

DEPARTMENT OF THE INTERIOR

Since 2001, the Administration has:

- Funded nearly 6,000 national park facility improvements, and maintained high visitor satisfaction rates, according to annual surveys;
- Helped meet the Nation's energy needs by more than doubling annual energy permit processing on Federal lands;
- Advanced cooperative conservation through Private Stewardship Grants and Landowner Incentive Programs that will have funded over 1,000 projects with over 1,500 partners; and
- Reduced hazardous fuels on 5.9 million acres of Department of the Interior managed lands through the Healthy Forests Initiative.

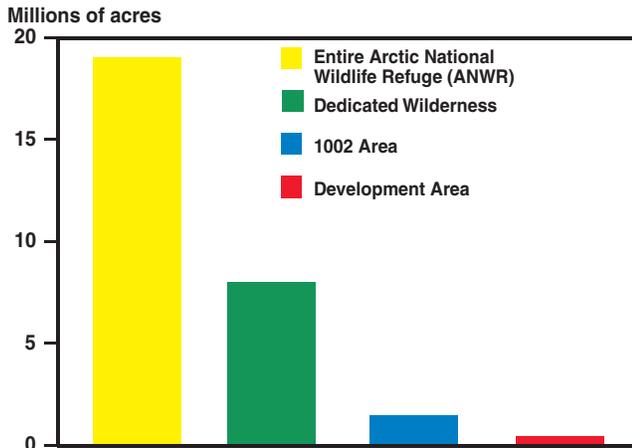
The President's Budget:

- Supports the Nation's energy needs through funding increases for onshore permitting; leasing programs for oil shale and renewable energy development; and inspection, enforcement, and monitoring of oil and gas operations;
- Helps communities achieve self-sustained management of historical and cultural properties by promoting heritage tourism through Preserve America grants;
- Sustains operational funding to continue high satisfaction ratings from visitors to national parks, refuges, forests, and public lands;
- Advances conservation of wetlands, uplands, and coasts; and protects wildlife through cooperative conservation programs;
- Terminates funds for lower priorities or programs duplicative of other Federal efforts, such as grants for recreation on non-Federal lands and supplemental financial support to State public schools for culturally-related and supplementary academic needs; and
- Helps fulfill the Federal Government's trust responsibilities by slowing the growth of fractional interests in individual Indian lands through consolidation.

FOCUSING ON THE NATION'S PRIORITIES

Energy Activities

Oil and Gas Development Area in ANWR



For presentation purposes, the Development Area is shown oversized so that it is visible on the chart.

Reducing the Nation's dependence on foreign energy sources is a top Administration priority. The United States imports more than half of its daily oil consumption of 20 million barrels, and in the future will also import more natural gas. The lands and waters administered by the Department of the Interior (DOI) provide one-third of the Nation's domestically produced oil and gas. The 2007 Budget proposes a \$42 million package of strategic investments to enhance the availability of affordable oil, gas, and other energy resources, while maintaining strong environmental protections.

Administrative improvements in the Bureau of Land Management's (BLM's) processing of applications to drill, together with selected funding increases, have allowed for the production of 3.1 trillion cubic feet of natural gas from onshore

Federal lands in 2004, a nearly 50-percent increase over 2002. In 2007, BLM expects that applications for permits to drill will reach a record level of more than 11,000. A funding increase of \$9 million will allow BLM to meet the current workload, maintain rigorous inspection of wells under development and in production, and enforce against permit violations.

The most promising area for new onshore discoveries of oil in the United States is the North Slope of Alaska. The Administration supports authorizing limited exploration and development on the coastal plain of the Arctic National Wildlife Refuge (ANWR), using the strictest environmental standards. DOI estimates that this area holds between 5.7 billion and 16 billion barrels of recoverable reserves, or, at peak production, up to one million barrels per day of new domestic oil supply. The 2007 Budget will support necessary environmental reviews to begin ANWR leasing and fund continued leasing of the National Petroleum Reserve-Alaska. Additional funds will also clean up old contaminated well sites in Alaska.

