

**Statement of Neil G. Kornze, Director
Bureau of Land Management, U.S. Department of the Interior
House Natural Resources Committee
Subcommittee on Energy and Mineral Resources
FY 2016 Budget Request for Bureau of Land Management Energy and Minerals Programs**

Mr. 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) particularly as it relates to energy and minerals. 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 advanced energy development in the world and some of North America's most wild and sacred landscapes.

With such a large footprint and a complex mission, the land management professionals of the BLM make hard choices every day to manage the public lands on behalf of the American people. Whereas other Federal agencies may be directed to primarily support development or conservation, at the BLM we do it all. This unique role often puts the BLM in the middle of some of the most challenging natural resource issues facing our country, from species conservation to advancements in energy extraction. Across the country, we do this work proudly and with a special emphasis on transparency and public processes to incorporate the input and needs of the American people and of the communities in which we live and work.

As an agency, we are relatively small in number – just 10,000 employees – 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 \$5.0 billion 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. The BLM budget request makes significant investments in 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, approving 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.

In 2014, the BLM proposed a rule for competitive leasing in order to promote renewable energy development at appropriate sites in areas that have been determined optimal for wind and solar energy production. Offering lands through a competitive leasing process will allow the BLM to plan smarter by targeting future development toward low-conflict lands close to existing or planned transmission capability. Increased production of renewable energy will create jobs, provide clean energy, and enhance U.S. energy security by adding to the domestic energy supply. The President has established an aggressive goal to increase 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 renewable energy projects on public lands.

Conventional Energy – The BLM has 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. We are proud to be a leader in this area. The BLM continues to make public lands available for oil and gas development in excess of industry demand.

The BLM works closely with partners across the country to ensure development of 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. The additional funding will help make the BLM faster and smarter in responding to management issues, 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 for offshore development. The new fee schedule 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 needed to fulfill the agency's high priority inspection workload. 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.

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. Once fully operational, the new system will automate workflows to be consistent with BLM standards and will minimize the need for manual data entry, thereby improving efficiency and data quality.

Coal produced from Federal lands represents 40 percent of all U.S. production. 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.

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.

Legislative Proposals

Oil & 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.

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.

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.

Conclusion

The President's FY 2016 budget request for the BLM's energy and minerals programs makes important investments at a critical time for our agency and for the lands we manage across the Nation. This budget request reflects the Administration's commitment to promote safe and environmentally-sound energy development on public lands, as well as to ensure the American people receive a fair return for the public's resources. 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.