STATEMENT OF GALE A. NORTON, SECRETARY OF THE INTERIOR BEFORE THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES ON THE 2005 PRESIDENT'S BUDGET REQUEST

FEBRUARY 12, 2004

Good morning. I am pleased to be here today before the Committee on Energy and Natural Resources to discuss the fiscal year 2005 budget for the Department of the Interior. I appreciate the opportunity to highlight our priorities and key goals.

The Department of the Interior's mission is complex and multi-faceted. We provide recreation opportunities. We provide access to resources. We protect some of the Nation's most significant cultural, historic, and natural places. We serve communities through science, wildland firefighting, and law enforcement. We fulfill trust and other responsibilities to American Indians, Alaska natives, and the nation's affiliated island communities.

Interior's mission is also challenging. It is challenging because the world around is increasingly complex as expectations evolve, new technologies emerge, and our responsibilities to the American people increase.

Above all, our mission is inspiring. We have close connections to America's lands and people, whether American Indians and naturalists, hikers and hunters, ranchers and recreation enthusiasts, or environmentalists and entrepreneurs. Our responsibilities touch the lives of individuals across the Nation. How well we fulfill our mission influences:

- Whether farmers will have water and people can turn on the tap;
- Whether our children will enjoy America's grand vistas, places, and history;
- Whether we can hike, bird watch, canoe, or hunt and fish; and
- Whether we can warm our homes and fuel our transportation systems.

By fulfilling Interior's mission, we can leave a legacy of healthy lands and waters, thriving communities, and dynamic economies. That legacy depends on our ability to work together across landscapes and with communities. It depends on the efforts of our 70,000 employees, 200,000 volunteers and thousands of partners.

Budget Overview

Our 2005 budget request for current appropriations is $11.0 billion. The Department anticipates collection of $10.1 billion in receipts in 2005, equivalent to 92 percent of our current appropriations request.

The 2005 request includes $10.0 billion for programs funded in the Interior and Related Agencies Appropriations Act, an increase of $228.4 million or 2.3 percent over the 2004 enacted level.

Our budget also includes $1.0 billion for programs funded in the Energy and Water Development Appropriations Act, an increase of $21.8 million, or 2.2 percent above 2004.

Interior's 2005 budget request provides the single clearest statement of how we plan to work toward our goals in the upcoming year. Our budget fulfills the President's commitments to fully fund the Land and Water Conservation Fund; address the backlog of park repair and maintenance needs; fix Bureau of Indian Affairs schools; and re-establish healthy forests and rangelands.

Our 2005 budget also advances other key goals. It accelerates the cleanup of abandoned coal mine lands; expands opportunities for cooperative conservation; advances trust reform; seeks to mitigate water problems throughout the West through Water 2025; and supports the goals of the National Energy Plan.

Addressing Long-standing Challenges

Abandoned Mine Lands: Since enactment of the Surface Mining Control and Reclamation Act in 1977, the Department has partnered with States, Tribes, local governments, and others to reclaim over 225,000 acres of damaged and dangerous lands. Despite these accomplishments over the past two and a half decades, dangerous abandoned coal mines remain within one mile of the homes of more than 3.5 million Americans. Since 1999 a total of 100 people have died in incidents related to abandoned coal mines.

The primary impediment to completing reclamation of abandoned mines is the fundamental imbalance between the goals of the 1977 Act and the requirements for allocating funds under the Act. The statutory allocation formula limits the ability of the Office of Surface Mining to meet its primary objective of abating the highest-priority abandoned coalmines. The majority of funding in the program is distributed to States on the basis of current production. Yet there is no relationship between current production and the number of priority sites in each State, which is a function of pre-1977 production.

Over the past 25 years, the allocation formula has enabled some States and Tribes to complete reclamation of all abandoned coal mines. Others are decades away from completing work on the most critical, high-priority sites. We estimate it will take 60 years to reclaim dangerous abandoned mine sites in Pennsylvania and 50 years in West Virginia.

Our 2005 budget proposal seeks to correct this problem. We propose to direct reclamation grants to sites where the danger is greatest. The reauthorization proposal will allow all States to eliminate significant health and safety problems within 25 years and would remove 142,000 people from risk annually. At the same time, by shifting funds to speed resolution of serious health and safety problems, the proposal will reduce fee collections and spending by $3 billion over the life of the program.

Under our proposal, States and Tribes that have certified completion of high-priority projects will be paid their accumulated State share balances in the abandoned mine lands fund as of September 30, 2004. These payments will be made over a ten-year period. Going forward, the grants would be distributed for high priority mine reclamation projects.