Facilitating development in frontier areas and production of unconventional and renewable energy resources is a sensible component of a comprehensive energy strategy. To provide for continued development of the oil and gas potential of the deepwater areas of the Outer Continental Shelf, the 2007 Budget includes \$2 million for environmental studies of areas under consideration for leasing in the next five-year offshore leasing plan. The Budget also provides funding to establish a comprehensive program to manage offshore wind and other renewable energy projects and to prepare for future leasing of unconventional resources such as oil shale and natural gas hydrates.

Preserve America



Jonesborough, Tennessee, a designated Preserve America Community.

The President's Preserve America initiative assists local communities in designing heritage tourism programs that support sustainable uses for historic assets and create economic opportunities for communities. Nowhere is this needed more right now than along the Gulf Coast where hundreds of historic structures have been damaged. These heritage assets are magnets for visitors from around the world, driving a tourism industry that is critical for the economic recovery of New Orleans and other coastal areas.

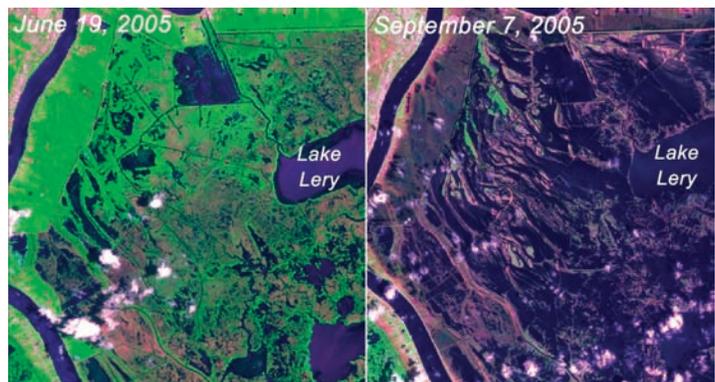
Under the Preserve America umbrella, the 2007 Budget includes three grant programs to address different challenges in promoting heritage tourism.

Preserve America grants help States and communities preserve their historic resources by incorporating them into the local economies; Save America's Treasures grants help restore historic sites and collections; and National Heritage Area grants provide seed money for congressionally designated, but locally managed, heritage areas. These complementary programs will leverage a Federal investment of \$32 million that allows local communities to determine which strategies best suit their heritage needs and helps them coordinate cultural resource preservation.

Hurricanes Katrina and Rita

DOI rose to the challenges brought on by the devastating effects of Hurricanes Katrina and Rita. The hurricanes severely affected oil and gas production in the Gulf of Mexico, which provides more than 25 percent of the oil and 20 percent of the natural gas produced domestically. At Rita's peak, companies shut down all oil production and 80 percent of natural gas production in the Gulf.

Minerals Management Service employees immediately began to work with companies to bring facilities back on line after the storms. Since then, great progress has been made: as of the beginning of January 2006, only 27 percent of daily oil production and 19 percent of daily gas production remained "shut-in." In addition to these efforts, DOI deployed more than 2,000 employees from all DOI bureaus to the Gulf region to secure DOI facilities and help Federal, State, and local agencies assist storm victims by distributing food and water and working with recovery efforts. Using satellite and aerial photography, U.S. Geological Survey (USGS) employees provided rescue teams with maps to pinpoint the locations of 911 calls from more than 16,000 stranded residents.



The loss of wetlands due to Hurricane Katrina is documented with before and after Landsat satellite images from USGS. Green areas that indicate healthy wetlands in the June image are largely stripped of vegetation and submerged in the September image.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Cooperative Conservation

Working collaboratively with partners to enhance, enjoy, and protect our natural resources and wildlife has led to creative, innovative, and successful results. This approach is embodied in the President's August 2004 Executive Order on Facilitating Cooperative Conservation. An August 2005 White House Conference on Cooperative Conservation in St. Louis, Missouri, brought together over 1,300 citizens and decision makers to identify opportunities for building conservation partnerships and institutionalizing cooperative conservation. These conservation efforts enhance on-the-ground environmental results by leveraging resources, promoting innovation, and inspiring citizen stewardship. Continuing the spirit of the Executive Order and the Conference, the 2007 Budget includes \$323 million for cooperative conservation programs at DOI.

