

U.S. Department of the Interior



Annual Report

Fiscal Year
1995

*The nation behaves well if it treats
the natural resources as assets
which it must turn over to the next
generation increased, and not
impaired, in value.*

Theodore Roosevelt

Foreword

The Chief Financial Officers Act of 1990 was enacted to improve the financial management practices of the Federal Government, and to ensure the production of reliable and timely financial information for use in the management and evaluation of Federal programs. The Government Management Reform Act (GMRA) of 1994 furthered the objectives of the Chief Financial Officers Act by requiring all Federal agencies to prepare and publish annual financial reports, beginning with fiscal year 1996 activity.

The Department of the Interior has prepared this Annual Report in advance of the GMRA requirements to assist the Department in developing the appropriate format for communicating financial and related information. The ultimate objective is that the information reported is useful and informative to other Government entities, Congress, and the public.

All comments regarding the content and presentation of this report are welcome. A copy of this report as well as the Department's 1994 Prototype annual report may be found at the Office of Financial Management Web site at Uniform Resource Locator http://www.usgs.gov/doi/pfm/www_pfm.html.

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or visit the Department's Internet Web site at URL: <http://www.usgs.gov/doi>

About the cover - In 1995, the bald eagle was reclassified from an endangered to a threatened species. The bald eagle is an excellent example of the cooperative efforts of Federal and State agencies, private conservation groups, and individuals, all working together to recover what was once a species on the brink of extinction in the lower 48 States.

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Letter From the Secretary



What a difference three years makes. In this the fourth year of the Clinton Administration's tenure, the Department of the Interior has dramatically changed the way it does the business of protecting and managing our natural and cultural heritage. We have been forging new partnerships to protect and restore the American landscape while at the same time leading the drive to cut costs and doing our part to meet President Clinton's goal of a balanced budget in seven years. We've streamlined our organization, returned to our core missions, and eliminated reams of regulations, but we've also assumed many new challenges and looked to partnerships as a new way of doing business that not only makes fiscal sense but also makes common sense.

Many of the partnerships we have built in recent years have now begun to bear fruit, from the waters of San Francisco Bay and the coast of Southern California, across the western rangelands all the way to the Appalachian Mountains and the Everglades of South Florida.

In the Sacramento River Delta, for one, where the fisheries of San Francisco Bay are collapsing due to massive water diversions from the river system that nourishes it, the Bureau of Reclamation and the Environmental Protection Agency brought together diverse and competing interests -- the Pacific Federation of Fishermen, Trout Unlimited, fruit and vegetable growers, and cities and communities from San Diego to San Francisco -- in a partnership to ensure thriving farmlands, growing cities, and restoration of fish and waterfowl up the Sacramento and the San Joaquin River watersheds.

Amid the dwindling coastal sage scrub between Los Angeles and San Diego, where over 50 species of rare, threatened and endangered plants and animals make their homes in some of the most valuable real estate in America, the Fish and Wildlife Service and the Bureau of Land Management, together with the State and local governments, developers and other private landowners, have embarked on a comprehensive early planning effort to demonstrate that we can use the Endangered Species Act to achieve balance and long-term certainty even in constrained circumstances such as this.

On the Western range, the Bureau of Land Management has called together advisory councils with local memberships representing the interests of everyone affected by land use decisions, environmentalists and ranchers alike. We've stopped acting like it is the government's land and the government's business and recognized that it's the people's land and the people's business and that everyone who cares about the public lands in their communities ought to have a say in how they are managed.

Across the Appalachian region, where thousands of miles of lifeless streams run orange and drinking water is laced with acid draining from coal mines, the Office of Surface Mining has taken action to restore the quality of the water and of life for the communities struggling with this crisis. Historic partnerships of Federal, State, and local governments, industry, environmentalists, and coal field residents are now focusing attention, energy, and money on this problem to bring back the streams, the fish, and the tourism, and to ensure that the environment is clean and safe for future generations.

In Indian communities across the country we have paved the way for greatly expanded partnerships between the Federal Government and Indian Tribes. Further advancing the United States' government-to-government relationship with Indian tribes, these partnerships are empowering local people to make decisions affecting their futures. For example, many Tribes are now assuming primary or greater responsibility for managing wildlife and parks and other resource management activities.

