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and Related Agencies
Senate Committee on Appropriations
on the
FY 2016 Budget Request for the Bureau of Land Management
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Madam Chairman and Members of the Subcommittee, I am pleased to join you today to discuss the President's Fiscal Year (FY) 2016 budget request for the Bureau of Land Management (BLM). The BLM manages nearly 250 million acres of land and 700 million acres of subsurface estate. That's more than 10 percent of the Nation's surface and nearly a third of its minerals. The BLM manages this vast portfolio on behalf of the American people under the dual framework of multiple use and sustained yield. This means the BLM manages public lands for a broad range of uses including renewable and conventional energy development, livestock grazing, timber production, hunting, fishing, recreation, and conservation. We manage lands with some of the most significant energy development in the world and some of North America's most wild and sacred landscapes.

The professionals at the BLM make hard choices every day and we take pride in making sure the public has a strong voice in the work we do. Compared to many other Federal agencies, we are relatively small in number – just 9,700 FTE – but the impact of the BLM and BLM-managed resources is tremendous. Recent Interior studies indicate BLM's management of the public lands provides an outstanding economic return to the American public. In 2013, activities on lands under the BLM's management were estimated to contribute over \$107 billion to the Nation's economic output and support more than 440,000 jobs across a broad range of industries. While the BLM receives just over a billion dollars in annual appropriations to support our programs nationwide, our programs support the collection and distribution of more than five billion dollars to the U.S. Treasury and to State governments each year.

Our FY 2016 budget continues our tradition of serving the American public by supporting economic development and jobs in traditional and emerging industries, conserving our natural resources, reducing our dependence on foreign energy, protecting our Nation's cultural heritage, and preserving some of our Nation's most cherished places.

BLM Budget Request

The FY 2016 BLM budget request is \$1.2 billion, an increase of \$107.6 million from the 2015 enacted level. The budget proposes \$1.1 billion for the Management of Lands and Resources

appropriation and \$107.7 million for the Oregon and California Grant Lands appropriation, the BLM's two operating accounts. The budget also proposes \$38.0 million in discretionary funding for Land Acquisition, to complement \$55.4 million proposed in mandatory Land Acquisition funding. These investments fall under the following program areas.

Supporting and Modernizing Management of Increased Energy Production – The 2016 budget advances the President's all-of-the-above energy strategy to continue to promote safe and responsible energy development. The FY 2016 budget request advances the goals of this strategy with priority funding for both renewable and conventional energy development on public lands.

Renewable Energy – In the past six years, the BLM has worked to facilitate a clean energy revolution on public lands through the approval of scores of utility-scale renewable energy generation and transmission projects. This includes 29 utility-scale solar facilities, 11 wind farms, and 12 geothermal plants, with associated transmission corridors and infrastructure to connect with established power grids. When completed, 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 construction and operations jobs.

The 2016 President's Budget requests \$29.4 million for Renewable Energy Management, which maintains funding at the 2015 enacted level plus an increase of \$295,000 for fixed costs. This would provide the BLM the necessary resources to continue to actively facilitate and support solar, wind, and geothermal energy development on BLM lands, which will create jobs, provide clean energy, and enhance U.S. energy security by adding to the domestic energy supply. It will also support the President's aggressive goal of increasing the permitting of new renewable electricity generation on public lands to 20,000 megawatts by 2020. The BLM is committed to contributing to this goal by permitting environmentally responsible projects on public lands.

Conventional Energy - The agency has also overseen continued natural gas production and a significant increase in oil production from public lands in recent years. Oil production from Federal and Indian lands in 2014 rose twelve percent from the previous year and is now up 81 percent since 2008 -- 113 million barrels to 205 million barrels per year. For comparison, nationwide oil production over the same period increased 73 percent. It is also worth highlighting that the BLM continues to make public lands available for oil and gas development well in excess of industry demand.

The BLM works closely with partners across the country to ensure development of renewable and conventional energy occurs in the right places and projects are managed safely and responsibly. The President's budget proposes significant investments for improving how the BLM leases, permits, and inspects oil and gas wells, including updating regulations to reflect current industry practices and putting needed technology in the hands of BLM employees.

The 2016 budget for oil and gas management activities from all sources represents an increase of \$29.1 million over the 2015 enacted level, a roughly 20 percent increase. This additional funding will help make the BLM faster and more effective in responding to management challenges, public concerns, and the needs of industry. The President's budget reflects a new approach to providing resources to the field with a proposal to strengthen BLM's inspection program by

charging a fee comparable to that charged in offshore oil and gas development. The new fee is estimated to generate \$48 million in 2016, which will provide a program increase of \$6.9 million for these activities, while reducing the need for direct discretionary appropriations.

