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Department of the Interior
Before The Subcommittee on Energy
and Water Development
Committee on Appropriations
United States Senate
On the President's Fiscal Year 2012 Budget Request
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Madame Chair, Mr. Alexander, and members of this Subcommittee, I am pleased to appear before you today to discuss the President's FY 2012 budget for the Department of the Interior. I would also like to thank the members of this subcommittee for your ongoing support for our initiatives over the last two years.

The 2012 budget builds on that strong foundation with \$12.2 billion requested for the Department of the Interior. The budget demonstrates that we can responsibly cut the deficit, while investing to win the future and sustain the national recovery. Our budget promotes the actions and programs that America told us are important in 50 listening sessions across the Country. In response, we developed a new 21st Century conservation vision – America's Great Outdoors. The budget continues to advance efforts that you have facilitated in renewable energy and sustainable water conservation, cooperative landscape conservation, youth in the outdoors, and reforms in our conventional energy programs.

I will also discuss the President's FY 2012 budget request for implementation of the Central Utah Project Completion Act, and I thank the subcommittee for your continued support of the Central Utah Project Completion Act Program as well.

Introduction

Interior's mission – to protect America's natural resources and cultural heritage and honor the Nation's trust responsibilities to American Indians and Alaska Natives – is profound. Interior's people and programs impact all Americans.

The Department is the steward of 20 percent of the Nation's lands including national parks, national wildlife refuges, and the public lands. Interior manages public lands and the Outer Continental Shelf, providing access for renewable and conventional energy development and overseeing the protection and restoration of surface-mined lands. Through the Bureau of Reclamation, Interior is the largest supplier and manager of water in the 17 western States and provides hydropower resources used to power much of the country. The Department supports cutting edge research in the earth sciences – geology, hydrology, and biology – to inform resource management decisions at Interior and improve scientific understanding worldwide. The Department of the Interior also fulfills the Nation's unique trust responsibilities to American Indians and Alaska Natives, and provides financial and technical assistance for the insular areas.

The Department of the Interior makes significant contributions to the Nation's economy. It supports over 1.3 million jobs and over \$370 billion in economic activity each year. Parks, refuges, and monuments generate over \$24 billion in economic activity from recreation and tourism. Conventional and renewable energy produced on Interior lands and waters results in about \$295 billion in economic benefits and the water managed by Interior supports over \$25 billion in agriculture. The American outdoor industry estimates 6.5 million jobs are created every year from outdoor activities.

2010 Accomplishments

At the start of the Administration, Interior set on a course to create a comprehensive strategy to advance a new energy frontier; tackle the impacts of a changing landscape; improve the sustainable use of water; engage youth in the outdoors; and improve the safety of Indian communities. These priority goals integrate the strengths of the Department's diverse bureaus and offices to address key challenges of importance to the American public. Interior has been making progress in these areas, including:

Approving 12 renewable energy projects on public lands that when built, will produce almost 4,000 megawatts of energy, enough energy to power close to one million American homes, and create thousands of construction and operational jobs.

Designating more than 5,000 miles of transmission corridors on public lands to facilitate siting and permitting of transmission lines and processing more than 30 applications for major transmission corridor rights-of-way.

Establishing three of eight planned regional Climate Science Centers and nine of 21 Landscape Conservation Cooperatives.

Issuing grants to water districts and other water delivery authorities resulting in the conservation of 150,000 acre-feet of water.

Increasing the number of youth employed in conservation through Interior or its partners by 45 percent over 2009 levels.

Reducing overall crime in four Indian communities as a result of a concerted effort to increase law enforcement officers, conduct training in community policing techniques, and engage the communities in law enforcement efforts.

The Department advanced key priorities and strategic goals that will improve the conservation and management of natural and cultural resources into the future:

Interior, along with the Department of Agriculture, the Environmental Protection Agency, and the Council on Environmental Quality, participated in the White House Conference on America's Great Outdoors and held 50 public listening sessions across the Country that have helped shape a conservation vision and strategy for the 21st Century. We have released a report, *America's Great Outdoors: A Promise to Future Generations* that lays out a partnership agenda for 21st century conservation and recreation.

In the spirit of America's Great Outdoors, we welcomed new national wildlife refuges in Kansas

and Colorado and proposed a new conservation area in Florida at the headwaters to the Everglades. These refuges mark a new era of conservation for the Department, one that is community-driven, science-based, and takes into account entire ecosystems and working landscapes.