The 2005 budget proposes an appropriation of $243.8 million for the abandoned mine lands program, including $53.0 million for the initial State share balance distribution to certified States and Tribes.

Indian Trust Programs: Fulfilling the Department's trust responsibilities continues as one of our highest priorities and greatest challenges. The assets of the trust today include over 56 million acres of land. On these lands, the Department manages over 100,000 leases for individual Indians and Tribes. We collect approximately $194 million per year from leasing, use permits, sale revenues, and interest for 260,000 open individual Indian money accounts. About $378 million per year is collected in 1,400 tribal accounts for 300 Tribes. In addition, the trust manages approximately $2.9 billion in tribal funds and $400 million in individual Indian funds.

For 2005, we are seeking $614 million for our Unified Trust budget, a net increase of $161 million.

In 2003 we began to reorganize trust functions in the Bureau of Indian Affairs and the Office of the Special Trustee for American Indians. The new organization is based on a detailed analysis and a year-long consultation process with tribal leaders. Our reorganization reflects a synthesis of the views heard during the consultation process. When fully implemented, the new organization

will better meet fiduciary trust responsibilities, be more accountable at every level, and operate with people trained in the principles of fiduciary trust management.

To support continued implementation of the new organization, the 2005 budget proposes a net increase of $7.2 million, including funding for 85 new trust-related positions at the local level. We request an additional $4.0 million to quicken the pace at which probate cases are resolved.

Improving our trust organization will not by itself resolve the issues that we face in managing the trust. A still greater challenge remains. That challenge is the fractionation, or continuing subdivision, of individual Indian interests in the land that the Federal government holds in trust. Indian trust lands are primarily transferred through inheritance. With each passing generation, individual interests in the land become further subdivided among heirs, each of whom holds a smaller and smaller interest in the land. Many acres of trust land are already owned in such small ownership interests that no individual owner will derive any meaningful value from that ownership. Without corrective action, this problem will grow exponentially.

As the number of interests grows, we expect the cost to the Federal government for managing, accounting for, and probating these interests to increase substantially, possibly to as much as $1 billion at the end of the next 20 years.

The Indian Land Consolidation program, which acquires small ownership shares in allotted land from willing sellers, is a critical component of trust reform. We have conducted this program as a pilot for several years. The pilot has taught valuable lessons about the need to target purchases to maximize return of land to productive use and allow closure of accounts associated with fractional interests.

The 2005 budget proposes an unprecedented amount of $75.0 million for Indian land consolidation, an increase of $53.3 million. This funding will support an expansion beyond the seven pilot reservations to include additional reservations with the most highly fractionated lands. On a nationwide basis, we are targeting opportunities to purchase the most fractionated interests. Interior plans to use contractual arrangements with Tribes or private entities to acquire individual interests.

This commitment to end fractionation will also require legislative action to provide for workable probate reform, disposal of unclaimed property, and partition of land. We want to continue to work with the Congress to find meaningful and constructive solutions to these issues.

The 2005 budget also proposes funding to address the issue of accounting for past transactions in the trust. As the Committee is aware, the American Indian Trust Management Reform Act of 1994 requires the Secretary of the Interior to "account" for "the daily and annual balance of all funds held in trust by the United States for the benefit of an Indian Tribe or an individual Indian which are deposited or invested pursuant to the Act of June 24, 1938."

The Department is currently involved in a major class action, *Cobell* v. *Norton*, and 25 tribal suits over the Department's management of Indian trust funds. On January 6, 2003, as ordered by the District Court in the *Cobell* litigation, the Department filed *The Historical Accounting Plan for Individual Indian Money Accounts*. This plan provides for an historical accounting for about 260,000 individual Indian accounts over a five-year period at a cost of approximately $335 million. The accuracy of the transactions would be verified by reviewing support documentation on a transaction-by-transaction basis for all transactions over $5,000 and by statistically sampling transactions under $5,000. The sampling methodology would be designed to provide a 99 percent confidence level at any error rate.

On September 25, 2003, the *Cobell* court issued a structural injunction directing a far more expansive accounting and requiring that it be completed under more constrained time lines. We estimate that the cost of compliance with the structural injunction would be between $6 to $12 billion. An appeal from the September decision is pending. The Court of Appeals for the D.C. Circuit has stayed the structural injunction. In addition, the 2004 Interior Appropriations Act provides that the Department is not required to commence or continue an accounting for IIM accounts until 2004 or the Congress amends the Trust Management Reform Act to delineate the Department's historical accounting obligations or until December 31, 2004, whichever occurs first.