Among the cooperative conservation programs at DOI are the Landowner Incentive, Private Stewardship, and State and Tribal Wildlife grant programs in the Fish and Wildlife Service (FWS). Through these programs, DOI employees work with States, Tribes, communities, and landowners to conserve sensitive habitats. Through North American Wetlands Conservation grants, DOI helps fulfill the goals of the President's wetlands initiative. These grants leverage resources from organizations and individuals to conserve wetlands and associated upland habitats needed by waterfowl and other migratory birds.

National Fish Habitat Initiative

Exemplifying cooperative conservation is the National Fish Habitat Initiative (NFHI). NFHI is a nationwide strategy that harnesses the energies, expertise, and existing partnerships of State and Federal agencies and conservation organizations to improve aquatic habitat health and promote the recovery and restoration of fisheries. The 2007 Budget includes \$3 million to implement the initiative by developing new partnerships modeled after the Migratory Bird Joint Ventures, and finalize an action plan with national goals and performance standards similar to the successful North American Waterfowl Management Plan. In addition to NFHI, the Budget is helping aquatic species restoration in many ways, including doubling the funding to remove man-made barriers that block fish movement.

Water 2025

Through Water 2025, the Bureau of Reclamation seeks to use its existing resources to prevent crises and conflict over water in the West. The 2007 Budget requests \$15 million to continue the Water 2025 initiative. These funds will help achieve the program's newly established long-term goals, which focus resources on Hot Spot areas likely to experience water conflicts in the next 20 years (see the Water 2025 Hot Spot Map, www.doi.gov/water2025/supply). These goals include diversifying water supplies, such as through improving technology and infrastructure and supporting water markets; increasing water supply certainty and flexibility; and providing added environmental benefits to watersheds in Hot Spot areas.

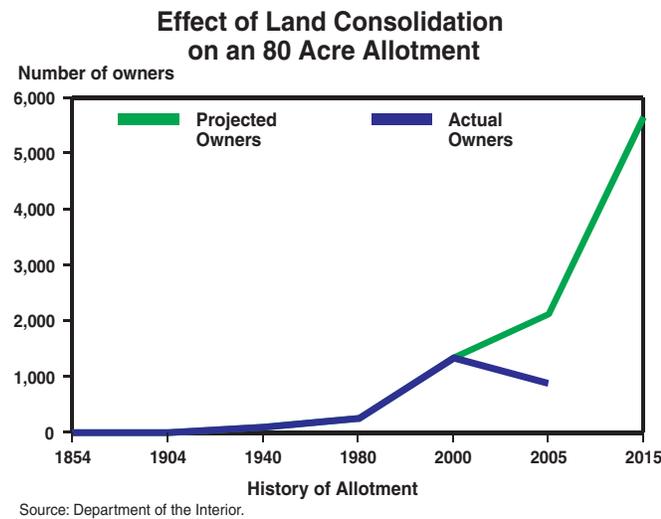
Klamath Basin, Oregon and California

Working with other Federal, State, tribal, and local organizations, DOI is helping restore the Klamath Basin ecosystem and establish a sustainable balance for water use in the area. In 2007, DOI will improve the reliability of water supplies and water quality, improve habitat, and restore fish populations. DOI will: 1) continue work to remove the Chiloquin Dam in Oregon, which will open hundreds of miles of spawning habitat for endangered fish; 2) acquire key wetlands adjacent to Upper Klamath Lake to expand water storage, provide new juvenile sucker rearing habitat, and reestablish natural processes that filter and cleanse water supplies—all of which will improve the success rate of young fish maturing into breeding adults; and 3) match public-private habitat restoration efforts in the Lower Basin through the FWS Partners for Fish and Wildlife program.



Removing the aging and dilapidated Chiloquin Dam will open up many miles of spawning habitat to endangered fish. Installing pumps will allow irrigators to continue to get the water once provided by the dam.

