villages in preparing for and responding to the impacts of climate change. Funds will support Tribes and Alaska Native Villages, including villages in the Arctic, to develop and access climate resilience science, tools, training, and planning that will allow these communities to implement actions that build resilience into resource management, infrastructure, and community development activities. The funds for this effort will be awarded to the most compelling needs to address the impacts of climate change. The Department cannot predict the allocation of funding to specific Tribes and Alaska Native Villages, so this funding is not included in the 2016 crosscut totals.

Interior Actions To Advance the National Strategy for the Arctic Region

1. **Development of non-renewable energy resources** - Within this area, the Department continues to facilitate the safe and responsible development of conventional energy resources. Specifically, the Department is:
    - Planning and conducting exploratory deep-water ecological assessments to identify areas appropriate for development.
    - BOEM initiated the concept of "Targeted Leasing" for all future OCS oil and gas lease sales in Alaska beginning with the Chukchi Sea OCS Oil and Gas Lease Sale presently proposed for 2016. Under targeted leasing, BOEM proactively determines which specific portions of the Program Area offer greater resource potential, while minimizing potential conflicts with environmental and subsistence considerations.
    - BSEE continues to fund oil spill response research and response preparedness planning for all aspects of spill response to improve and enhance performance and efficacy in Arctic conditions.

2. **Integrated Arctic Management implementation** – The Department's charge is to use Integrated Arctic Management (IAM) to balance economic development, environmental protection, and cultural values. The Department is strengthening key partnerships to facilitate integrated arctic management, including documenting best practices and developing ecosystem-based management principles, goals, and performance measures for the Arctic. To date, Interior has:
    - Collaboratively developed a plan of engagement with partners and stakeholders and is a soliciting second round of comments.
    - Reviewed interagency efforts related to natural resource management in the Arctic and clarified roles and responsibilities and is currently reviewing a draft report.
    - Drafted an interagency Memorandum of Understanding for the implementation of IAM, in collaboration with the State of Alaska and Alaska Natives.

3. **Terrestrial ecosystem climate change research** – The Department is developing an inventory of cross-disciplinary Arctic research, synthesizing local knowledge through work with Native Alaskans and the Arctic Council, and developing the first high definition maps of the Arctic.

4. **Wildland fires in the Arctic** – The Department is developing an inventory of existing wildland fire research, identifying research projects that will identify the succession stages of tundra following fires, and developing models to predict risks and impacts of future fires.

5. **Identify and Assess Invasive Species Risks and Impacts** – The Department formed an interagency working group to analyze threats posed by invasive species and to develop management tools and strategies. Activities addressing this objective include:

   - Establish biome specific subcommittees to identify and assess invasive species pathways, risks, and ecosystem and economic impacts to the Arctic region and to prepare an early detection and rapid response plan to reduce the threat of invasive species.

   - Engage with Arctic Council working groups to blend US domestic efforts on Arctic invasive species actions, deliverables and strategy with those of the working groups to make more effective and efficient use of staffing and resources, ensure consistent policy on Arctic invasive species issues, prevent redundancy of effort and enhance international invasive species collaboration.

   - Partner with Kingdom of Norway to advance early detection and rapid response protocols during the period of the US Chairmanship of the Arctic Council.

(in millions)	2016 Request	Change
Arctic Funding Only	**$144.7**	**+2.7**
Bureau of Land Management	$16.3	(1.1)
Bureau of Ocean Energy Management	$29.2	+0.1
Bureau of Safety and Environmental Enforcement	$4.0	(0.5)
Fish and Wildlife Service	$48.7	+0.3
U.S. Geological Survey	$31.9	+4.2
National Park Service	$9.8	(0.3)
Bureau of Indian Affairs	$5.0	-