The Department worked with others to develop an action plan to help address water supply and environmental challenges in the California Bay-Delta area, invested over \$500 million in major water projects over the past two years, and moved forward on long-standing water availability issues in the Colorado River Basin.

In December, the Secretary issued a recommendation to Congress to undertake an additional 5.5 miles of bridging on the Tamiami Trail in the Everglades above and beyond the 1-mile bridge now under construction. When combined with other planned work in the Everglades Agricultural Area and water conservation areas, this project should restore 100 percent of historic water quantity and flow to Everglades National Park.

With the help of Congress, we brought about resolution of the Cobell v. Salazar settlement and resolved four Indian water rights issues through enactment of the Claims Resolution Act of 2010. We also completed negotiation of a new Compact of Free Association with the island of Palau which awaits Congressional approval.

In December of last year, the President hosted the second White House Tribal Nations Conference bringing together tribal leaders from across the United States; we are improving the Nation-to-Nation relationship with 565 Tribes.

Fiscal Responsibility

Interior's 2012 budget must be viewed in the context of the difficult fiscal times facing the Nation and the President's freeze on discretionary funding. The 2012 budget reflects many difficult budget choices, cutting worthy programs and advancing efforts to shrink Federal spending. The budget contains reductions totaling \$1.1 billion or 8.9 percent of the 2010 Enacted level. Staffing reductions are anticipated in some program areas, which will be achieved through attrition, outplacement, and buy-outs to minimize the need to conduct reductions in force to the greatest extent possible. These reductions are a necessary component of maintaining overall fiscal restraint while allowing us to invest additional resources in core agency priorities.

This budget is responsible. Interior's \$12.2 billion budget funds important investments by eliminating and reducing lower priority programs, deferring projects, reducing redundancy, streamlining management, and capturing administrative and efficiency savings. It maintains funding levels for core functions that are vital to uphold stewardship responsibilities and sustain key initiatives. The 2012 request includes \$11.2 billion for programs funded by the Interior, Environment, and Related Agencies appropriation. The 2012 request for the Bureau of Reclamation and the Central Utah Project Completion Act, funded in the Energy and Water Development Appropriations Act, is \$1.1 billion in current appropriations, \$78.3 million or seven percent below the 2010 enacted level.

Investing in the Future

America's Great Outdoors - Last year, the Administration initiated a national dialogue at the White House Conference on America's Great Outdoors. In 50 listening sessions held across the Country, the public communicated their conservation and recreation priorities, and the result is a report to the President, *America's Great Outdoors: A Promise to Future Generations*. The report outlines how the Federal Government can support a renewed and refreshed conservation vision by working in collaboration with communities, farmers and ranchers, businesses, conservationists, youth and others who are working to protect the places that matter to them and by engaging people across the country in conservation and recreation.

The 2012 America's Great Outdoors initiative focuses on investments that will lead to healthy lands, waters and resources while stimulating the economy – goals that are complementary. Through strategic partnerships, Interior will support and protect historic uses of lands, restore lands and resources, protect and interpret historic and cultural resources, and expand outdoor recreation opportunities. All of these activities have significant economic benefits in rural and urban communities.

Youth - Furthering the youth and conservation goals of the America's Great Outdoors initiative, the 2012 budget proposes to continue engaging youth by employing and educating young people from all backgrounds.

Interior is uniquely qualified to engage and educate young people in the outdoors and has programs that establish connections for youth ages 18 to 25 with natural and cultural resource conservation. These programs help address unemployment in young adults and address health issues by encouraging exercise and outdoor activities. For example, Interior is taking part in the First Lady's *Let's Move* initiative to combat the problem of childhood obesity. Interior has long-standing partnerships with organizations such as the 4-H, the Boy Scouts, the Girl Scouts, the Youth Conservation Corps, and the Student Conservation Association. These programs leverage Federal investments to put young people to work and build a conservation ethic.

Cooperative Landscape Conservation - Interior's 2012 budget realigns programs and funding to better equip land and resource managers with the tools they need to effectively conserve resources in a rapidly changing environment. Significant changes in water availability, longer and more intense fire seasons, invasive species and disease outbreaks are creating challenges for resource managers and impacting the sustainability of resources on public lands. These changes result in bark beetle infestations, deteriorated range conditions, and water shortages that negatively impact grazing, forestry, farming, as well as the status of wildlife and the condition of their habitats. Many of these problems are caused by or exacerbated by climate change.