The 2005 budget includes $109.4 million for historical accounting. This increase of $65.0 million over the enacted 2004 appropriation is targeted to provide $80.0 million for IIM accounting and $29.4 million for tribal accounting. The budget for IIM accounting is based on the estimate of the Department's costs to continue implementation of its historical accounting process. This amount may be revised depending on how the Court of Appeals rules with regard to the structural injunction in the *Cobell* case and on whether Congress acts to delineate the specific historical accounting obligations of the Department as suggested in the 2004 Appropriations Act. The Department will continue to work with the Congress and trust beneficiaries to consider settlement of the historical accounting and related issues.

Investing in Conservation

Healthy Forests and Rangelands: A significant, ongoing challenge we face is that of wild land fire and the risks that catastrophic fires pose to communities. The fires in California last fall were a poignant and tragic reminder that we must care for our forests and rangelands. Our Nation's communities must not continue to experience the unnatural, catastrophic fires that have devastated homes and habitat in recent years.

This past December, President Bush signed the Healthy Forests Restoration Act. Developed with the help of this Committee, this landmark bipartisan legislation will help to restore forest and rangeland health and reduce threats from destructive wild fires. It will also encourage public participation in selecting and implementing projects to reduce unnaturally high levels of brush build up and overly dense tree stands.

As part of our $743.1 million wild land fire proposal for 2005, the budget includes $209.3 million, a $25.0 million increase over 2004, to conduct fuels reduction projects and to monitor the results. In combination with forest and range improvement activities funded in other Interior programs, the 2005 budget includes over $300 million to advance the goals of the Healthy Forests Restoration Act. Including funding for the Forest Service, the 2005 budget includes $760 million to meet the goals of the Act.

The 2005 request for the wild land fire program also includes $221.5 million, an increase of $28.6 million, to fund suppression activities, based on the ten-year average, and an increase of $6.5 million for preparedness to address increasing costs in aviation contracts and for the fire program analysis system.

Cooperative Conservation: Among Interior's most inspiring roles is its mission to conserve lands and waters across America. As we are all aware, nature knows no jurisdictional boundaries. Conservation in the 21st century depends increasingly upon partnerships across a mosaic of land ownerships. At Interior, we recognize that we cannot manage federal lands successfully unless we are able to work with adjacent landowners, States, Tribes, and communities. We also recognize that the nation cannot achieve its conservation goals solely by relying upon—and adding to—the federal dominion of lands.

These two perspectives underscore the importance of cooperative conservation. Through a variety of conservation partnerships, Interior's land managers are joining with citizen stewards to remove invasive species, reduce stream bank erosion, and enhance habitat for threatened and endangered species. Through these partnerships, the Department is building the new environmentalism of

citizen stewards called for by President Bush. These partnerships leverage federal dollars by a factor of two or more. They engage Americans in conservation. They help us work with citizens to find common ground and simultaneously achieve healthy lands, thriving communities, and dynamic economies. We look forward to working with members of Congress and their constituents in these conservation successes.

The 2005 budget proposal expands opportunities for conservation partnerships with citizens, organizations, and communities throughout the Nation. The budget proposes to spend $507.3 million, a 20 percent increase, to expand opportunities for conservation partnerships with citizens, organizations and communities.

A cornerstone of our conservation partnership budget is the Cooperative Conservation Initiative. The Department has a long history of working cooperatively with others to achieve its conservation mission. Yet the resources available to land managers to foster innovative and collaborative conservation have fallen short of the demand. Across the nation, citizens are working to overcome conflict and, instead, work together to maintain healthy lands and waters. Our Cooperative Conservation Initiative seeks to address this growing, giving managers the support necessary to leverage funds with private citizens, States, Tribes, communities, and businesses to protect and restore habitats, wildlife and plants.

Our Cooperative Conservation Initiative builds on existing conservation partnership programs that have established productive relationships with local communities and citizens. In total, we propose that this initiative will provide $129.5 million, an increase of $25.5 million, for a suite of seven programs: the challenge cost share programs in the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service; the FWS Coastal program; FWS Migratory Bird Joint Ventures; FWS Partners for Fish and Wildlife; and Take Pride in America.