Over the course of the last hundred years, the Everglades of South Florida has been leveed, diked, transected by canals and roads and drained by agricultural and urban needs until now it has been pushed to the very limits of viability as an ecological system. That constitutes a threat not just to the saw grass marshes, the egrets, the alligators, and the marlins in Florida Bay, but to the burgeoning population of South Florida that depends on the Everglades and the Bay for fresh water and tourism. In response, the Department of the Interior brought a host of Federal, State and local agencies, farmers and environmentalists to the table and hammered out an agreement and an unprecedented plan to restore the natural flow of water that once flowed down through the Everglades to Florida Bay and the Keys. This plan is already changing the landscape of South Florida, cutting levees and sending more life-giving water coursing through an ecosystem now on the mend.

All across the country, we are enjoying the fruits of years of work over the last three and, indeed, over the last twenty-five years to protect and restore our natural heritage. During my first years as Secretary, I've seen that the sky is not falling, but that the sky is cleaner. That our air is less polluted and our rivers run cleaner. That striped bass are back in the Atlantic, wolves again roam Yellowstone National Park, and that bald eagles once again soar over just about every state in the union. I've seen local partnerships forged by businesses, churches and homeowners, laboring side by side to make our conservation laws work. I've looked at rivers that once burned from oil and grime, but now host sportfishing championships. Waterfronts once abandoned, now spur new growth and bring people back to the banks to fish and swim and eat and work and live.

I've seen that a new generation of Americans is awakening to a new and larger vision -- to the possibilities that we can use our laws not just to stop decline, but to reverse it; not just to preserve the isolated parts, but to protect and reconnect whole landscapes and entire watersheds; not just to fence off the local greenway or trickling neighborhood stream, but to unite them with the great National Parks and the wide ocean bound rivers.

When I gather with them, Americans say to me: we have done this, and we are proud of what we have done. But we can do more. We have stopped the decline of our rivers, the erosion of our soil, the disappearance of our open land, but we can go further. We can, and will, bring life out of death, we can roll up our sleeves and continue the task of cleaning it up, bringing back native fish, reconnecting the entire landscape, reclaiming our heritage. I'm proud to say the Department of the Interior has been with them every step of the way.



BRUCE BABBITT

Secretary of the Interior

Letter From the Chief Financial Officer



The signposts of progress in resource protection stand across the American landscape, from the Everglades to the Pacific Northwest, from the longleaf pine forests of the Piedmont to the coastal sage scrub of southern California. The ecosystem restoration initiatives and habitat conservation agreements begun in 1993 are demonstrating that partnerships between communities, local officials, and the Federal Government can take on any challenge. Similarly, the Department of the Interior's investment in improved financial and administrative management has continued to pay off in 1995.

Integrity. The Department began auditing all bureaus on an annual basis in 1993. The first year, the Department received only three unqualified opinions out of the ten financial statement audits that were conducted. In 1994, when the first Consolidated Financial Statements prototype was prepared, the Department had received six unqualified opinions out of 12 financial statements audited. This year, ten Interior bureaus received unqualified opinions. This progress demonstrates our continuing commitment to meet the mandates of the Chief Financial Officers' Act by ensuring

the accuracy and integrity of our financial operations.

A year ago, I noted that "what gets measured gets done." To that end, the Department has moved aggressively to measure performance for key programs. The National Park Service, Bureau of Reclamation, Bureau of Land Management, and Minerals Management Service have been leaders in this effort, which will be expanded as we implement the Government Performance and Results Act.

Partnership with Program Managers. The partnership between financial and program managers is critical to effective program delivery. We have reduced the regulatory burden and delegated more responsibility to program managers. The Interior Acquisition Regulations have been reduced by more than 50 percent, and 90 percent of Federal travel regulation delegations have been redelegated to lower levels within our bureaus.

In 1995, we gave program managers increased flexibility to make purchases of needed supplies and equipment by doubling the number of purchase cards to 9,800. The total dollars expended with purchase cards rose to \$68 million, an increase of 140 percent over last year. And we have given program managers greater choice and discretion in deciding when and how management control reviews are performed to best ensure integrity of program activities.

Reinvention and Streamlining. All of our bureaus have re-evaluated programs, redirected resources, and re-engineered work and processes. They are providing better service in less time. The Minerals Management Service now processes royalty payments in as few as three days, one quarter of the time it used to take a contractor. We are also simplifying processes through automation. We have put in place a wide range of user friendly and paperless personnel systems. We have been in the forefront of other initiatives such as implementing electronic commerce, proposing a franchise fund pilot project, and establishing a new Interior Service Center, which includes operational activities previously administered by Secretarial offices.

In 1994, the Department completed the initial phase of the "Best Practices" Project aimed at identifying accounting and financial management policies, practices and processes which could be streamlined to produce savings and/or improved efficiency. During 1995, the Financial Officers' Partnership -- comprising senior financial managers -- actively pursued these opportunities. As a result of these and related efforts from 1993 to 1995, the Department reduced finance office costs by over 8 percent.