Interior's 2012 Budget includes \$175.0 million for cooperative landscape conservation, an increase of \$43.8 million. The budget funds the completion of the Climate Science Centers and Landscape Conservation Cooperatives, the organizing framework for the Department's efforts to work collaboratively with others to understand and manage these changes. These efforts will allow the Department to meet its priority goal to identify resources vulnerable to climate change

and implement coordinated adaptation response actions for 50 percent of the Nation by the end of 2012.

Water Challenges - Interior is working to address the 21st Century pressures on the Nation's water supplies. Population growth, aging water infrastructure, changing climate, rising energy demands, impaired water quality and environmental needs are among the challenges. Water shortage and water use conflicts have become more commonplace in many areas of the United States, even in normal water years. As competition for water resources grows, the need for information and tools to aid water resource managers also grows. Water issues and challenges are increasing across the Nation, but particularly in the West and Southeast due to more prolonged droughts than we have experienced historically. Traditional water management approaches no longer meet today's needs.

Reclamation proposes to fund the rebased WaterSMART at \$58.9 million, \$11.0 million below 2011 levels. The three ongoing WaterSMART programs include: the WaterSMART Grant program funded at \$18.5 million; Basin Studies funded at \$6.0 million; and the Title XVI Water Reclamation and Reuse program funded at \$29.0 million. The rebasing adds the existing Water Conservation Field Services program, funded at \$5.1 million, and participation by Reclamation in the Cooperative Watershed Management program, funded at \$250,000. WaterSMART is a joint effort with the USGS. The USGS will use \$10.9 million, an increase of \$9.0 million, for a multi-year, nationwide water availability and use assessment program.

Other significant programs and highlights specific to Reclamation include:

In 2010, the Secretary issued a Secretarial Order establishing the WaterSMART program which embodies a new water sustainability strategy. WaterSMART coordinates Interior's water sustainability efforts, creates a clearinghouse for water conservation best practices and implements a Department-wide water footprint reduction program to reduce consumption of potable water by 26 percent by 2020.

We are in dialogue with Mexico on the management of the Colorado River. We have ongoing efforts to improve our management of resources on the Colorado River, from renewable hydropower development near the headwaters to a pilot program of desalination near the Mexican border.

We are actively pursuing workable solutions to regional issues such as in the California Bay-Delta. The Bay-Delta is a source of drinking water for 25 million Californians and sustains about \$400 billion in annual economic activity, including a \$28 billion agricultural industry and up until recently supported a thriving commercial and recreational fishing industry. Our efforts in the Bay-Delta are focused on co-leading an inter-agency effort with the Council on Environmental Quality (CEQ) to implement the December 2009 Interim Federal Action Plan for the California Bay-Delta Conservation Plan. In coordination with five other Federal agencies, we are leveraging our activities to address California water issues, promote water efficiency and conservation, expand voluntary water transfers in the Central Valley, fund drought relief projects, and make investments in water infrastructure. Over the past two years, we have

invested over \$500 million in water projects in California. We have also, in close coordination with NOAA and the state of California, worked on the California Bay-Delta Conservation Plan, a long-term plan aimed at restoring both reliable water supplies and a healthy Bay-Delta ecosystem.

On March 22 we announced an update to the Water Supply Allocation for Central Valley Project (CVP) water users for 2011. This updated allocation reflects improved precipitation and snowpack in the Sierra Nevada Mountains in the last month. We are pleased to report that the current allocation for most CVP contractors is 100 percent of their contract supply. Agricultural water service contractors South-of-Delta allocations have been increased from 50 percent to 65 percent and municipal and industrial contracts from 75 percent to 90 percent. These allocations represent good news given recent years, but many challenges remain. We will continue to work with our Federal, State and local partners to improve water supply reliability while addressing significant ecological issues. The Bureau Reclamation is continuing to update the forecast to provide the most current information to its stakeholders.

Hydropower

Hydropower is a very clean and efficient way to produce energy and is a renewable resource. Each kilowatt-hour of hydroelectricity is produced at an efficiency of more than twice that of any other energy source. Further, hydropower is very flexible and reliable when compared to other forms of generation. Reclamation has nearly 500 dams and 10,000 miles of canals and owns 58 hydropower plants, 53 of which are operated and maintained by Reclamation. On an annual basis, these plants produce an average of 40 million megawatt (MW) hours of electricity, enough to meet the entire electricity needs of over 9 million people on average.

Reclamation and FERC have an existing MOU, signed in 1992, that addresses the establishment of processes for early resolution of issues related to the timely development of non-Federal hydroelectric power at Bureau of Reclamation facilities. Reclamation and FERC recently met to discuss how to improve the timeliness of the processes developed in that MOU and resolution of authority issues.