The budget proposes $29.6 million for challenge cost-share activities, an increase of $8.4 million over 2004. This request will enable land managers to undertake additional natural resource restoration and species protection projects on or impacting Federal lands. Dynamic partnerships with individuals, Tribes, State and local governments, non-profit organizations, and others will support an array of projects to restore damaged habitats and lands and achieve the conservation goals of the Department's land management agencies. Projects require a one-to-one match or better, thereby at least doubling the benefits of Federal dollars. The request for the bureau traditional challenge cost-share programs is $24.4 million.

In 2003, challenge cost-share programs funded 256 resource restoration projects with more than 700 partners in 40 States and Puerto Rico. The ratio of matching non-Federal funds to Federal funds was nearly two-to-one, with the Federal portion at $12.9 million and total funding at $36.0 million.

The 2005 budget includes $50.0 million for the Partners for Fish and Wildlife program. Through the Partners program, the Fish and Wildlife Service has established productive relationships with communities and over 30,000 landowners, providing financial and technical assistance and restoration expertise to private landowners, Tribes, and other conservation partners. Since its inception in 1987, the Partners program has restored 677,000 acres of wetlands; nearly 1.3 million acres of prairie, native grassland, and other uplands; and 5,560 miles of stream and streamside habitat.

In 2005 the Partners program will leverage $5.0 million in the High Plans region through a public/private initiative that will restore grassland habitats and declining species over an 11-State region. In cooperation with landowners and other partners, the Fish and Wildlife Service will focus conservation efforts on restoring, enhancing, and protecting two million acres over the next ten years. The 2005 Partners budget also includes $6.2 million for partnership efforts in the Upper Klamath basin.

Augmenting our partnership achievements is the work of over 200,000 volunteers who provide over eight million hours to Interior's programs and projects throughout the Nation. These volunteers help repair and maintain trails, restore habitat, participate in monitoring and research programs, and assist our land managers in many other ways. To promote this spirit of volunteerism, the Department has reactivated the Take Pride in America program. In California, volunteers enlisted through Take Pride pledged 400,000 hours of service to help restore areas devastated by wild land fires. The 2005 budget includes $1.0 million for the Take Pride program as part of the Cooperative Conservation Initiative.

Also funded within the Cooperative Conservation Initiative is the Fish and Wildlife Service's Coastal program, for which we propose a funding increase of $2.9 million, bringing total funding to $13.1 million. The Coastal program leads FWS conservation efforts in bays, estuaries, and watersheds around the U.S. coastline and leverages Federal funding at a rate of 4:1. We also propose to increase funding for the Migratory Bird Joint Ventures program by $1.2 million for a total of $11.4 million. The funding increase will allow FWS to enhance 15 existing Joint Ventures and fund the Northern Great Plains and Central Hardwoods Joint Ventures.

Endangered Species Grant Programs: The Department's cooperative conservation efforts also include a number of grant programs that provide expanded opportunities for State, tribal, local and private partners to participate in conservation and protection of endangered, threatened, and at-risk species. These programs will help this nation invest habitat protection and recovery of species—the ultimate goal of the Endangered Species Act. Through these investments, we can achieve on-the-ground conservation results and help avoid the conflicts, land management stresses, and procedural workloads that ensue when species become endangered.

The Landowner Incentive Program provides competitive matching grants to States, Territories, and Tribes to create, supplement, or expand programs to protect and manage habitats on private lands that benefit listed species or species at risk. The 2005 budget includes $50.0 million to assist private landowners in conserving and restoring habitat for endangered species and other at-risk plants and animals. This is an increase of $20.4 million over 2004.

The Private Stewardship Grants program provides grants and other assistance to individuals and groups engaged in local, private, and voluntary conservation efforts that benefit federally listed, proposed, candidate or other at-risk species. A panel of representatives from State and Federal government, agricultural and private development interests, and the scientific and conservation communities assess and make recommendations regarding these grants. The 2005 budget proposes $10.0 million for the program, a $2.6 million increase over 2004.

The Cooperative Endangered Species Conservation Fund provides grants to States and Territories to participate in projects to conserve candidate, proposed, and threatened and endangered species. Grants to States and Territories allow them to participate in an array of voluntary conservation projects for candidate, proposed, and listed species. These funds may in turn be awarded to private landowners and groups for conservation projects. The CESCF grants include funding for States and Territories to implement conservation projects to support the development of Habitat Conservation Plans and to acquire habitat for threatened or endangered species. The 2005 budget proposes $90 million, an increase of $8.4 million, for the appropriated portion of this program.

