

**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 2017 Budget Request for Bureau of Land Management Energy and Minerals Programs

Mr. Chairman and Members of the Subcommittee, thank you for inviting me to provide a statement on the President's Fiscal Year 2017 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 – including the management of renewable and conventional energy development, livestock grazing, timber production, hunting, fishing, recreation, and conservation. This means thoughtful development in the right places to drive economic opportunities for local communities while protecting natural, cultural and historic areas that are simply too special to develop.

While broadly speaking, the BLM's mission has not changed in the 40 years since Congress passed the Federal Land Policy and Management Act, carrying out that mission has grown ever more complex. As a result, the BLM has opened a new chapter in how the national public lands are managed on behalf of the American people. While maintaining a local focus, the BLM is working on a landscape-scale to successfully address complex regional challenges. For instance, the BLM has undertaken unprecedented efforts to conserve Greater Sage-grouse; to devise new approaches to prevent and respond to wildfire; to make land-use planning efforts more timely, science-driven and adaptable; and to promote responsible energy development on public lands while also managing for a wide range of other uses. To encourage these resource stewardship and development objectives, the BLM increasingly shifts from a reactive, project-by-project resource planning approach to more predictable and effective management of its lands and resources. The goal is to provide greater certainty for project developers when it comes to energy permitting and better outcomes for conservation through more effective and efficient project planning.

The BLM's work contributes significantly to the economic and financial health of the country and to the States where BLM lands and resources are found. For example, activities associated with BLM-managed lands and minerals contributed an estimated \$114 billion to the Nation's economic output, supporting nearly 450,000 jobs, in FY 2014. And, while the BLM receives just over \$1.0 billion in annual discretionary appropriations to support programs nationwide, this work has contributed to the collection and distribution of more than \$5.0 billion to the U.S. Treasury and to State and local governments in recent years.

Our FY 2017 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 2017 budget requests \$1.3 billion for BLM operations and activities, more than \$7 million above the BLM's FY 2016 enacted level. The budget proposes \$1.1 billion for the Management of Lands and Resources appropriation, an increase of \$2.9 million above the 2016 enacted level. The change in total program resources from 2016 to 2017 is somewhat larger, as the budget proposes offsetting user fees in the Rangeland Management and Oil and Gas Management programs which reduce requested funds by \$64.5 million. The budget requests \$107.0 million for the Oregon and California Grant Lands appropriation. The budget also proposes \$44.0 million in discretionary funding for Land Acquisition, to complement \$44.8 million proposed in mandatory Land Acquisition funding.

While managing for a wide range of uses, the BLM made significant progress in 2015 promoting responsible energy development on public lands. The BLM facilitated substantial capital investments by industry in clean energy development, advanced modern safety and production-measurement regulations, made progress developing master leasing plans for oil and gas areas, and made critical investments in technological upgrades to facilitate key aspects of its workload in its Oil and Gas Management program.

Renewable Energy – The BLM continues its national leadership role in the production of clean, American-made renewable energy. Since 2009, the BLM has approved 57 renewable energy projects on public lands, including 34 utility-scale solar facilities, 11 wind farms, and 12 geothermal plants, with associated transmission corridors and infrastructure to connect with established power grids. In 2015 alone, the BLM approved five solar energy projects that, if fully built, will bring an additional 977 megawatts of electric generation capacity online with the potential to create approximately 5,600 construction and operations jobs. In addition, the BLM approved six transmission projects to help unlock wind and solar resources that cannot be currently accessed due to lack of infrastructure to bring energy to the grid. Among those are the SunZia transmission project in Arizona and New Mexico that has the potential to add up to 3,000 megawatts of renewable electrical capacity in the Southwest. These approvals put the BLM 75 percent of the way to the President's Climate Action Plan goal of approving projects that will generate 20,000 megawatts of renewable energy by 2020.

The BLM also made progress developing a competitive leasing process to help spur solar and wind energy development on public lands. The proposed regulations will enable the agency to better manage development of these renewable energy sources, improving efficiency for developers while providing reassurance that lands not suitable for development will be protected.