Reclamation is assessing the potential for developing low-head hydroelectric generating capacity on Federally-owned canals and conduits.

Overall, the Department shares the Committee's view that interagency coordination can leverage Federal and private sector investment in additional hydropower development. This consideration was foremost in the Department's signing a Memorandum of Understanding with the Department of Energy and U.S. Army Corps of Engineers on March 24, 2010 to increase communication between Federal agencies and strengthen the long-term relationship among them to prioritize the generation and development of sustainable hydropower. This Administration is committed to increasing the generation of environmentally sustainable, affordable hydropower for our national electricity supplies in as efficient a manner as possible.

Indian Land and Water Settlements - Interior's 2012 budget includes \$84.3 million in the Bureau of Reclamation and Bureau of Indian Affairs to implement land and water settlements.

The Bureau of Reclamation's budget includes \$51.5 million for the initial implementation of four settlements authorized in the Claims Resolution Act of 2010. The legislation included water settlements for the Taos Pueblo of New Mexico and Pueblos of New Mexico named in the Aamodt case, the Crow Tribe of Montana, and the White Mountain Apache Tribe of Arizona. Reclamation's contribution to the Navajo-San Juan settlement is also included in the account.

The Claims Resolution Act of 2010 establishes trust funds for Tribes to manage water systems and settlement funds to develop infrastructure. The primary responsibility for constructing these water systems was given to the Bureau of Reclamation, while the Bureau of Indian Affairs is responsible for the majority of the trust funds, which includes \$207.2 million in mandatory funding in 2011.

These settlements will deliver clean water to the Taos Pueblo and the Pueblos of Nambe, Pojoaque, San Ildefonso, and Tesuque in New Mexico, the Crow Tribe of Montana, and the White Mountain Apache Tribe of Arizona. In addition to funding for the initial implementation of these four settlements, Reclamation's budget includes \$24.8 million for the Navajo-Gallup Water Supply project. In the 2012 budget, Reclamation is establishing an Indian Water Rights Settlements account to assure continuity in the construction of the authorized projects and to highlight and enhance transparency. Both Reclamation and the Bureau of Indian Affairs are working cooperatively to implement the settlements.

CUPCA

I am pleased to provide the following information about the President's Fiscal Year 2012 budget request for implementation of the Central Utah Project Completion Act.

The Central Utah Project Completion Act, Titles II - VI of P.L. 102-575, provides for completion of the Central Utah Project (CUP) by the Central Utah Water Conservancy District. The Act also authorizes funding for fish, wildlife, and recreation mitigation and conservation; establishes an account in the Treasury for deposit of these funds and other contributions; establishes the Utah Reclamation Mitigation and Conservation Commission to coordinate mitigation and conservation activities; and provides for the Ute Indian Rights Settlement.

The 2012 request for the Central Utah Project Completion Account provides \$33 million for use by the District, the Mitigation Commission, and the Department to implement Titles II - IV of the Act, which is \$9 million less than the 2010 Enacted level. The decrease in funding for the 2012 budget is due in part to accelerated funding provided in 2009 through the American Recovery and Reinvestment Act and in part to the Administration's effort to reduce the deficit.

The request for the District includes \$28.5 million to fund the designs, specifications, land acquisition, and construction of the Utah Lake System (\$18.5 million). This includes full

funding (\$10 million) for construction of the Provo River Canal Enclosure Project, which when completed will provide 8,000 acre-feet of conserved water for endangered fish and convey 30,000 acre-feet of CUP water.

The request includes \$2 million for the Mitigation Commission to implement the fish, wildlife, and recreation mitigation and conservation projects authorized in Title III (\$1.8 million) and to complete mitigation measures committed to in pre-1992 Bureau of Reclamation planning documents (\$200,000), all of which are necessary to allow CUP operations.

Finally, the request includes \$2.5 million for the Program Office for endangered species recovery and operation and maintenance costs associated with instream flows and fish hatchery facilities (\$954,000) and for program administration (\$1.6 million).

Conclusion

Thank you for the opportunity to testify on behalf of the President's FY 2012 budget request for the Department of the Interior. I want to reiterate my appreciation for the long-standing support of this Subcommittee. This budget has fiscal discipline and restraint, but it also includes forward looking investments. We have a tremendous opportunity to improve the future for all generations with wise investments in healthy lands, clean waters and expanded energy options.

I look forward to working with you to implement this budget. This concludes my overview of the FY 2012 budget request for the Department of the Interior. I am happy to answer any questions that you may have.