Our grant programs also aid a wide variety of other wildlife. The 2005 budget proposes $80.0 million for the State and Tribal Wildlife Grants program. These grants help develop and implement State and tribal programs for the benefit of wildlife and its habitat, not limited to species that are hunted or fished. The program exemplifies our cooperative conservation vision, allowing States and

Tribes to tailor their conservation efforts in a manner that best fits local conditions. A $10.9 million increase for the program in 2005 will significantly advance efforts of State and tribal fish and game agencies to address on-the-ground wildlife needs. Based on the high level of interest in this program, we expect this program will have lasting benefits for fish and wildlife, while fostering stronger working relationships between Federal, State and tribal governments.

Full Funding for the Land and Water Conservation Fund: Our cooperative conservation programs are an important component of the 2005 Land and Water Conservation Fund budget request. Overall, the Department's budget seeks $660.6 million from the Land and Water Conservation Fund for 2005, including $153.3 million for land acquisition and $93.8 million for the State grant program. The Department's request, combined with the request for the U.S. Forest Service, brings total government-wide LWCF funding to $900.2 million.

The 2005 LWCF budget includes the same mix of programs proposed in 2004. This mix strikes an effective balance between Federal land acquisition and cooperative efforts to fulfill LWCF goals.

We believe effective conservation of lands and natural resources cannot rely primarily on expanding the Federal estate through land acquisition. Such acquisitions remove lands from the local tax base. Equally significant, each time we acquire more Federal lands, future operations and maintenance costs ensue in perpetuity. Supporting local recreation and conservation through partnership programs enables us to leverage Federal funding. In many cases, these programs match Federal funds at a ratio of more than two to one. They give us an opportunity to work hand-in-hand with States, communities, and local landowners to build support for long-term conservation.

Maintaining Parks and Preserving Heritage

Park Maintenance Backlog: President Bush pledged to improve the condition of National Park Service facilities and resources and committed $4.9 billion over five years for park facility maintenance and construction. The 2005 budget continues to fulfill this pledge, investing $1.1 billion for maintenance, rehabilitation, and road repair. The National Park Service's budget includes $724.7 million for park facility maintenance and construction, a $25.0 million increase over 2004. An additional $310.0 million for park roads is included in the Administration's legislative proposal to reauthorize the Highway Bill.

In addition to providing additional resources for park stewardship, the 2005 request continues to provide critical tools to improve accountability. Utilizing

data from annual condition assessments, which have been completed for almost all of its regular assets, the Park Service has developed an estimated facility condition index, an industry standard for quantifying the condition of facilities. This baseline provides a launching point for monitoring and addressing the maintenance backlog. In 2005, $8.2 million of a $13.2 million increase in the repair and rehabilitation budget targets improving the condition of priority buildings to good condition. By focusing on one asset category, the Park Service will be able to monitor improvements to the facility condition index and evaluate the performance and efficacy of maintenance programs. The Park Service is committed to bringing all assets up to acceptable condition on average with funds provided through 2009.

Historic Preservation: March 4, 2003 President Bush and the First Lady announced the Preserve America initiative to enhance the Federal government's assistance in protecting and supporting the contemporary use of historic properties. Developed in cooperation with the Advisory Council on Historic Preservation and the Department of Commerce, this initiative promotes heritage tourism and wide-ranging partnerships for the use and preservation of historic properties. Currently, 26 States have some form of heritage tourism program, an economic development tool that enhances education, creates jobs, and increases property values and tax revenues.

The 2005 budget includes $10.0 million for Preserve America grants to support community efforts to demonstrate sustainable uses of historic and cultural sites and provide economic and educational opportunities related to heritage tourism. Grants will be awarded competitively to preservation entities, such as State and tribal historic preservation offices and designated Preserve America communities. The Save America's Treasures program, which helps preserve nationally significant buildings and cultural artifacts, with proposed funding of $30.0 million, complements Preserve America.

Included within our LWCF Federal land acquisition request is $5 million for partnerships with States and local governments to preserve Civil War battlefields, many of which lie amid areas of rapid development in the eastern States.

Land Management Challenges

Invasive Species: Invasive species threaten the ecological and economic health of the Nation. The total national costs associated with invasive species may exceed $100 billion annually. An estimated 5,000 to 6,000 invasive species have already become established in the United States. The most effective strategy to protect

native species and their habitats is early detection to prevent the establishment of additional invasive species.

The 2005 budget includes $58.3 million for a multi-agency effort to address invasive species challenges. Funding will be used to control invasive species such as salt cedar in the southwest and control of the brown tree snake population on Guam to prevent its establishment on other Pacific islands and the U.S. mainland. In addition, Interior agencies will focus on early detection and rapid response and conduct research to develop test methods and control strategies. The priorities for the use of invasive species funding are established by the National Invasive Species Council.

