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United States Senate

COMMITTEE ON
ENERGY AND NATURAL RESOURCES

WASHINGTON, DC 20510-6150

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February 26, 2008

The Honorable Kent Conrad, Chairman
The Honorable Judd Gregg, Ranking Member
Committee on the Budget
United States Senate
Washington, D.C. 20510-6100

Dear Chairman Conrad and Senator Gregg:

This letter responds to your request of February 5, and sets forth the views and estimates of the Committee on Energy and Natural Resources on the federal budget for fiscal year 2009.

The Department of Energy

The President is requesting \$25 billion for the Department of Energy in fiscal year 2009, which represents an increase of \$1.13 billion or 4.7 percent over the Department's current appropriation. The request reflects major increases for the Department's science, fossil energy, and nuclear energy programs in response to the Energy Policy Act of 2005, the America Competes Act, and the Energy Independence and Security Act of 2007. The Administration's request is intended to foster basic scientific research, accelerate the development of clean energy technologies, develop carbon capture and storage technologies, and promote the deployment of new nuclear power plants.

Most of our Members of our Committee are generally supportive of these increases. In particular, most of us strongly support the Administration's request for increased funding for the Department's science programs. These increases are needed to fulfill the goals of the American Competes Act, which Congress enacted last year to promote basic research in the physical sciences, encourage scientific discovery and technological innovation, and preserve our technological and economic competitiveness.

In addition, most of our Members are generally supportive of the increases in the Department's fossil energy budget that will support the development of clean coal technologies and carbon capture and storage technologies. Many of us, however, do not support the Administration's decision to terminate research on oil and natural gas, which would make coal the only fossil fuel studied by the Department. Moreover, many of us do not support the Administration's proposal to double the size of the Strategic Petroleum Reserve or to continue filling the Reserve with the Government's royalty oil at a time when oil supplies are strained and prices are at a record high.

Most of our Members support the Administration's goal of promoting the licensing of new nuclear power plants, and its Nuclear Power 2010 and Generation IV programs supporting that goal. There is, however, no longer a consensus among our Members on nuclear waste policy. Some of us continue to support the Department's longstanding and statutorily directed efforts to license the Yucca Mountain geologic waste repository, and the Administration's request for funds necessary for this purpose. Others, in light of the continuing difficulties in obtaining funding for the Yucca Mountain program, support new approaches to the storage and treatment of spent nuclear fuel, including the use of recycling technologies. Others, in turn, oppose spent nuclear fuel reprocessing and funding for the Administration's Global Nuclear Energy Partnership. Many of us, on both sides of the policy divide, believe that the fees paid into the Nuclear Waste Fund should be made available for the purpose for which they were collected.

Regrettably, the Administration has offset its proposed increases for science, fossil energy, and nuclear energy, in part, with deep cuts in the Department's energy efficiency and renewable energy programs. Although the Administration seeks increased funding for a few of these programs, including biofuels, wind power, geothermal energy, and vehicle technology, it cuts funding for hydrogen, solar, and water power, and industrial energy efficiency programs. Most Members of the Committee oppose many of these cuts.

Most troubling of all, the Administration is proposing to terminate the weatherization assistance program, which helps low-income families make their homes more energy efficient. This important program reduces energy consumption, lowers the heating and cooling bills of low-income families, and provides jobs and stimulates economic growth in low-income communities. In addition, studies shows that weatherizing homes is one of the most cost-effective steps that can be taken to reduce greenhouse gas emissions and climate change. Most of us believe that the funding for the Department's weatherization program needs to be substantially increased in order to weatherize many more homes, and strongly oppose the Administration's proposal to eliminate the program.

In addition, the Energy Independence and Security Act of 2007 authorizes several new programs that, if implemented, will improve energy efficiency across all economic sectors and provide incentives for technologies and practices that will mitigate climate change. Most of us believe these programs should be funded in fiscal year 2008.

The Department of the Interior

The President is requesting \$10.7 billion in discretionary appropriations for the Department of the Interior in fiscal year 2009, which is \$388.5 million or 3.5 percent less than the Department's current appropriation (excluding supplementals and permanent appropriations). The President's request is also \$7.5 billion less than the \$18.2 billion of mineral leasing and other receipts the Department expects to collect in fiscal year 2009. Many of us believe that the President's request is inadequate to address the many challenges facing the Department.

The Committee is generally supportive of several of the new initiatives proposed in the Department's budget. In particular, many of our Members support the Administration's National Parks Centennial Challenge to increase funding for the national parks, either through additional appropriations or mandatory spending if an appropriate budget offset can be found. In addition, we support the Water for America initiative to help communities secure reliable water supplies.

In addition, some of us agree with the Administration's conclusion that "royalty relief for oil and gas exploration is unwarranted in today's price environment," and support its proposal to repeal royalty relief for deep water leases and deep gas produced in shallow water on the Outer Continental Shelf.

The proposed budget also contains, on the other hand, several proposals with which many of our Members strongly disagree.