We have expanded the use of the Automated Teller Machines (ATM) for official travel, which reduced the need for cash advances. Travel advance balances were also reduced by 25 percent during 1995. The use of a contractor to monitor unemployment compensation claims generated over \$2 million in savings in 1995. We also continue to look for ways of reducing costs by using services offered by the Department's two Administrative Service Centers. In 1995, these Service Centers reaffirmed their ability to provide quality services at competitive prices by winning service contracts with the Social Security Administration for payroll services and with the House of Representatives for financial systems support.

The Future. Although we are proud of our accomplishments, much remains to be done. The Bureau of Land Management reports significant potential liabilities related to the cleanup of hazardous materials on public lands. The potential cost of hazardous materials cleanup is probably the single greatest financial exposure facing the Department at this time. The Bureau of Indian Affairs (BIA) concluded a major effort to reconcile over 20 years of financial transactions associated with Indian Trust Fund Accounts and shared these results with over 320 Tribes.

We believe that the Department is well positioned to use advanced technology and modern management techniques to leverage the limited resources available. Opportunities being pursued by the Department areas include expanding use of electronic commerce, increasing innovative uses of the Internet, widening partnerships with vendors to support selected areas such as travel, and improving access to information.

The past year serves as an example of the crucial role that Chief Financial Officers can play as partners in improving the integrity of operations, better supporting the mission of the Department and reducing the financial resources necessary for administrative functions. It also reminds us of the critical need for effective management support for important efforts to protect and provide access to our Nation's natural and cultural heritage and honor our trust responsibilities to Tribes.



BONNIE R. COHEN
Chief Financial Officer

Our Mission

As the nation's principal conservation agency, the Department of the Interior is charged with the mission :

- to encourage and provide for the appropriate management, preservation, and operation of the Nation's public lands, and natural resources for benefit and enjoyment by all Americans both now and in the future;*
- to develop and use resources in an environmentally sound manner and provide an equitable return on these resources to the American taxpayer;*
- to carry out related scientific research and investigations in support of these objectives; and*
- to carry out trust responsibilities of the U.S. Government with respect to American tribes and Alaska Natives.*



DEPARTMENT OF THE INTERIOR

“So let’s end this century by meeting the challenge Teddy Roosevelt set for us at the beginning. We’ve made a lot of progress in the protection of our environment and our national heritage. But the future can be even brighter.”
President Clinton, 8/26/95

As the nation’s principal conservation agency, the U.S. Department of the Interior has responsibility for most of our nationally owned public lands and natural resources. From its establishment in 1849, the Department has managed many varied programs including Indian Affairs, administering land grants, improving historic western emigrant routes, marking boundaries, and conducting research on geological resources.

“Let’s do the right thing and permit our children and grandchildren to inherit a world that is safe, clean, and wondrous.”
Vice-President Al Gore, 1/27/96

The Department’s mission is (1) to encourage and provide for the appropriate management, preservation, and operation of the Nation’s public lands and natural resources for use and enjoyment both now and in the future; (2) to carry out related scientific research and investigations in support of these objectives; (3) to develop and use resources in an environmentally sound manner, and provide an equitable return on these resources to the American taxpayer; and (4) to carry out trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.

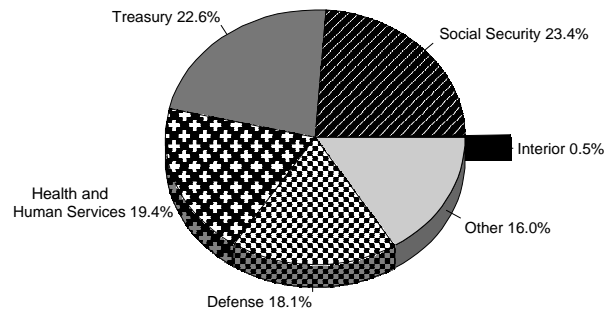
In 1995, the Department’s budget authority was \$9.744 billion, a small increase of \$81 million over 1994. As shown in Figure 1, Interior’s budget represents

approximately one-half of one percent of the total 1995 Federal Government budget.

The Department collects revenues from the leasing of natural gas and oil resources, both offshore and onshore; from coal, timber, and grazing on Federal lands, and from numerous other sources, such as recreation fees. During the year ended September 30, 1995, the Department generated over \$5.1 billion in receipts, of which, approximately \$3.8 billion or 75 percent was derived from the offshore and onshore minerals management programs.

