

Manage Natural Resources for a Healthy Environment and a Strong Economy

The Department of the Interior manages a wide variety of natural resources for commercial activities when development can be undertaken in an environmentally responsible manner. These resources, including energy and non-energy minerals, water, timber, grazing land, and hydroelectric power, contribute substantially to virtually all sectors of the economy.

In 1999, the public lands administered by the Bureau of Land Management produced 31 percent of the Nation's coal, 11 percent of its natural gas, and 5 percent of its oil. These lands also produce a large portion of the Nation's commercial minerals and metals, including stone for highways, potash for fertilizers, gold, and silver. Of the total of \$1.16 billion in annual revenues derived from BLM-managed lands, energy and minerals generated more than \$1.1 billion from mineral royalties, rents, bonuses, sales, and fees. The total direct and indirect economic output impact of the mineral production value amounted to \$24.1 billion out of the \$24.7 billion total in commercial activities on public lands administered by the BLM.

The Bureau of Reclamation is one of the largest suppliers and managers of water in the 17 western states, delivering water to 31 million people for agricultural, municipal, industrial, and domestic uses. Reclamation is the Nation's second largest producer of hydroelectric power, generating nearly \$1 billion in annual power revenues. Its multipurpose projects also provide substantial flood control, recreation, and fish and wildlife benefits. Over the past 97 years, Reclamation has developed safe and dependable water supplies and hydroelectric power to foster settlement and economic growth in the West. In recent years, Reclamation has moved from development to management of these important resources. In cooperation

with state, tribal, local, and other entities, Reclamation encourages development of solutions for water supply problems that are consensus based, cost effective, and environmentally sound.

The Minerals Management Service manages the Nation's natural gas, oil, and other mineral resources on more than 1.5 billion acres of the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore federal mineral leases as well as from onshore mineral leases on federal and Indian lands. In 1999, the OCS supplied over 27 percent of the natural gas and more than 20 percent of the oil produced in the United States. Since 1982, approximately \$103 billion in revenues from mineral activities on federal lands has been distributed by the MMS to the U.S. Treasury, states, Indian tribes, and Indian allottees.

The Fish and Wildlife Service manages 66 fish hatcheries that produce 166 million fish. This provides approximately \$5 billion in total economic benefit annually.

The goods, services, and revenues produced on federal lands are economically significant to the Nation and to many local communities, particularly in the western and Gulf Coast states. Interior is committed to making these resources available for appropriate commercial uses while protecting the environment and receiving a fair return for the American taxpayer.

In 1999, the Department employed the following strategies to achieve the goal of managing natural resources for a healthy environment and a strong economy:

“In 1999, public lands and Outer Continental Shelf acres managed by Interior produced 31 percent of the Nation's coal, 38 percent of its natural gas, and 25 percent of its oil.”

Figure 7

Goal 3 – Manage Natural Resources for a Healthy Environment and a Strong Economy	
<i>GPRA Program Activity</i>	<i>1999 Expenses (\$ in millions)</i>
1. Provide Opportunities for Environmentally Responsible Commercial Activities	\$280
2. Reduce Threats to Public Health, Safety, and Property on Public Lands	313
3. Reclamation Facility Maintenance and Rehabilitation	86
4. Water and Energy Management and Development	515
5. Reclamation Facility Operations	506
6. Offshore Minerals Management Program	133
7. Royalty Management Program	89
Total – Goal 3	\$1,922

- Developed interagency and intergovernmental approaches to improving customer service and more effectively sharing limited agency resources; and
- Engaged customers and stakeholders in consensus-building processes.

The major departmental activities to achieve the goal of managing natural resources for a healthy environment and a strong economy are summarized in *Figure 7*.

Provide Opportunities for Environmentally Responsible Commercial Activities

Desired Result: *Provide commercial activities for use of the public lands while maintaining or improving environmental conditions.*

The public lands produce products that are key to the Nation's economy, providing economic stability and growth for local and

regional economies. Public lands also provide substantial returns to the American people. In 1999, these activities generated \$1.16 billion in revenue. Energy and mineral royalties, rents, bonuses, sales, and fees accounted for nearly \$1.1 billion of



Interior contributes to the Nation's economy by providing opportunities for the production and transport of commercial goods and services (photo by BLM).

the total. The direct and indirect economic impact of energy and mineral production on the public lands amounted to an estimated \$24.1 billion.

