

**STATEMENT OF CARSON (PETE) CULP
ASSISTANT DIRECTOR, MINERALS, REALTY
BUREAU OF LAND MANAGEMENT.
HOUSE RESOURCES COMMITTEE
SUBCOMMITTEE ON ENERGY AND MINERALS RESOURCES**

**"EFFECTS OF MINING CLAIM FEES ON DOMESTIC EXPLORATION:
ARE THEY WORTH IT?"
March 29, 2001**

Madame Chairman and members of the Subcommittee, I appreciate the opportunity to appear here today to discuss the Bureau of Land Management's (BLM) operation of the mining law administration program and our use of the dedicated funds from the \$100 claim maintenance fees. The General Accounting Office (GAO) has presented their findings.

A bit of history is instructive. When Congress enacted the \$100 holding fee, for fiscal years beginning with 1993, it was done as a replacement to the requirement of \$100 worth of labor or improvements on the claim, known as assessment work, to keep the claim under the Mining Law of 1872. The BLM was allowed to keep the holding fee and use it for the administration of the mining law. Both assessment work requirement and the \$100 claim maintenance fee did not apply or impact exploratory activities. Rather they impact the next step under the mining law, the staking of a claim.

At the request of the House and Senate authorizing committees, GAO conducted a review of BLM's use of the mining law administration monies. As described previously by the GAO, this included a review of \$2.7 million, roughly 70%, of spending in the contracts/services category for fiscal year 1998. The GAO also conducted a limited review of labor spending in the first ten months of fiscal year 2000. The GAO surveyed a sample of BLM employees to ascertain understanding as to how they charged time to the 1990 budget subactivity.

In a letter dated February 28, 2001 from the Acting Assistant Secretary to the GAO, the BLM concurred with the findings in the GAO report and with the four recommendations it contains. I will quote the pledges made in that letter:

The BLM appreciates the advice and assessment the GAO has given to our Mining Law Administration Program. We are aware of our responsibility to account for the costs crucial to the proper management of this Program. The BLM will endeavor to improve monitoring, guidance and training to ensure the accuracy of costs associated with the Mining Law Administration Program.

The identified mischarges to the contracts/services category have been corrected. The BLM is committed to correcting the specific instances of labor mischarges which have been identified by the GAO. We have instituted new instruction as to coding, new databases and software to enable better monitoring, and a mining law program review of where the workload is so we can make appropriate adjustments in our field budgets.

The BLM has taken prompt and effective actions to remedy the instances of improper charges to the mining law administration program. After GAO reviewed contracts/services for fiscal year 1998, the BLM Director promised quick remedial action. We conducted an intensive in-house (at Washington office, the centers, and field offices) examination of these charges. We expanded the scope of this review from GAO's focus on fiscal year 1998 to include fiscal year 1999. All 1990 subactivity contracts over \$1,500 were reviewed.

Most were legitimate charges to mining law administration. For example, the \$3,500 Hollywood Show Lights contract on first glance might raise questions. As the name indicates, Hollywood Light is principally a movie industry provider of specialized lighting facilities and vehicles. However, they had staff and heavy

equipment resources at the time when BLM was conducting a bid solicitation. Hollywood Light was awarded two contracts for the removal of trash and material from public land in the Tick Canyon area of Los Angeles County (\$2,450) and to install protective earthen barriers (\$700) in the same area. Upon review, both the BLM and the GAO determined this to have been a proper utilization of mining law administration funds.

Other questioned charges should have been charged to other subactivities. The BLM made the appropriated changes; \$716,000 from the contracts/services category were charged to other activities under the BLM's policy to charge the benefitting subactivity. An example of this is \$10,000 spent in fiscal year 1998 in Wyoming on aerial photos to minimize impacts to other resources from mineral development. After BLM's review, we split the \$10,000 cost of this contract to budget subactivities: 1010, soil, air & water; 1020, range, and 1050, cultural. Cumulatively, BLM has remedied the \$716,000 of improper charges to 1990 through internal budget adjustments for fiscal years 2000 and 2001.

The situation as to miscoding of labor to 1990 is different. The GAO review was quite limited. The GAO did not review all employees whose time was charged to 1990 subactivity. Rather they surveyed a sample of 117 employees and asked for their understandings and recollections as to how their time was charged. The states of Idaho and New Mexico were not included. The data GAO received was subjective - i.e., employee's recollections of broad (budget) categories to which their work was tied. Clearly, much confusion among the surveyed employees was evident. Some employees thought they charged too much to the program, others too little; some said their supervisors or their budget officers directed their decisions as to where to charge their time.

In our February response to GAO we said we would make adjustment as practicable. Our intention is to review GAO work papers of their survey, which they will discuss with us within the next 2 weeks, to ascertain which specific individuals had miscoding in fiscal year 2000 and to make appropriate adjustments. We do not plan to adopt GAO's extrapolation from the survey group data to all labor within 1990. The survey was limited, subjective, and people's memories too fallible. We are obviously unable to value the amount of possible labor miscoding at the present time.

BLM is taking the GAO report and their recommendations to heart and has embarked on changes. We have reiterated through Instruction Memorandum the permissible types of activities and contracts which may be charged to the mining law administration program. The BLM has developed a web based Management Information System (MIS) which has greatly increased the availability and ripeness of cost data. Previously after a lag of several months costs data was provided on microfiche cards (requiring a special magnifying reader). Now as quickly as the end of each 2-week pay cycle, new labor charges to the 1990 subactivity may be monitored and if necessary more properly assigned.

BLM is surveying the mining law administration workload in field offices and the skill mix among our personnel. We will use the results of this survey to realign budget resources. A significant amount of miscoding is the result of field offices having no other viable source of funding. If the field office is funded in a manner which is in synch with their work load, this temptation to miscode will be removed. Furthermore, the BLM has revitalized our internal evaluation process, which promotes consistency in policy implementation among our field offices.

Madame Chairman, this concludes my prepared statement. I would be pleased to answer any questions that you or the other Subcommittee Members may have.