The BLM budget request maintains funding for Renewable Energy at essentially the 2016 enacted level, providing the BLM with the necessary resources to continue to aggressively facilitate and support solar, wind, and geothermal energy development and the important capital investments they represent. A top program priority is the continued implementation of the Western Solar Plan, which covers six western States and provides for a more efficient and predictable permitting process by focusing development in solar energy zones with the highest resource potential and fewest conflicts. Evidence of the value of these zones can be found in the three new projects in the Dry Lake Solar Energy Zone in Nevada that were approved in 2015.

Conventional Energy – The safe and effective management of the BLM Oil and Gas Program continues to be an Administration priority as noted by this budget’s continued strong support for further strengthening the management of onshore oil and gas development. The current measurement regulations, which underpin collection of revenue owed to the taxpayer, date to the late 1980s and must be updated to reflect advancements in measurement technology, industry standards and practices, and applicable legal requirements that have taken place since promulgation of the original regulations. The recently finalized hydraulic fracturing rule along with the methane waste prevention rule currently under development will help protect the health and safety of the public and the environment while also preventing the waste of valuable taxpayer-owned resources. The 2017 budget request includes a program increase of \$15.2 million to support implementation of these rules and regulations and to complete modernization of BLM’s Automated Fluid Minerals Support System.

Both the regulatory and oversight reforms and the technology investments address recent Government Accountability Office (GAO) and Office of Inspector General (OIG) audit recommendations to improve program oversight, better account for revenues, increase efficiency and protect natural resources. The budget also includes a program increase of \$2.6 million for oil and gas special pay costs to improve BLM’s ability to recruit and retain high caliber oil and gas program staff essential to BLM’s ability to provide effective oversight and meet workload and industry demand. The budget request includes an increase of \$2.8 million to enhance BLM’s capability to address high-priority legacy wells that pose environmental hazards in the National Petroleum Reserve-Alaska. These legacy well cleanup funds supplement permanent mandatory funds provided by the Helium Stewardship Act of 2013.

As with prior budget requests, the 2017 budget continues to request authority to charge onshore inspection fees similar to those already in place for offshore oil and gas inspections. Such authority will reduce the net cost to taxpayers of operating BLM’s oil and gas program and allow the BLM to be more responsive to industry demand and increased inspection workload in the future while reducing the need for current discretionary appropriations that could otherwise be directed toward other priority programs. This proposed fee would bring onshore oil and gas inspections and oversight in line with offshore oil and gas management, where inspection and related activities are funded through precisely the type of operator fee the BLM is proposing.

Coal – Federal coal resources will continue to be an important component of the Nation’s energy mix. The BLM has a responsibility to all Americans to ensure the coal resources it manages are administered in a responsible way to help meet our energy needs while ensuring taxpayers receive a fair return for the sale of these public resources. As a result of comments expressed during the five listening sessions held in 2015 and recommendations from OIG/GAO audits, in January 2016, the Secretary issued Secretarial Order 3338 that places a pause on new leasing (with certain limited exceptions) until the BLM completes a full programmatic review of the program. A programmatic environmental impact statement will provide a vehicle to undertake a comprehensive review of the Federal coal program and consider whether and how the program may be improved and modernized to foster the orderly development of BLM administered coal on Federal lands while considering the impact on important stewardship values and ensuring a fair return to the American public.

Legislative Proposals

Establishing a BLM Foundation – The budget request includes a legislative proposal to establish 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 & Gas Management Reforms – The Administration proposes a package of legislative reforms to bolster and backstop administrative actions being taken to strengthen the management of Interior’s onshore oil and gas programs. These actions are focused on improving the return to taxpayers from the leasing 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 the onshore royalty rate; 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 and permanent repeal of Interior’s authority to accept in-kind royalty payments.

Hardrock Mining Reform – The 2017 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.

Conclusion

The President’s FY 2017 budget request for the BLM provides sustainable benefits across the West and for the Nation as a whole. It protects unique wildlife habitat and ecosystem functions that are also essential sources for clean water, clean air, carbon sequestration, nutrient cycling and cultural preservation; strengthens oversight of onshore oil and gas development while providing increased efficiencies in developing these economic resources; and maintains working landscapes for grazing, timber and recreation. 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. I will be glad to answer any questions.