

**STATEMENT OF P. LYNN SCARLETT  
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DEPARTMENT OF THE INTERIOR  
BEFORE THE HOUSE SUBCOMMITTEE ON ENERGY  
AND WATER DEVELOPMENT  
COMMITTEE ON APPROPRIATIONS  
ON THE 2008 PRESIDENT'S BUDGET REQUEST**

**March 1, 2007**

It is a pleasure to appear before you today to discuss the President's FY 2008 budget for the Bureau of Reclamation. On behalf of Secretary Kempthorne, I am pleased to work with you as we chart the future course for one of the most interesting and important cabinet agencies: the Department of the Interior.

Secretary Kempthorne and I have traveled extensively in order to see Interior at work and to talk with Interior employees. We have addressed thousands of Interior employees and have been impressed by the dedication and experience of the talented and dedicated Interior workforce.

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

Managing one in every five acres in the United States, we oversee land and resources that stretch across 12 time zones from the Caribbean to the Pacific Rim. The sun literally never sets on the Department of the Interior. We have the third largest contingent of Federal law enforcement officers, with 3,400 officers and agents. We oversee over 800 dams and irrigation projects. Interior-managed lands and water generate one-third of the Nation's domestic energy supply. The Department serves American Indians, including 561 federally recognized Tribes, Alaska Natives, and our Nation's affiliated island communities. We undertake research and provide information to understand the Earth and assist us in the management of the Nation's water, biological and mineral resources, and monitor all manner of natural hazards including volcanoes, earthquakes, and landslides. We also work with States to restore abandoned mine land sites and protect communities.

**Budget Overview**

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

The budget request for the Bureau of Reclamation and the Central Utah Project Completion Act, programs, which are under the purview of this Subcommittee, is \$1 billion. The Bureau of Reclamation's budget is \$958.4 million and the CUPCA budget is \$43.0 million.

With enactment of the FY 2007 Joint Resolution, we now have a full year appropriation of \$1.0 billion for the Bureau of Reclamation and \$34.0 million for CUPCA. This does not include additional funds that are authorized and will be provided for 50 percent of the January 2007 pay raise. Based on direction in the Joint Resolution we are preparing a detailed operating plan for these two agencies for FY 2007. Once our operating plans are approved we will submit them to Congress on March 17. At that time we will be able to provide comparisons at the program level with the 2008 budget request.

The comparisons in our 2008 budget are with the third 2007 continuing resolution, which was in effect through February 15. Throughout this testimony the comparisons will be on that basis.

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

At the heart of Department's 2008 budget are four major initiatives including:

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

### **The National Parks Centennial Initiative**

The President's 2008 parks budget totals a historic \$2.4 billion. The park operating budget, at \$2.1 billion, provides an increase of \$290 million over the continuing resolution spending level, the largest increase in park operations funding ever proposed. This is \$258.3 million over the 2006 level and \$230 million over the President's 2007 budget for parks.

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

discretionary funds for park operations, would infuse up to \$3 billion into the park system over the next decade.

### **Healthy Lands Initiative**

Another priority for the Secretary is the Healthy Lands Initiative, which will ensure continued access to public lands for traditional uses and recreation, while maintaining strong environmental protections for wildlife and habitat.

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

Focused on six strategic areas, these funds will transform land management from the current parcel by parcel approach to landscape-scale decision making, drawing upon partnerships and new policy tools to provide increased access for energy and other uses, while simultaneously preserving important habitat corridors and sites for the benefit of species. In 2008, including this increase, over 400,000 acres will be restored in partnership with Federal leaseholders, private landowners, state, local, and tribal governments – to benefit wildlife. The Healthy Lands Initiative includes \$22.0 million to fund partnerships with local communities, conservation groups, and companies to rehabilitate and protect working landscapes.

### **The Methamphetamine Crisis in Indian Country**

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

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

The social effects of methamphetamine use are tragic. Addicted mothers are giving birth to drug-addicted babies. The drug is fueling homicides, aggravated assaults, rape, child abuse, and other violent crimes. Violent crime in Indian Country is reaching crisis levels at twice the national average.