The increased funding will allow the BLM to hire additional inspectors who are sorely needed to fulfill the agency's high priority inspection workload. Approximately 220 inspectors are required nationwide to complete the agency's large and growing inspection workload. While last year's budget provided a small increase for this program area, we remain understaffed in this important program, with only 155 inspectors. This increase is critical for the BLM to be more responsive to industry demand and a constantly changing inspections workload. Significantly, it will also support BLM efforts to address ongoing program management concerns that have placed the program on GAO's High Risk list. Finally, the President's budget also reflects the BLM's commitment to improving its processes for responsibly permitting oil and gas operations, requesting an increase of \$4.0 million to complete the final phase of the BLM's transition to a new electronic permitting system.

Coal produced from Federal lands is the source of over 20 percent of all U.S. electricity. The BLM is working to strengthen management of coal leasing activities and address recommendations made by GAO and IG in 2013 and 2014 reports. These efforts enhance the appraisal process and determination of fair market value when conducting lease sales, help ensure a consistent and efficient coal lease sale process, and enable BLM to account for export potential through analysis of comparable sales and income. An increase of \$1.1 million in Coal Management will support the automation and tracking of licenses, leases and permitting as well as inspection activities, including production verification associated with coal. A \$1.1 million increase is also requested for a similar automated tracking system in the Other Mineral Resources Management program.

Transmission – The BLM also supports the modernization of energy transmission infrastructure. To support necessary upgrades for reliability and increased capacity, the budget includes a \$5.0 million increase to identify and designate energy corridors in low conflict areas and to site high-voltage electrical transmission lines, substations, and related infrastructure in an environmentally sensitive manner.

Restoring Sage Grouse Habitat through Partnerships and Collaboration – To ensure the long-term viability of sage grouse and the continued vitality of western economies, the BLM is leading an unprecedented, collaborative west-wide effort to update and strengthen management of sage grouse habitat. Key collaborators include western Governors, State wildlife agencies, counties, the U.S. Fish and Wildlife Service, U.S. Geological Survey, and the U.S. Forest Service. The 2016 BLM budget request includes a total of \$60 million – a \$45.0 million increase over the 2015 enacted level – for implementing the Sage Grouse Conservation Strategy to enhance sage steppe conservation and restoration; a landscape which supports significant economic activity and more than 350 species.

These funds will allow the agency and its many partners to take meaningful steps forward on restoring rangelands, minimizing the threat of wildfire, controlling invasive plants, and improving riparian areas. Since 2013, the BLM has targeted \$15.0 million per year toward the

implementation of broad-scale sage grouse planning and conservation activities. These efforts involve extraordinary collaboration between the BLM, western Governors, and non-governmental partners to conserve the sage steppe ecosystem.

Supporting the BLM National Conservation Lands, America's Newest Conservation System – The President's budget includes an \$11.2 million program increase for the BLM National Conservation Lands, which celebrate their 15th anniversary this June. This investment will address high-priority needs in conservation areas, including providing basic support for recreation and visitor services. While National Conservation Lands represent only a small portion of the lands managed by BLM, one-quarter of all visitors to BLM lands visit these special areas. This investment will help to ensure these untamed places remain a legacy for all future generations.

Although visitation to BLM-managed lands has grown, financial investment in the Recreation and Visitor Services program has not kept pace with this growth. This request proposes an additional \$6.6 million to implement a National Recreation Strategy that aligns BLM Recreation & Visitor Services Program resources with the desired benefits sought by local communities. A strong commitment to conservation also means proactive management of cultural and paleontological resources. The 2016 budget also includes increases for programs funded through the Land and Water Conservation Fund, a vital component of the America's Great Outdoors initiative. The 2016 budget proposal includes a total of \$93.4 million for conservation land acquisition from willing sellers, including \$38.0 million in requested discretionary appropriations and \$55.4 million in mandatory funding.

Other Priority Initiatives

Helium – Additionally, the BLM has begun implementation of the Helium Stewardship Act of 2013, which authorized the program to transition out of the role it has played for a century. With the start of Phase B Helium Auctions and Sales last year, the BLM conducted its first ever helium auction that offered 92.8 million cubic feet (MMcf) and a sale that offered 835.3 MMcf of helium for delivery in FY 2015 and an additional 250 MMcf of helium for delivery in FY 2016. The auctioned helium sold for an average price of over \$161 per Mcf, much higher than anyone expected. The average auction price was factored into the helium sale price, which was set at \$106 per Mcf. As a result of the auction and sale, the BLM collected nearly \$130 million. Currently, the BLM is preparing for the next Helium Auction and Sale scheduled for this summer and expects to offer 25 percent of the helium available for auction which equals 300 MMcf of helium and the remaining Phase B Helium Sale volume for FY 2016 of 600 MMcf. The BLM is expecting to use the average auction price to set the helium sale price. The BLM's crude helium sales are generating revenue for the American taxpayers and providing 22 percent of the world's annual Helium supply.