Indian Land Consolidation Program



Individual Indians own about three million interests in over 10 million acres that divide into smaller portions with each generation. Approximately 85 percent of these interests represent ownership of five percent or less of an allotted tract. The difficulty of managing millions of small interests in highly fractionated tracts of land lies at the root of the complexity and cost of managing the Indian trust. Over the past several years, DOI has purchased and consolidated over 184,000 individual interests. The accompanying chart illustrates the program’s positive impact on reducing the rate of fractionation, projected prior to the passage of the American Indian Probate Reform Act of 2004, of an actual 80-acre tract

of land. The 2007 Budget includes \$59 million to build on this success. The Administration will consult with the Tribes this spring and propose legislation that would provide needed technical corrections and administrative improvements for implementing trust reform, which will continue to improve services to Indian trust beneficiaries.

FOCUSING ON THE NATION'S PRIORITIES—Continued

Abandoned Mine Land (AML) Restoration

In 1977, the Congress passed the Surface Mining Control and Reclamation Act and authorized the collection of fees generated from coal production to pay for reclamation activities. The authorization expires on June 30, 2006, although more than \$3 billion in health and safety work remains undone, potentially affecting more than 3.5 million Americans who live less than one mile from abandoned coal mines.

A 2004 Program Assessment Rating Tool (PART) assessment found that the Office of Surface Mining effectively manages the program and coordinates well with coal-mining States. However, the assessment found that the program's design hinders the timely cleanup of abandoned coal mine lands. The formula under the 1977 law distributes funds to States and Tribes even if they have already reclaimed all of their high priority sites, while States with significant health, safety, and water quality problems lack funds for timely reclamation of these sites.

The Administration proposes to extend the coal fee at the current rate through the end of 2007, and to work with the Congress to find a fiscally responsible and fair way to modify the program that would: 1) effectively address serious health and safety problems; 2) pay the certified States and Tribes their share of AML fund balances over 10 years; and 3) continue the fee to fund the remaining work.

RESTRAINING SPENDING AND MANAGING FOR RESULTS

State Recreation Grants

The 2007 Budget reiterates a proposal to terminate funding for Land and Water Conservation Fund (LWCF) State recreation grants, which the Congress partially accepted last year. Paying for improvements to State and local parks is a decision better left to State and local taxpayers than to Federal taxpayers. As a PART review found, this program has not been able to measure performance or demonstrate results.

Improving Management of the Nation's Landscapes and Water

The 2007 Budget proposes three steps to improve availability of environmental information. First, USGS will improve the timeliness of the National Land Cover Dataset (NLCD) by transitioning the program to update the dataset every five years. NLCD provides nationally consistent information to improve decisions that affect the health of the Nation's land. Second, the 2007 Budget requests an increase of \$16 million for USGS to continue development of the ground systems needed to receive and manage data from the next generation of Landsat satellites. Landsat data populate NLCD and provide 30 year of baseline information to measure changes in land cover around the globe. Landsat and NLCD are managed under the USGS Geography program that received an effective PART rating. Third, the Budget will increase funding for the National Streamflow Information Program to provide about 80 additional streamgages in 2007. Streamgages are the primary sources of information needed to manage water quality and quantity.

Recovering Costs for Energy Permitting

To ensure the Government receives fair compensation for the use of the Nation's land and minerals, the Budget proposes to repeal certain provisions in the recently-enacted Energy Policy Act. A last-minute addition to the bill prohibited the Administration from implementing new fees for oil and gas permit processing on Federal lands and provided a mandatory stream of funding for permit processing from funds that previously went to the U.S. Treasury.

The Budget proposal supports the Administration's efforts to charge for Government services where the direct beneficiary can be identified. This will shift these costs from taxpayers and allow DOI to better process permit applications as demand increases. The proposed fees are expected to generate approximately \$20 million per year beginning in 2008, thereby reducing the cost to taxpayers for operating this program.

Visitor Enjoyment of National Parks

Each year, people make nearly 300 million visits to America's national parks. Whether a family odyssey out West or a side trip to a local historic site, these visits contribute to our understanding of who we are. As John Muir noted a century ago, parks are "fountains of life." That remains just as true today.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