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

## **Improving Indian Education**

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

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

## **Interior Priorities for Water Programs**

The Department, through the Bureau of Reclamation, is the largest supplier and manager of water in the 17 western States. The 2008 budget emphasizes Reclamation's core mission of delivering water and power. Reclamation priorities include a focus on ensuring facility integrity and site security and resolving major western water challenges.

In addition to the initiatives I described, Interior's 2008 budget requests resources for priority programs in the Bureau of Reclamation and CUPCA. The 2008 budget for the Bureau of Reclamation includes four major initiatives, including:

- Improving and diversifying water supplies to prevent crises through cooperative, cost sharing efforts funded by Water 2025;
- Development of a Loan Guarantee Program that will help water districts to repair aging infrastructure; and
- The California Bay-Delta Restoration program which supports the efforts of a consortium of Federal and State agencies that are working to improve the health of the ecosystem and water management and supplies;
- Improvements in the safety and reliability of Bureau of Reclamation facilities through the Safety of Dams Program.

## **Water 2025, Preventing Crises and Conflicts**

The 2008 budget includes \$11.0 million for Water 2025. The overarching goal of Water 2025 is to meet the challenge of preventing crises and conflicts over water in the West. Water 2025 will achieve this by increasing the certainty and flexibility of water supplies, diversifying water supplies, and preventing crises through cooperatively adding environmental benefits in many watersheds, rivers, and streams.

The 2008 Water 2025 request includes \$10.0 million for the 50:50 challenge grant program, which relies on local initiative and innovation to identify and formulate the most sensible improvements for local water systems. The request also includes \$1.0 million for system optimization reviews for Reclamation to work on a 50:50 cost-share basis with local entities to assess the potential for water management improvements.

The Administration will submit legislation for the authorization necessary to accomplish the goals of this program.

### **Loan Guarantee Program**

The 2008 request includes \$1.0 million for the Loan Guarantee program which is a critical component of Interior's strategy to address aging water infrastructure challenges in the West. The Loan Guarantee Program uses a business-like approach that recognizes the inability of many water districts to secure funds for expensive rehabilitative repairs without the capability to use Federal facilities as collateral to obtain bank financing. The program was authorized by the Reclamation Water Supply Act in 2006.

The loan program will allow water districts to obtain long-term loans to address major rehabilitation and replacement projects, thereby addressing the key issue facing Reclamation's aging infrastructure. The \$1.0 million included in the 2008 budget will be used for setting up the administrative components of the Loan Guarantee Program.

### **California Bay-Delta Restoration**

The 2008 budget includes \$31.8 million for CALFED. The CALFED Bay-Delta Authorization Act was signed into law in 2004. A Consortium of Federal and State agencies works collaboratively, funding and participating in the CALFED program. Their efforts focus on improving the health of the ecosystem and water management and supplies. In addition, CALFED addresses the issues of water supply reliability, aging levees, and threatened water quality.

The Bay-Delta system is critical to California's economy because the two rivers that flow into the Bay-Delta provide potable water for two-thirds of California's homes and businesses and irrigate more than seven million acres of farmland on which 45 percent of the nation's fruits and vegetables are grown. The Bay-Delta system also provides habitat for 750 plant and animal species, some listed as threatened or endangered.

Funding for California Bay-Delta Restoration is requested in the following program areas: \$7.0 million for the environmental water account; \$8.5 million for the storage program; \$5.0 million for water conveyance, \$1.5 million for ecosystem restoration; \$4.8 million for water quality; \$3.0 million for science; and \$2.0 million for Reclamation's oversight function to ensure program balance and integration.

## **Safety of Dams Program**

A total of \$77.0 million is requested for the Safety of Dams program, an increase of \$8.0 million from 2007 that is primarily for corrective actions at Folsom Dam. The Dam Safety program continues to be one of Reclamation's highest priorities. The program helps ensure the safety and reliability of Reclamation's dams by focusing funding and resources on those facilities, which pose the highest risk to the downstream public. The program includes: investigation, identification, evaluation, decision-making and risk reduction activities. The program accomplishes three main tasks: Safety Evaluations of Existing Dams, Initiating Safety of Dams Corrective Actions, and conducting the DOI Dam Safety program.