Wild Horses and Burros: Approximately 39,000 wild horses and burros occupy public rangelands. Projected levels of removal and adoption are not keeping pace with the growth in the populations of these animals. The Bureau of Land Management predicts an unsustainable and unmanageable rise in the population based on current management regimes, creating the likelihood of ecological imbalance and degradation of rangelands, forage resources, and wildlife habitat. The 2005 budget proposes increased funding for a long-term strategy to bring the number of horses to an appropriate management level. The budget includes an increase in appropriated funding of $10.5 million for the wild horse and burro program to undertake a collaborative program of population and habitat management. This increase is offset with decreases to programs that benefit from achieving appropriate management levels and with reductions to lower priority activities.

Managing Resources

Water 2025: Chronic water supply problems in the West will continue to challenge the Nation to find effective approaches to long-term management of water resources. Recent crises in the Klamath and Middle Rio Grande basins, where water shortages have affected American Indians, farmers, urban residents, and fish and wildlife vividly demonstrate the consequences of failing to address strategically the problem of competing demands for constrained water supplies.

The 2005 budget includes $21.0 million for Water 2025 to minimize future western water crises by fostering conservation and interagency coordination, enhancing water supplies through improved technologies, and managing water resources in cooperation with others. Collaborative approaches and market-based water transfers will help address emerging needs. Federal investments in research and development will improve water treatment technologies such as desalination.

A Water 2025 increase of $12.5 million for the Bureau of Reclamation will build on the 2004 Western Water Initiative, providing a total of $20.0 million to retrofit and modernize existing facilities, promote conservation and more efficient use of existing water supplies, improve water management by using excess capacity at Federal facilities, and facilitate research to provide alternative water supplies.

The U.S. Geological Survey's 2005 budget includes $1.0 million for Water 2025 to conduct groundwater availability assessments, develop tools and techniques for protecting biological resources while meeting water supply needs, and to improve methods to characterize aquifers.

Klamath Basin: The Department's partnership efforts are bringing about change in the Klamath Basin. Interior bureaus, partnering with other Federal agencies, are restoring habitat, removing fish migration barriers, acquiring land, using water banking, and researching the ecology of the federally-listed fish species. Through these partnership efforts, the Department is seeking long-term resolution of conflicts over water and land management.

The 2005 budget includes $67.6 million for this effort, a $17.9 million increase over 2004 funding levels. Other government agencies will provide an additional $38 million, bringing a total of $105 million to this effort. In addition to the $6.2 million increase in the FWS Partners program mentioned earlier, the budget includes funds to remove the Chiloquin Dam, which impedes passage of endangered suckers to 70 miles of spawning habitat on the Sprague River, and to acquire lands adjacent to Agency Lake Ranch to increase water storage and fisheries habitat restoration. Additional funding will also support water banking, water supply enhancement, and water quality improvement.

Energy: Lands and waters managed by Interior produce about 30 percent of the Nation's energy supply. Approximately one-third of the natural gas, coal, and oil, one-half of geothermal energy, 17 percent of hydropower, and 20 percent of wind power are produced in areas managed by Interior. We are committed to implementing the President's National Energy Plan, a part of which focuses on a long-term strategy for producing traditional and renewable sources of energy on Federal lands while maintaining environmental protections and involving all interested persons in open decision-making processes.

The 2005 budget request will help meet the Nation's energy needs by focusing on timely access to oil and natural gas resources on public lands, consistent with publicly developed land-use plans. We propose to maintain Bureau of Land Management oil, gas, and coal programs at the 2004 funding level of $104.4 million through a combination of appropriated funds and $4.0 million in

additional user fees generated through a proposed rulemaking to bring fees closer to costs for certain services. This funding level preserves significant increases that were appropriated over the last few years to continue making significant progress in reducing permitting backlogs and expediting access to energy resources. The budget also includes an $800,000 increase to enhance permitting of renewable energy development and processing of rights-of-ways for both renewable and non-renewable energy resources.

As electric power plants shift from coal to clean-burning natural gas, the demand for natural gas is expected to increase significantly in the next 10 to 15 years. Gas hydrates present promise as an additional domestic source of natural gas to meet this skyrocketing demand. The 2005 budget for the Minerals Management Service proposes an increase of $200,000 to begin a tract-specific hydrate assessment to determine fair market value once production is practical. The Minerals Management Service proposes $400,000 to complete phase one of a two-year study to examine the potential environmental impacts of the recovery of this energy source.