1999 Performance Indicator

Estimated Economic Impact of Production From Public Land Commercial Activities (\$ in millions)					
	1997	1998	Plan 1999	1999	Plan 2000
Oil and Gas Leasable Materials	\$11,991	\$11,483	N/A	\$10,771	N/A
Coal Leasable Minerals	7,914	7,348	N/A	7,602	N/A
Other Leasable and Salable Materials	3,619	3,531	N/A	2,600	N/A
Locatable Minerals	3,138	3,130	N/A	3,130	N/A
Grazing	384	410	N/A	410	N/A
Timber	439	365	N/A	114	N/A
Realty	34	43	N/A	42	N/A
TOTAL	\$27,528	\$26,310	N/A	\$24,669	N/A

Beginning with 1999, funds from geothermal, carbon dioxide, and helium were added to oil and gas. Previously, geothermal and carbon dioxide were included with other leasable materials. Helium, which was reported separately in 1998, has been combined with oil and gas for the first time.

In 1999, oil and gas revenue decreased significantly due to lower prices. There was a significant reduction in the number of active mining claims and corresponding fees collected. A dramatic decrease in timber sales occurred because of pending lawsuits.

The BLM does not collect locatable minerals production data. The 1999 production value was extrapolated from the 1995 estimate and adjusted for productions patented out of the public lands in subsequent years.

Reduce Threats to Public Health, Safety, and Property on Public Lands

Desired Result: Ensure that public lands and facilities are safe for the public and for employees.

The Bureau of Land Management is responsible for protecting public lands and facilities from unauthorized uses, hazardous materials, illegal dumping, theft, wildfire, and other unsafe conditions. Population growth in rural areas of the West increases risks and responsibilities in fire suppression, search and rescue, and response to natural emergencies. The BLM provides protection for its employees and the public, remediates environmental damage, and determines responsible parties. The public lands contain over \$5 billion of capital improvements such as roads, trails, dams, bridges, buildings, and recreation sites. Use of these facilities is increasing every year.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	2000
Percent of recreation sites in fair or good condition	N/A	79%	81%	80%	N/A
Percent of administrative sites in fair or good condition	N/A	86%	87%	86%	87%
Percent of trails in fair or good condition	N/A	89%	90%	77%	N/A
Percent of roads in fair or good condition	N/A	56%	54%	60%	60%
Percent of bridges in fair or good condition	N/A	91%	92%	92%	94%
Percent of BLM dams in fair or good condition	N/A	55%	57%	56%	59%

In 1999, the BLM completed inventory and condition surveys of administrative sites. The data was used to prepare BLM's Five-Year Maintenance and Construction Plan. BLM intends to reduce the backlog of deferred maintenance at administrative sites with Five-Year Plan funding.

Bridges and dams are inspected on a three year cycle. BLM's Five-Year Plan includes a number of projects to improve dams and roads. BLM intends to reduce the backlog of dam and road improvement projects with Five-Year Plan funding.

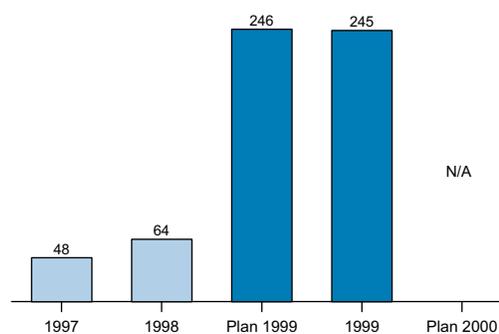
Reclamation Facility Maintenance and Rehabilitation

Desired Result: Ensure the proper maintenance, reliability, and serviceability of Reclamation's facilities and identify and schedule the necessary rehabilitation work.

The Bureau of Reclamation is responsible for maintenance, replacement, and minor additions to infrastructure and structural facilities, including facilities for which Reclamation has direct operation and maintenance responsibility on a daily basis. This includes all aspects of ensuring the proper maintenance, reliability, and serviceability of Reclamation's facilities and identifying and scheduling necessary rehabilitation work. These activities include development and execution of activities designed to quantify facility reliability, improve maintenance practices, determine deficiencies, and identify required corrective actions. These activities also sustain facility dependability and reliability to ensure that facilities are safe from natural and man-made disasters; that the services produced or delivered are available to the public in a safe and dependable manner; and that all cost-effective maintenance activities and practices, technologies, and scientific developments are used to reaffirm the level of reliability and serviceability.