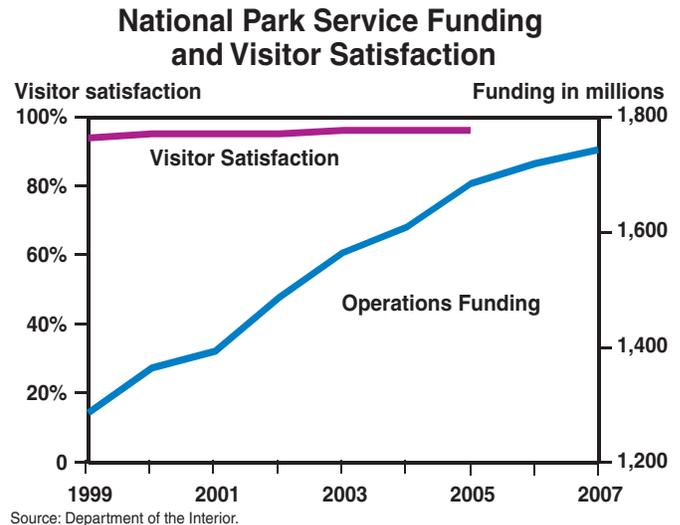
Surveys show that visitors are consistently satisfied with their experiences at our national parks. Visitor satisfaction is at record levels, in fact. Every year since 1998, about 95 percent of park visitors have rated the overall quality of services as good or very good (see accompanying chart). The 2007 Budget for the National Park Service (NPS) improves upon its ability to maintain visitor services and meet growing visitor requirements, while enhancing administrative capability.

To meet the challenges, NPS is constantly looking for ways to improve management. One initiative evaluates the “core operations” at individual parks to ensure that park resources focus on functions that are essential to achieving park mission goals. For natural resources, NPS is using its Natural Resource Challenge to identify and track the “vital signs” of the health of a park ecosystem. For park facilities, NPS continues to systematically assess the condition of buildings and other assets; by the end of 2006, NPS will have completed comprehensive condition assessments on all of its regular assets.

The 2007 Budget emphasizes cyclic and preventive maintenance to keep facilities in acceptable condition. Increasing cyclic project dollars will enable parks to maintain assets on a predictive schedule, rather than allowing them to fall into disrepair. Construction funding will decline in 2007, returning to sustainable levels after the completion in 2006 of a five-year funding initiative to address the maintenance backlog. NPS will improve or keep facility conditions at current levels by using the Facility Condition Index and other measures to prioritize and target funding, thereby ensuring a high level of visitor service and park performance.

Reforming Federal Land Sales

The Federal Land Transaction Facilitation Act (FLTFA) was enacted by the Congress in 2000 to better rationalize BLM’s land ownership patterns and encourage the sale of lands that do little to contribute to the Agency’s mission. FLTFA allows BLM to retain the proceeds from the sale of certain public lands to cover the administrative costs of those sales and to acquire other high-value parcels within specially-designated areas, such as national parks, refuges, and monuments. The 2007 Budget proposes to amend FLTFA by expanding the set of lands that DOI would be authorized to sell under the Act and by allowing some of the sale proceeds to be spent on a broader array of environmental projects. Under the proposal, DOI would be able to retain a portion of the proceeds from the sale of BLM lands that have been identified for disposal in any BLM land use plan. This proposal would return 70 percent of net proceeds to the Treasury. In addition, 100 percent of revenues in excess of \$60 million per year would be returned to the Treasury. This proposal will allow BLM more flexibility over which lands it sells, minimize the amount of Federal spending not subject to regular oversight through the appropriations process, and ensure that taxpayers directly benefit from these land sales.



Recovering Endangered Species

The purpose of the Endangered Species Act (ESA) is to recover threatened and endangered species so that they no longer need the protection of the Act. FWS plays a vital role in guiding, facilitating, supporting, and monitoring the implementation of protections for species stemming both from its own programs and from the resources invested by other Interior bureaus, Federal agencies, States, Tribes, private landowners, nonprofit organizations, and other partners. These partnerships increase FWS' ability to effectively protect endangered and threatened species. In 2007, FWS will spend roughly \$66 million to draft and implement recovery plans. DOI will also leverage more than \$180 million in a suite of programs designed to help species recover, prevent species from becoming listed under the ESA, or keep them off the list once they have recovered.



The Yellowstone grizzly bear.