The BLM plays a significant role in Alaska and Arctic resource management and provides significant support to Native Alaskans. The 2016 BLM budget includes \$78.9 million for Alaska and Arctic activities, an increase of \$1.8 million above the 2015 enacted level. Some of BLM's priority activities in this region are highlighted below.

Legacy Well Remediation— The BLM continues to prioritize clean-up of abandoned Federal wells in Alaska and has spent approximately \$70 million dollars towards this clean-up through FY 2014. In FY 2014, BLM spent over \$800,000 on priority wells on Simpson Peninsula preparation for winter remediation. Thanks to the leadership of Senator Murkowski and others who made the passage of the recent Helium Act possible, the BLM has spent nearly \$10.5 million on remediation of priority wells identified in the 2013 Legacy Well Strategic Plan. In March-April 2015, the BLM completed subsurface work in Umiat through an Inter-Agency Agreement with the United States Army Corps of Engineers, and with full coordination with the Alaska Oil and Gas Conservation Commission. Umiat #1, #3, and #11 were plugged, and wellheads were removed at the previously plugged wells, Umiat #4, #8, #10. The BLM is currently preparing to conduct surface cleanup in August 2015 at the Simpson Core Test sites 26, 30 and 30A, and take additional sampling to verify there are no remaining contaminants from the wells drilled in the early 1950s. This work is expected to cost \$1.03 million. Additionally, the BLM expects to have contracts in place for the winter of 2016 to plug and complete surface sampling of 7 legacy wells in the Barrow area.

Alaska Land Transfer Program – For decades, the Bureau of Land Management has been surveying and monumenting 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 of Alaska with higher quality data than was ever envisioned in 1973. The new approach also has the potential to save millions of dollars for the American taxpayer, while fulfilling the promise of land conveyances called for in the Alaska Statehood Act. This new approach is a significant opportunity for the State of Alaska and the Bureau of Land Management to jointly innovate and demonstrate meaningful progress on an issue important to many Alaskans. We look forward to formalizing these new and significantly improved procedures with an update of the 1973 MOU between the Governor of Alaska and the BLM Director.

In FY 2015, BLM Alaska plans to survey nearly 4 million acres of Alaska Statehood Entitlement land, which will allow for patent issuance within three years. The BLM will also fulfill entitlements for 15 Alaska Native Claim Settlement Act (ANCSA) village corporations this fiscal year, which means the BLM will have completely fulfilled 50 percent of village entitlements in Alaska. Additionally, the BLM will undertake a number of surveys this field season including final entitlement surveys for seven ANCSA village corporations, survey of nearly 130,000 acres of regional entitlements (including three tracts of land for Sealaska Corporation conveyed pursuant to the 2015 National Defense Authorization Act), and three post-conveyance obligation surveys (ANCSA 14(c)) providing the affected village corporations site control for community development.

Alaska Native Claims Settlement Act Contaminated Lands – The BLM is on schedule to submit a report to Congress in June of this year as an update to the 1998 Report to Congress. In recent years, the agency has focused on developing a comprehensive database of potential contaminated sites conveyed to ANCSA corporations based on inventories compiled by state and federal partners in Alaska. To date, the BLM has reviewed the land status of over 6,000 sites within the database to determine whether they are on land conveyed to ANCSA corporations and which

agency is responsible for the existing contamination. The BLM is currently facilitating a collaborative effort with Alaska Native corporations, Department of Defense agencies, the Federal Aviation Administration, the State of Alaska, and Alaska Native regional and village corporations to enhance the inventory data by verifying site ownership and site cleanup status on lands conveyed to ANCSA Native entities.

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, most contaminated sites on conveyed land are on parcels that were not managed by the BLM before conveyance, and cleanup is complete or institutional controls have been established for approximately two-thirds of all known contaminated sites conveyed to an ANCSA corporation.

Arctic Council – The Arctic Council is a consensus-based international body made up of the eight Arctic nations and six Permanent Participant organizations representing Arctic indigenous groups, four of which are rooted in Alaska. It allows for non-voting participation of observer nations and organizations, and manages six working groups that address matters of concern to the Council. The United States assumed the two-year Arctic Council Chairmanship in late April, a responsibility that will require participation and engagement from all of the Federal agencies engaged in the Arctic. Interior has perhaps the most substantial Federal management role in the region, as we manage 74 percent of the U.S. landmass above the Arctic Circle and all of the Outer Continental Shelf beyond three miles from the coast. BLM Alaska alone manages 31 percent of the landmass in the U.S. Arctic and 40-percent of the landscape north of the Brooks Range (North Slope of Alaska).