1999 Performance Indicator

Number of Completed Emergency Action Plans for High and Significant Hazard Reclamation Dams



“Reclamation is the Nation’s second largest wholesale water supplier and the fifth largest electric utility in the 17 western states.”



Reclamation manages and operates 348 reservoirs and 58 hydroelectric powerplants (photo by Reclamation).

Emergency Action Plans (EAPs) are considered complete once the plan has been updated and exercised. The results of the exercise are documented and the final plan is approved by management. The 1999 target was revised from 247 to 246 during the year because one dam was reclassified to “low hazard”. Due to this reclassification, an EAP was not required.

The Bureau of Reclamation did not fully achieve its 1999 target because one EAP was updated but the exercise was not completed. Reclamation is trying to work with the local district to exercise EAPs for these facilities. EAPs are a significant activity in ensuring that plans are in place to protect public safety and resources and will continue as an ongoing effort.

Water and Energy Management and Development

Desired Result: *Manage water resources in cooperation with others to improve water quantity and quality for agricultural, municipal, industrial, rural, domestic, hydropower, recreational, and fish and wildlife purposes.*

Water is one of our Nation’s most valuable resources. Sufficient quantity and quality of water is critical to the health, safety, and survival of people, the environment, and the economy. Effective management maximizes overall benefits from the finite, and variable, natural yearly water supply. It better meets competing demands and ensures the availability and quality of water resources for current and future generations. Reclamation strives to effectively operate its facilities to store, deliver, and release the amount of water contracted for by the various users, subject to natural water supply and other physical and legal constraints.

Many Reclamation projects provide the additional benefit of power generation. The demand for power is increasing, and the amount of power that can be generated varies according to water availability. Reclamation strives to effectively operate its power facilities to meet power requirements and the needs of water users and the environment.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	Plan 2000
Actual acre-feet of water delivered under all contracts	N/A	29,761,078	30,700,000	31,287,220	27,310,431
Number of megawatt hours (Mwh) provided/number of Mwh required or contracted	100%	100%	100%	100%	100%

The 1999 performance target of 30.7 million acre feet was an estimate based on the amount of water delivered over the past few years. It is not a predetermined amount required to meet contracts. The amount of water delivered to meet contracts is based on available water supplies, which fluctuate from year to year, and other agreements. There was greater than average precipitation in some regions during 1999, so the amount delivered was above the estimated amount. The 1999 target was achieved since Reclamation delivered the water amounts stipulated in the contractual agreements.

The amount of power delivered is also dependent upon the amount of water available. Contracts and agreements are written to take the annual and seasonal fluctuation of water into account. By operating its facilities in an effective and reliable manner, Reclamation provided power to meet its contracts.

Reclamation Facility Operations

Desired Result: *Operate Reclamation facilities for the purpose of providing project benefits for the delivery of water, power, flood control, fish and wildlife, and recreation activities commensurate with established purposes and legal compliance.*

The Bureau of Reclamation operates and manages principal resources developed or affected by Reclamation facilities including (1) hydroelectric facilities, (2) water supply delivery systems, (3) fish and wildlife facilities, (4) recreation facilities, and (5) flood control.

Reclamation also oversees reviews and long- and short-term planning required to provide timely replacements, upgrades, or modifications to control systems and related communications systems required to maintain system reliability and promote cost-effectiveness.

Reclamation strives to operate its facilities to meet water, power, fish and wildlife, recreation, and flood control requirements while protecting public health and welfare, sustaining environmental values, and providing customer deliveries in a timely and economically sound manner.

During 1999, Reclamation reviewed existing operating plans on Reclamation owned and operated facilities to ensure that operations met authorized project purposes and identified flexibility for modifying operations to accommodate the needs of a broader range of resource uses as changing requirements dictated.

Offshore Minerals Management Program

Desired Result: Provide for safe and environmentally sound mineral development on the Outer Continental Shelf (OCS) and ensure that the public receives fair value.

Today's offshore oil and gas industry is global in scope. The Minerals Management Service continues to expand its collaborative projects with other technologically advanced regulatory countries to promote safe and environmentally sound oil and gas operations worldwide.