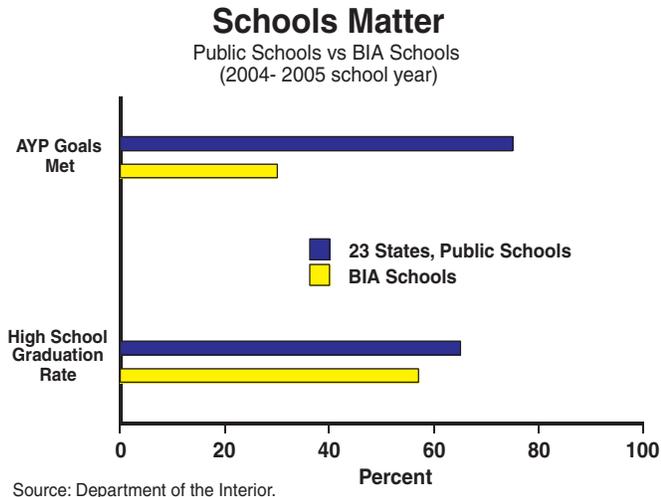
Recovery of species is neither quick nor easy. Nonetheless, the Nation is achieving some significant results on the ground through successful partnering with private landowners, conservation organizations, and Federal, State, and local governments. The proposed delisting of the Yellowstone grizzly in 2005 exemplifies these partnerships. The Yellowstone grizzly population, once plummeting toward extinction, has now recovered. NPS and FWS will each allocate \$500,000 to help implement the Yellowstone Conservation Strategy, a long-term framework for managing the grizzly bears and monitoring the population after the delisting.

Pick-Sloan Missouri Basin Program

Consistent with last year's request, the Budget proposes to redistribute costs of the Pick-Sloan Missouri Basin Program to power customers who are using the dams and power plants, originally built during the 1950s and 1960s, in part to support irrigation. The proposed reallocation will recover outstanding project costs from these power customers who currently benefit from the project.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

Indian Education Programs and School Construction at BIA Schools



only 30 percent of BIA schools met their AYP. This does not compare favorably with the public schools located in the 23 States where BIA has schools; the number of individual public school districts meeting their AYP targets averaged 75 percent for the same year. (See accompanying chart.)

The Administration is concerned about AYP statistics in Indian Country and is taking positive steps to revitalize Indian education. Current performance is not acceptable, and the 2007 Budget includes additional funding to restructure the BIA Office of Indian Education Program and establish leadership positions that will be accountable for monitoring and helping BIA schools achieve AYP targets. In addition, BIA has developed Program Improvement and Accountability Plans, similar to those used by underperforming States to achieve better performance.

The 2007 Budget continues to provide significant funding for BIA school construction that is sufficient for fully or partially funding up to four replacement schools and several major rehab projects. (One of BIA's latest and largest projects is shown in the accompanying photo.) BIA expects to complete 19 replacement schools in 2006 and 2007 that were funded during the last several years.

Education is critical to ensuring a viable and prosperous future for Tribes and individual Indians. The Bureau of Indian Affairs (BIA) provides an education to Indian children on federally recognized reservations at 170 elementary and secondary BIA schools across 23 States. The school population is about 46,000—roughly seven percent of all Indian children attending elementary and secondary schools in the Nation—but has been declining annually.

A principal objective of BIA is to achieve Adequate Yearly Progress (AYP) in all BIA funded schools. The AYP is the accountability system under the No Child Left Behind Act that measures student proficiency in math, reading, and language arts. During school year 2004–2005,



Santa Fe Indian School in New Mexico. A new \$40 million, 250,000 sq. ft. campus with modern classrooms and dormitories for 900 7-to-12th graders has replaced buildings more than 100 years old. Approximately 60 percent of the students live on campus. The classrooms and dorms were finished in August, and a student life center is nearing completion.

Reforming Tribal Priority Allocation Funding

Tribal Priority Allocations (TPA) funds basic tribal services, such as tribal courts, social services, adult vocational training, child welfare, and natural resources management. These funds help advance Indian self-determination by enabling Tribes to establish their own priorities and move Federal funds among programs.

A key factor in strengthening Indian self-determination is a Tribe’s ability to contract or compact for BIA-operated programs. The Indian Self-Determination Act requires BIA to provide contract support costs to Tribes willing to take over these BIA programs. The 2007 Budget proposes a \$19 million increase for BIA to fully fund indirect costs for contracting Tribes.