First, the Administration is again proposing to lease part of the Arctic National Wildlife Refuge for oil and gas production. The Senate has considered and failed to pass similar legislation in each of the last several Congresses. The Committee—like the Senate as a whole—remains deeply divided over this issue. We do not believe that this Congress is likely to enact legislation to open the ANWR to oil and gas development.

Second, the Administration has renewed its proposal to amend the Federal Land Transaction Facilitation Act to divert most of the revenues resulting from the sale of surplus public lands into the Treasury. Under current law, these revenues are placed into a special account, where they are available, without further appropriation, to purchase private inholdings within federally designated areas. Most Members of the Committee continue to oppose this proposal and support the current treatment of these funds.

Third, the Administration is proposing to make "net receipts sharing" permanent. Net receipts sharing deducts two percent of the States' share of mineral leasing receipts to defray the Department's administrative costs. Net receipts was authorized during fiscal year 2008 by the Consolidate Appropriations Act, 2008. Many of us strongly oppose the Department's proposal to deduct administrative costs, much less make the policy permanent.

Finally, many of us strongly oppose the Administration's proposals to reduce or eliminate funds for several programs of particular concern to us.

First, many of us oppose the Administration's proposed cut in the Land and Water Conservation Fund spending. The Fund was established over forty years ago to ensure adequate outdoor recreation opportunities for our expanding population. Under current law, a portion of the federal receipts collected from oil and gas leasing on the Outer Continental Shelf, up to \$900 million per year, are dedicated to the acquisition of outdoor recreation areas at both the federal and state levels. Last year, the Administration requested only \$59 million for the federal side of

the program, the smallest amount in the program's forty-two year history. This year, the Administration requests even less—only \$51 million—for the federal program, and nothing for the state program.

Second, many of us are concerned that the Administration has again failed to request adequate funds for the Payments in Lieu of Taxes program, which is crucial to the economic well-being of communities in our public land states. Under current law, the program is authorized to receive approximately \$370 million for payments to western counties and local governments. The Administration has proposed only \$195 million, a 15 percent reduction from the current year's enacted level of \$229 million.

Third, many of us are also deeply concerned by the Administration's proposed cuts in water programs that are vitally important to communities throughout the West. Although, as previously noted, the budget proposes a new \$21 million "Water for America" initiative to bolster some of the Nation's water science programs, the benefits of this modest initiative are far outweighed by the deep cuts the Administration proposes in the Bureau of Reclamation's budget, in rural water projects, in water reuse and recycling projects, in site security, and in water science and technology programs.

In addition, many of us are concerned by the Administration's proposal to halve the funding for the U.S. Geological Survey's Mineral Resources program. The proposed cut, if adopted, will delay the National Mineral Resources Assessment by several years, reduce the production of mineral commodity reports, eliminate research on environmental effects of mining, end grants to States under the external research program, and eliminate research on rare and scarce metals needed for emerging technologies.

Forest Service

The President is requesting \$4.1 billion in discretionary appropriations for the Forest Service in fiscal year 2009, which is 8 percent less than the Department's current appropriation. Of this amount, nearly \$2 billion or half the budget request is for fire programs. Overall funding for the Forest Service has declined over the past decade, while spending on fire programs has dramatically increased. As a result, when adjusted for inflation, non-fire programs have been reduced by 35 percent compared to fiscal year 2001. The Committee believes that more money is needed for both fire and non-fire programs, and that budget increases for fire programs should not come out of the budget for non-fire programs.

The Committee is also concerned that the Administration has, in recent years, underestimated the cost of fighting fires. It has done so because it has based its fire suppression budget on a rolling ten-year average of prior fire-fighting costs when fires are growing worse and becoming more expensive to fight. Some of us believe that the Forest Service should base its fire suppression budget on, at most, a five-year average, to more accurately reflect the program's cost. While this change will result in higher budget requests for fire suppression, we believe, as

we have already said, these increases should not reduce non-fire programs; both programs need to be increased.

In addition, the Committee is disappointed in the Administration's "county payments" proposal. The Secure Rural Schools Act has, in recent years, provided these payments to rural counties affected by declining timber harvests on federal lands. The Act expired in 2006 and the last payments were made in 2007. The Administration is proposing to extend those payments at reduced and declining levels in 2009, 2010, and 2011, after which they will cease. Most of our Members support continuation of these payments at a higher level.

Reserve Funds

The Committee expects to consider legislation during the second session of the 110th Congress to authorize the National Parks Centennial Challenge, the San Joaquin River restoration settlement, the Navajo Nation water rights settlement, and additional county payments under the Secure Rural Schools Act, to cover emergency wildfire management expenses, and to fully and permanently fund Payments in Lieu of Taxes. We respectfully request the opportunity to work with the Committee on the Budget to craft appropriate reserve funds for each of these items for inclusion in this year's budget resolution.

We appreciate this opportunity to provide our views and estimates to your Committee and look forward to working with you.

Sincerely,



Jeff Bingaman
Chairman



Pete V. Domenici
Ranking Member