The cornerstone process for the MMS's Offshore Program is the process for determining what areas are acceptable and

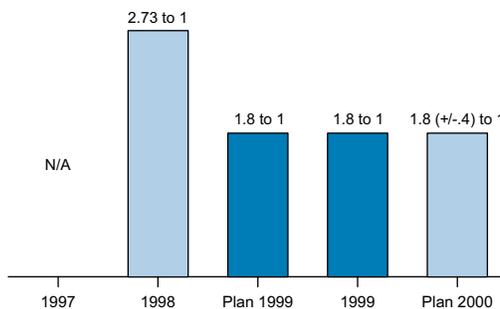
suitable for exploration and development. This process involves an evaluation of OCS areas that are prospective for natural gas, oil, and other marine minerals, and a parallel determination of the potential environmental impacts that may result from leasing and developing these natural resources in these prospective areas. Information critical to the decision process is derived from numerous sources internal and external to the agency including studies, public hearings, results of modeling technical information, and national policies and goals. Where leasing is permitted, other factors ensure that activities conducted on the OCS are consistent with terms of a decision. Such factors include establishing and enforcing regulations, conducting inspections of OCS activities, monitoring impacts, and gathering technical information that could result in improvements in procedures and projected outcomes.



The Minerals Management Service administers the rental, royalty, and other financial terms for approximately 26,000 producing and 54,000 nonproducing mineral leases (photo by MMS).

1999 Performance Indicator

Ratio of High Bids Received for OCS Leases to the Greater of MMS's Estimate of Value or the Minimum Bid is Not Below 1.8 to 1



Interior achieved its target ratio of 1.8 to 1 in 1999 primarily because the Minerals Management Service kept pace with technological advances that industry has made to improve the tract evaluation process. For example, MMS significantly improved its ability to evaluate acreage offered for lease by acquiring geologic interpretive tool worksta-

“Since 1982, Interior has distributed about \$103 billion in revenues from mineral activities on federal lands to the U.S. Treasury, states, Indian tribes, and Indian allottees.”

tions that enable the interpretation and analysis of three-dimensional seismic data. The MMS also acquired more advanced information technology systems.

Royalty Management Program

Desired Result: *Provide timely, accurate, and cost-effective mineral royalty collection and disbursement services.*

The federal government is the largest mineral royalty owner in the United States. The Minerals Management Service is responsible for ensuring that, on average, over \$4 billion in annual revenues from federal and Indian mineral leases is collected, accounted for, verified, and disbursed to appropriate recipients in a timely manner.

The Federal Oil and Gas Royalty Management Act of 1982 established a framework to improve management of federal and Indian mineral royalties. In response to this mandate, MMS has accepted an overall mission to provide timely, accurate, and cost-effective mineral revenue collection and disbursement services.

Using sophisticated, computerized accounting systems, the MMS’s Royalty Management Program (RMP) collects and processes more than \$300 million (mostly via electronic funds transfers) each month. Bonuses, rents, and royalties from more than 80,000 leases amount to several billion dollars each year. Totals fluctuate with market prices, the amount of production, and number of lease sales.

The RMP recently embarked upon a business process reengineering initiative to address all of its core business processes, including financial, accounting, and compliance operations. The objective of this programwide effort is to design and implement new royalty management business processes and support systems for the 21st century. To guide this effort, RMP senior managers established stretch goals calling for radical improvements in accounting and compliance operations. Accomplishing these

goals will require a major refocusing and reorganizing of RMP around its processes and a shift of performance perspective from outputs to outcomes. The expected result is a much different RMP for the future that is process centered, focused on outcomes, less costly, and well positioned to meet a changing and expanding mission.

1999 Performance Indicators

	1997	1998	Plan 1999	1999	2000
Achieve a compliance index of .975	.9695	.961	.975	.9809	.9775
Late disbursement costs are not more than \$45,000	\$62,000	\$35,800	\$45,000	\$40,804	N/A

In 1999, the Minerals Management Service achieved a compliance index of .9809, exceeding the departmental target of .975 percent. The compliance index model annually calculates expected total royalty payments using available systems information and public price data, such as posted price bulletins. Before MMS calculates this index, it waits one year for industry to make adjustments to their royalty and production reports and payments. The index reported in calendar year 1999 is for calendar year 1997.

The MMS will continue to calculate the compliance index until its new systems are in place in October 2001. At that time, MMS will implement its new compliance goal, which will focus on expected value for defined producing areas and properties. Once new systems are in place, MMS will be able to calculate programwide compliance in addition to focusing on compliance by property.

Late disbursement interest is the amount that MMS pays to states and Indian tribes when disbursements of mineral revenues are delayed, typically because MMS has to resolve reporting discrepancies. The goal is to minimize interest costs. In 1999, the MMS paid \$40,804 in interest costs, which was approximately \$4,200, or 9 percent, under the target.