The 2005 MMS budget includes an increase of $4.3 million for the Outer Continental Shelf Connect e-government initiative. The request represents the third year of a six-year project to dramatically reform and streamline offshore business operations by improving connectivity between the government and the public. The initiative will create a citizen-centered web presence and build an e-government infrastructure across agencies. Total funding for the initiative in 2005 will be $16.0 million.

To ensure that the government receives optimal value on lease permits, technology used by MMS must keep pace with the private sector, which has embraced and developed new technologies to meet the increasing challenge of competition in exploring for petroleum resources. The 2005 budget includes $1.9 million for a 3-D visualization room, additional geological interpretive tools training, workstation-ready well logs, and seismic data management. All of these technologies have been routinely used by the private sector since 1995 for making fair market determinations on lease sales.

Monitoring and Science—Keys to Performance

Monitoring for Results: Central to Interior's resource protection and resource management efforts is an emphasis on results. The 2005 budget proposes to increase monitoring programs to strengthen the Department's capacity to assess program results and use that information to improve management. The budget requests $77.6 million for the NPS Natural Resource Challenge, an increase of $4.4 million over the 2004 level, to enhance the Park Service's capability to track

ecosystem health and water conditions. The increase will fund six additional vital signs monitoring networks, bringing the total networks to 28. The increase will also fund the remaining seven of 32 water quality monitoring networks.

The 2005 budget request for the Bureau of Land Management includes an increase of $4.0 million to strengthen and enhance resource health monitoring. Information on the health of resources and trend data help land managers develop and revise long-term resource management plans and guide day-to-day operational and permitting decisions. Monitoring programs provide information needed to ensure that land use plans and management decisions are having their intended effect. Monitoring also identifies changes in the status of resources on public lands. The 2005 increase, which builds on the $1.9 million provided in 2004, will allow BLM to increase monitoring of oil and gas activity, rangeland management, and overall implementation of land use plans.

We also propose additional increases for monitoring in the Fish and Wildlife Service to strengthen migratory bird programs and in the wild land fire program as a component of the Healthy Forests Initiative.

Science: Scientific research provides information needed to understand and resolve many of the complex issues faced by the Department. The U.S. Geological Survey is the Department's primary source of scientific research, earth sciences data, and other geologic information and conducts research on earth and biological processes, including natural resources and natural hazards. The 2005 budget request includes $919.8 million to continue the Department's science programs in the U.S. Geological Survey.

The Department is increasing the role of science in improving the effectiveness of Federal resource management decision-making. We are also avoiding duplication in our science efforts. The 2005 budget requests an increase of $1.2 million for "Science on the DOI Landscape" to address priority bureau science needs.

Earthquakes, volcanic eruptions, landslides, coastal storms, erosion, and flooding pose threats to lives and property and undermine local and national economic health. The Department is enhancing the quality and timeliness of information provided to communities so they can improve their warning systems, planning processes, response efforts, community education, and building modifications. The 2005 budget maintains the 2004 funding of $4.4 million for the Advanced National Seismic System. During 2005, USGS will continue to upgrade and install new seismic monitoring stations. Information from these stations will support real time earthquake shake maps for emergency response in five metropolitan areas. The 2005 budget requests an increase of $800,000 to expand

pilot high-technology radar investigations to develop a national monitoring capability. This capability will provide increased tracking of the behavior of volcanoes, including Yellowstone Caldera in Yellowstone National Park, Three Sisters volcano in Oregon, and four to six Alaskan volcanoes.

Improving Law Enforcement and Security

The Department is second only to the Department of Defense in the number of facilities it manages and operates. Stewardship of the Nation's parks, refuges, public lands and facilities requires law enforcement and security expertise to ensure safety and security for employees, visitors, and facilities. Our 2005 budget request includes an increase of $39.2 million over the 2004 level for law enforcement and security.

The 2005 budget for the Bureau of Reclamation budget includes $43.2 million, an increase of $15.4 million, to continue security modifications at priority dams. To enhance security at major National Park icons, the budget includes operational increases of $2.1 million for the National Park Service and $2.0 million for the U.S. Park Police. We request an additional $2.0 million in construction funding to complete security improvements at Independence Hall in Philadelphia.