By focusing on the safety and reliability of Reclamation's dams, the Dam Safety Program plays a vital role in accomplishing the Department's end outcome goal of delivering water consistent with applicable State and Federal law in an environmentally responsible and cost efficient manner. The efforts of the Dam Safety program are currently measured by the percent of water infrastructure in fair to good condition as measured by the Facility Reliability Rating.

## **Maintaining Core Programs**

The 2008 request for Reclamation's principal operating account is \$816.2 million, which is an increase of \$60.3 million over the 2007 continuing resolution. The budget proposal continues to emphasize assuring operation and maintenance of Bureau of Reclamation facilities in a safe, efficient, economic, and reliable manner; ensuring systems and safety measures are in place to protect the public and Reclamation facilities; working smarter to address the water needs of a growing population in an environmentally responsible and cost-efficient manner; and assisting States, Tribes, and local entities in solving contemporary water resource issues. Funding for each project or program within Reclamation's budget request is based upon Departmental and bureau priorities, compliance with the Department of the Interior strategic plan, and performance accomplishments.

The 2008 request includes a total of \$429.5 million for water and energy, land, and fish and wildlife resource management development activities. Funding in these activities provides for planning, construction, water conservation activities, management of Reclamation lands including recreation, and actions to address the impacts of Reclamation projects on fish and wildlife.

Reclamation's 2008 budget assumes enactment of two legislative proposals. A proposal for the proposal for the Pick-Sloan Missouri Basin program would re-allocate the repayment of capital costs of the program. Power customers would be responsible for repayment of all construction investments from which they benefit. This change would increase reimbursements to the Treasury from power customers by \$23.0 million in 2008. A legislative proposal will be transmitted for consideration to the appropriate congressional authorizing committees.

The 2008 budget reflects the settlement of Natural Resources Defense Council v. Rodgers. The Administration's legislative proposal for the San Joaquin River Restoration Settlement Act, will

include a provision to establish the San Joaquin River Restoration Fund. The legislation will propose to redirect approximately \$7.5 million per year of payments from the Central Valley Project Friant Division and \$9.8 million from the Reclamation Fund, which would be available without further appropriations to implement the provisions of the settlement.

### **Achieving Key Goals**

I would like to call the attention of the Subcommittee to our mission goals and the efforts we are making to achieve results for the Nation in areas that touch on the issues and programs of interest to the Subcommittee.

**Achieving Energy Security** – In his State of the Union address, President Bush underscored that America must enhance energy security. The Department of the Interior plays a key role in advancing this goal. Nearly one-third of the energy produced in the United States each year comes from public lands and waters managed by Interior. To carry out the goals of the Energy Policy Act and enhance the availability of affordable oil, gas, and alternative energy sources, the 2008 budget for Interior programs includes \$481.3 million for energy programs, an increase of \$25.5 million over the 2007 continuing resolution. With these resources, the Department will enhance energy security through increased production, protect the environment, promote conservation, and expand the use of new technologies and renewable energy sources.

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

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

**Healthy Forests Initiative** – The 2008 budget for the Healthy Forests Initiative, a total of \$307.3 million, supports the Department's efforts to reduce the threat of catastrophic wildfire and improve forest and rangeland health. The 2008 budget request funds the Hazardous Fuels Reduction program at \$202.8 million, an increase of \$3.0 million for fixed costs over the 2007

level. An additional \$1.8 million in the hazardous fuels program will be shifted from program support activities to on-the-ground fuel reduction to help treat high-priority acres.

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

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

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

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

## Conclusion

I believe that our 2008 budget will – in its entirety – make a dramatic difference for the American people. We will better conserve our public lands. We will improve our national parks. We will protect our wildlife and its habitat. We will help craft a better future for Indian country and particularly for Indian children. We will better manage and protect water and

related resources and produce the energy that America needs to heat our homes and run our businesses. This concludes my overview of the 2008 budget proposal for the Department of the Interior and my written statement. I will be happy to answer any questions that you may have.