Of the six working groups under the Arctic Council, the Conservation of Arctic Flora and Fauna (CAFF) Working Group is the foundation for the marine, terrestrial, freshwater and coastal environments. Currently, the BLM and North Slope Science Initiative co-lead a subgroup of CAFF, the Circumpolar Biodiversity Monitoring Program (CBMP), with the Kingdom of Denmark (Denmark, Greenland and Faroe Islands). The CBMP harmonizes data from many disparate sources and Arctic ecosystems across all eight Arctic nations to support effective and collaborative large-landscape management. These efforts provide critical information that U.S. Arctic resource managers leverage to make informed, defensible land management decisions in the Arctic.

Legislative Proposals

Establishing a BLM Foundation – In connection with the budget request, the Administration sent to Congress a legislative proposal for a congressionally chartered non-profit foundation for the BLM. A foundation would strengthen the BLM's efforts to link Americans to their public lands through an organization that would raise and spend private funds and foster constructive partnerships in support of the BLM's mission. The foundation would operate in a manner similar to the National Park Foundation, the National Fish and Wildlife Foundation, and the National Forest Foundation, all of which were approved by Congress.

Oil and Gas Management Reforms – The Administration proposes 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 and on improving transparency and oversight. Proposed statutory and administrative changes fall into three general categories: advancing royalty reforms, encouraging diligent development of oil and gas leases, and improving revenue collection processes.

Royalty reforms include evaluating minimum royalty rates for oil, gas, and similar products; adjusting onshore royalty rates; analyzing a price-based tiered royalty rate; and repealing legislatively mandated royalty relief. Diligent development requirements include shorter primary lease terms, stricter enforcement of lease terms, and monetary incentives to get leases into production, for example, through a new per-acre fee on nonproducing leases. Revenue collection improvements include simplification of the royalty valuation process, elimination of interest accruals on company overpayments of royalties, and permanent repeal of Interior's authority to accept in-kind royalty payments. Collectively, these reforms will generate roughly \$2.5 billion in revenue to the Treasury over ten years, of which an estimated \$1.7 billion will result from statutory changes. Related to these initiatives, the BLM recently released an Advance Notice of Proposed Rulemaking that seeks comments on whether: royalty rates for new competitively-issued leases should be changed; annual rental payments and minimum acceptable bids should be increased; and bonding requirements and civil penalty assessments should be changed.

Hardrock Mining Reform – The 2016 budget includes two legislative proposals to reform hardrock mining on public and private lands by addressing abandoned mine land hazards and providing a better return to the taxpayer from hardrock mineral production on public lands. The first component of this reform addresses abandoned hardrock mines across the country through a new Abandoned Mine Lands fee on hardrock mineral production. The second legislative proposal institutes a leasing process under the Mineral Leasing Act of 1920 for certain minerals – gold, silver, lead, zinc, copper, uranium, and molybdenum – currently covered by the General Mining Law of 1872. Under this proposal, mining for these metals on Federal lands would be governed by the new leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds.

Recreation Fee Program – The budget proposes legislation to permanently authorize the Federal Lands Recreation Enhancement Act, which will expire on September 30, 2016. The BLM currently collects approximately \$18.0 million in recreation fees annually under this authority and uses them to enhance the visitor experience at recreation facilities. These funds represent a significant portion of all the resources BLM has to devote to supporting recreational activities on public lands.

Reauthorize the Federal Land Transaction Facilitation Act (FLTFA) – The 2016 budget proposes to reauthorize the Act, which expired in July 2011, to allow lands identified as suitable for disposal in recent land use plans to be sold using the FLTFA authority. The sales revenues would continue to be used to fund the acquisition of environmentally-sensitive lands and to cover the administrative costs associated with conducting sales. Utilization of the FLTFA authority would help simplify the land patterns of the American West, promoting both conservation and community development goals.

Conclusion

The President's FY 2016 budget request for the BLM makes important investments at a critical time for our agency and for the lands we manage across the Nation. The BLM has a unique and broad mission to manage public lands for multiple-uses and for sustained-yield. I am incredibly proud of the work done by BLM employees every day to ensure the agency is engaging with and listening to our partners and the communities we serve. I look forward to continuing our close partnership with this subcommittee as we strive to provide BLM's professionals with the tools and resources they need to succeed and to make our public lands an even larger contributor to the success of communities across the United States.

Thank you for the opportunity to present this testimony.