Figure 1

Interior's Percentage of 1995 Federal Budget

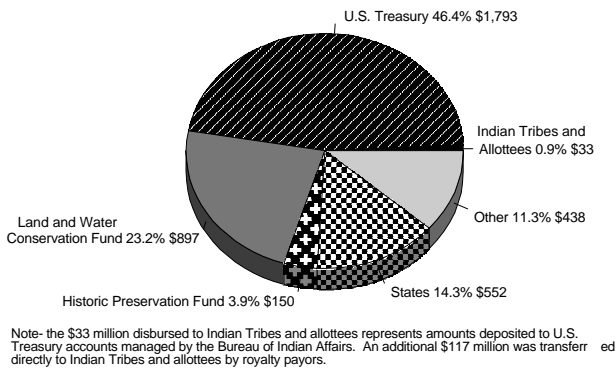


The mineral leasing receipts collected by the Department are distributed to Indian Tribes and allottees, States, the U.S. Treasury, the Land and Water Conservation Fund, the Historic Preservation Fund, and to other entities. Figure 2 displays the distribution of 1995 mineral leasing receipts.

The Department of the Interior is comprised of a number of bureaus and offices including the Bureau of Indian Affairs, the Bureau of Land Management, the U.S. Bureau

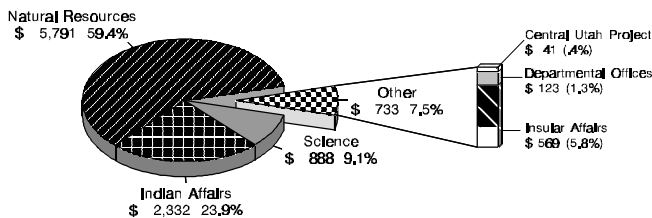
Figure 2

Distribution of 1995 Mineral Leasing Revenues
(\$ in millions)



of Mines, the Bureau of Reclamation, the Fish and Wildlife Service, the U.S. Geological Survey, the Minerals Management Service, the National Biological Service, the National Park Service, the Office of Surface Mining, the Office of Insular Affairs., and the Office of the Secretary. Figure 3 displays the allocation of Interior's 1995 budget authority by major category.

Figure 3
Interior Budget Authority
Fiscal Year 1995
(\$ in millions)



Total Interior Budget Authority - \$9,744 million

LAND MANAGEMENT

As the Nation's principal conservation agency, the Department oversees approximately 442 million acres or 20 percent of the United States land mass. Departmental oversight of the nation's public lands is conducted primarily by the Bureau of Land Management, the National Park Service, and the Fish and Wildlife Service.

The Bureau of Land Management (BLM) is trustee for 270 million acres of public land located primarily in the western United States, including 90 million acres in Alaska. The BLM also manages the subsurface mineral estate that underlies an additional 570 million acres.

The National Park System, administered by the National Park Service, comprises 369 units that encompass approximately 83 million acres, of which more than 2.8 million acres remain in private ownership. The largest area is Wrangell-St. Elias National Park and Preserve, Alaska. At 13.2 million acres, it is 16.3 percent of the entire system. The smallest unit in the National Park System is Thaddeus Kosciuszko National Memorial, Pennsylvania, at .02 of an acre.

The National Park Service also manages a significant portion of the National Wilderness Preservation System. Nearly 43 million acres of the National Park System have been designated wilderness. Wilderness is an area where humans are visitors and do not remain. These areas are generally greater than 5,000 acres which have retained their primeval character.

The Fish and Wildlife Service administers the National Wildlife Refuge System, the world's largest and most diverse collection of lands set aside specifically for wildlife. The refuge system began in 1903 when President Theodore Roosevelt designated 3-acre Pelican Island, a pelican and heron rookery in Florida, as a bird sanctuary.

The National Wildlife Refuge System now comprises 508 national wildlife refuges and 50 coordination areas with waterfowl production areas in 186 counties, totaling more than 92 million acres.

In addition to managing the nation's public lands, the Department also administers more than 43 million acres of land owned by Indian tribes and 11 million acres of individually-owned Indian land held in trust status. This responsibility is discharged by the Bureau of Indian Affairs.

BUILDING PARTNERSHIP FOR AMERICAN RESTORATION

"Partnerships have the ingredients of seeing the entire landscape, of bringing people together, of searching for consensus, of involving all of the stakeholders, and of looking for that common ground...to implement a vision of how we live on this landscape."