The Administration believes TPA could be improved by targeting funding to the areas of greatest need. The funding process used today is a formula allocation based on historical funding levels established in the early 1970s, and has remained essentially unchanged. DOI will consult with Tribes on how best to focus program funds on areas of need, considering the incentive effects of any such reallocation. The Administration continues to support Tribes as they strive for self-determination.

Update on the President’s Management Agenda

The table below provides an update on DOI’s implementation of the President’s Management Agenda as of December 31, 2005.

| | Human Capital | Competitive Sourcing | Financial Performance | E-Government | Budget and Performance Integration |
|----------|---|---|---|---|---|
| Status |  |  |  |  |  |
| Progress |  |  |  |  |  |

As part of the Human Capital initiative, DOI has linked employee performance plans to organizational goals for more than 60 percent of its employees and is enhancing diversity in mission-critical operations and leadership positions. DOI has a long-term competitive sourcing plan in place, and is striving to implement workforce plans using public-private competition to improve the cost-efficiency of non-core mission areas, address significant workforce skill imbalances, and modernize business processes. In 2005, DOI faced challenges in the implementation of the new Financial and Business Management System, but has taken management action and is moving forward with the project. DOI will devote greater attention to meeting E-Government initiative milestones, work with the Inspector General to address security issues identified, and ensure that Earned Value Management is incorporated into all information technology investments. DOI continues to manage two Presidential E-Government Initiatives. Recreation One-Stop, www.recreation.gov, reduces the time citizens expend searching for information about recreation sites and reservations. Geospatial One-Stop, www.geodata.gov, reduces the burden on public entities by creating consistency, compatibility, and easy access to geospatial data. DOI is expanding its use of Activity Based Costing as a management and planning tool, and is increasingly using performance information to justify its budget requests. To improve program performance, DOI is tracking implementation of its PART improvement plans.

RESTRAINING SPENDING AND MANAGING FOR RESULTS—Continued

| Initiative | Status | Progress |
|---|---|---|
| Real Property Asset Management |  |  |
| <p><i>Arrow indicates change in status rating since the prior evaluation as of September 30, 2005.</i></p> <p>DOI has made progress in completing an Asset Management Plan, assessing the condition of its facilities, and reporting to a Government-wide inventory database. The next step is for DOI to use this information in managing its diverse portfolio of buildings, roads, trails, and other assets.</p> | | |

Department of the Interior
(In millions of dollars)

| | 2005 | Estimate | |
|--|------------|-----------|----------|
| | Actual | 2006 | 2007 |
| Spending | | | |
| Discretionary Budget Authority: | | | |
| Bureau of Land Management | 1,798 | 1,732 | 1,760 |
| Minerals Management Service | 174 | 158 | 164 |
| Office of Surface Mining | 297 | 294 | 298 |
| Abandoned Mine Land fee extension | — | — | –312 |
| Bureau of Reclamation/CUPCA | 966 | 1,011 | 890 |
| U.S. Geological Survey | 935 | 962 | 945 |
| Fish and Wildlife Service | 1,292 | 1,308 | 1,292 |
| National Park Service | 2,315 | 2,256 | 2,156 |
| Bureau of Indian Affairs | 2,296 | 2,274 | 2,222 |
| Office of the Special Trustee | 228 | 223 | 244 |
| All other | 489 | 554 | 481 |
| Total, Discretionary budget authority | 10,790 | 10,772 | 10,139 |
| <i>Memorandum: Budget authority from enacted supplementals</i> | <i>109</i> | <i>82</i> | <i>—</i> |
| Total, Discretionary outlays | 10,816 | 11,108 | 10,715 |
| Mandatory Outlays: | | | |
| Existing law | –1,543 | –1,795 | –1,038 |
| Legislative proposal | — | 6 | –36 |
| Total, Mandatory outlays | –1,543 | –1,789 | –1,074 |
| Total, Outlays | 9,273 | 9,319 | 9,641 |
| Credit activity | | | |
| Guaranteed Loan Commitments: | | | |
| Indian guaranteed loan program | 42 | 75 | 58 |
| Total, Guaranteed loan commitments | 42 | 75 | 58 |