The 2005 budget contains increases totaling $5.3 million in the National Park Service, Fish and Wildlife Service, Bureau of Indian Affairs, Bureau of Land Management, and the Departmental Office of Law Enforcement and Security to improve law enforcement efforts in border areas. The Department's land management agencies manage and protect public lands along the Nation's borders that comprise 39 percent of the southwest border, 31 percent of the southeast border (Texas to the Florida coastline), and 14 percent of the Canadian border. While primary responsibility for border security rests with the Department of Homeland Security, Interior agencies have an obligation to protect employees, visitors, natural resources, and agency facilities.

The 2005 budget also continues to implement a Secretarial order for 25 law enforcement reforms recommended by the Office of the Inspector General to improve accountability and efficiency. Key reforms include implementation of an off-the-shelf reporting system for law enforcement incidents to be used by all agencies within the Department. We request $5.2 million for this new system. Increases totaling $2.8 million in the National Park Service and Fish and Wildlife Service will support law enforcement management reforms in those agencies.

The 2005 budget includes an increase of $7.8 million for the Bureau of Indian Affairs to operate eight new detention facilities serving Indian populations. These facilities, constructed through a joint initiative with the Department of

Justice, will be completed by 2005. These new facilities meet current detention standards and alleviate conditions such as overcrowding and mixing of juvenile and adult detainees.

Payments in Lieu of Taxes

Congress passed the PILT Act in 1976 to provide payments to local governments in counties where certain Federal lands are located within their boundaries. Local governments incur costs associated with Federal lands within their boundaries, but are unable to collect taxes on the lands. PILT payments are made to local governments in lieu of tax revenues and to supplement other Federal land receipts shared with local governments. Local governments use PILT payments to improve local school, water, and road systems, as well as for other necessary infrastructure. The 2005 budget proposes $226.0 million for PILT, a $1.3 million increase over the 2004 enacted level, and the highest level ever for the program.

Management Excellence

Behind all of Interior's programs, out of the limelight, rests a management foundation that is vital to the accomplishment of our mission. The environment in which the department delivers services and carries out its mission is changing, driven by the same forces that are reshaping the Nation. The American people are demanding more from their public servants and calling for better business management practices, improved efficiency, financial transparency, and mission accountability. Management challenges facing the Department are increasingly complex, requiring more sophisticated approaches in human resource planning, organizational governance, facilities management, and technology security. Legislated requirements and government-wide innovations call for increased management rigor. In the past decade Congress has enacted extensive legislation including the Government Performance and Results Act, Government Management Reform Act, Chief Financial Officers Act, Federal Financial Improvement Act, Debt Collection Improvement Act, and Information Technology Management Reform Act.

With a solid foundation of employees, volunteers, and partners working toward a common set of goals, we have made significant advances in our quest for management excellence.

- Our bureaus are completing condition assessments of all facilities so that we can maintain and manage them better. The Bureau of Indian Affairs and the Bureau of Reclamation have already completed their assessments and the other agencies are well underway.

- Our agencies are implementing 25 Secretarial directives to strengthen our law enforcement programs and improve our ability to ensure the safety of the visiting public and our employees and volunteers.
- We consolidated the purchase of information technology systems to achieve significant savings and to provide consistency and interoperability within the Department.
- We achieved an unqualified audit opinion for the Department and each of our eight bureaus. We completed this process within 60 days of the close of the fiscal year, one of only eight agencies to do so.

In 2005, the Department will continue to support the President's Management Agenda and build on this foundation for management excellence. The 2005 budget includes increased funding for management priorities including two that are highlighted here, the Financial and Business Management System and the Enterprise Services Network.

Our budget proposes $18.6 million for the Financial and Business Management System, a $7.0 million increase over 2004. This system will replace a combination of systems for processing financial and related transactions and meet the Department's needs for business management information. It will revamp administrative processes throughout the Department by modernizing and integrating financial management, acquisition, property management, grants administration, and other subsidiary systems.

The Enterprise Services Network will integrate and consolidate the Department's networks, systems, and computing environmental to provide secure and robust telecommunications within the Department and to customers. The 2005 budget includes $8.0 million for this initiative.

The 2005 budget also requests funding for bureau-specific improvements, including $2.7 million to address material weaknesses in the U.S. Geological Survey's financial management practices. The USGS budget also includes $1.8 million to modernize and centrally support key information technology management practices to enhance service and eliminate critical deficiencies in the bureau's information technology security infrastructure.

Conclusion

The budget plays a key role in advancing our vision of healthy lands, thriving communities, and dynamic economies. Behind these numbers lie people, places, and partnerships. Our goals become reality through the energy and creativity efforts of our employees, volunteers, and partners. They provide the foundation for achieving the goals highlighted in our 2005 budget.

This concludes my overview of the 2005 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.