Secretary Bruce Babbitt

The U.S. Department of the Interior is a key participant in three of the Administration's four interagency ecosystem management efforts. During 1995, the Department accelerated efforts to (1) restore the South Florida ecosystem, (2) address the long-standing and unresolved issue of protection and use of the forests of the Pacific Northwest, and (3) restore the natural resources of Prince William Sound.

South Florida

One of the highest priorities for the Department is the restoration of the South Florida ecosystem, an area encompassing approximately 17,000 square miles from the headwaters of the Kissimmee River and extending south to Florida Bay and the Keys. This nationally and internationally significant area is home to more than six

million Americans and supports tourism, agricultural, and fishing industries.

The Administration established the South Florida Ecosystem Restoration Task Force to provide leadership and coordination among Federal agencies in the region. Chaired by the Department of the Interior, the task force's goal is to work toward restoring as much as possible the natural hydrologic functions of the Everglades. This work is being done in partnership with the State, local governments, the Seminole and Miccosukee Tribes, and other organizations such as the Governor's Commission on a Sustainable South Florida.

The Task Force has achieved several successes since its inception, including:

- The settlement of longstanding water quality litigation between the Federal Government, the State of Florida, and major agricultural interests.
- The development of a draft plan to guide Federal actions in the shape of objectives and criteria for ecosystem restoration.
- The release for public review of the final draft of the Army Corps of Engineers Reconnaissance Study of major changes to the Central and South Florida Project. This study outlines the various alternatives that can be taken to restore hydrologic connections so that the current artificial water delivery system more naturally resembles natural water flows.

Pacific Northwest Forest Plan

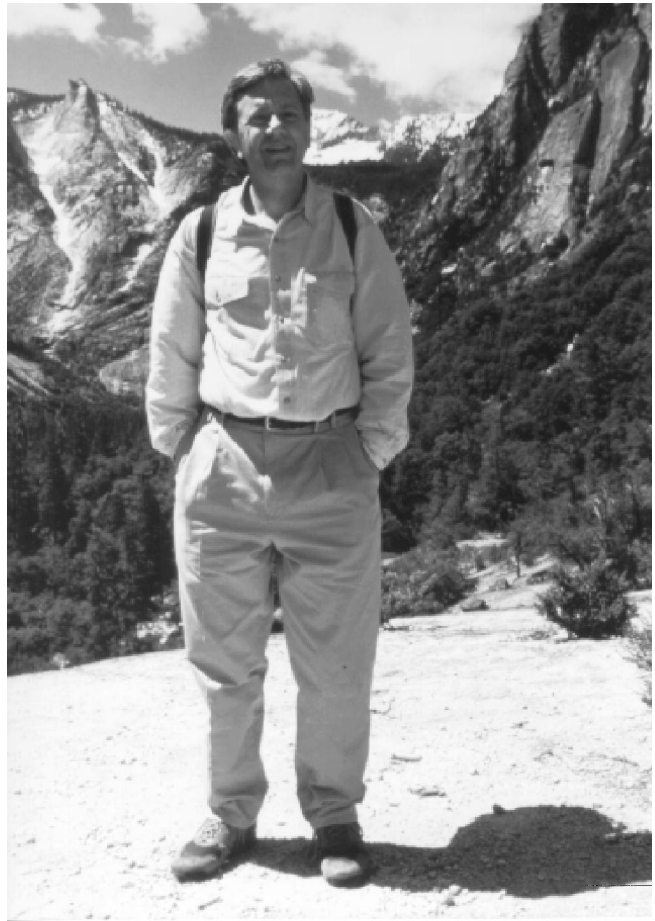
The Northwest Forest Plan lays out a comprehensive and innovative design for managing public forests in Washington, Oregon, and northern California. In western Oregon, the Bureau of Land Management has completed

six Resource Management Plans that embody the principles of sound ecosystem management. The Resource Management Plans look at a broad range of species including animals in the soil, and a wide variety of plant species. The idea is to take into account the landscape as a whole and how the different components of the ecosystem relate to each other.

Land use allocations in the plans will guide management of approximately 2.4 million acres of public land. The plans will protect the long-term health of the federal forests, safeguard streams, and provide for a sustainable supply of timber and other non-timber resources on BLM lands. The plans also provide increased protection of streams and related habitats important for many species of fish and wildlife.

In 1995, the Department accomplished the following:

- Met the annual target for sustainable timber harvest. A primary goal of the Forest Plan is to provide a sustainable timber harvest of 1.1 billion board feet. The BLM exceeded its target for 1995 (118 million board feet) by offering 127 million board feet. The BLM plans to offer 180 million board feet for sale in 1996.
- Achieved significant progress in implementing the “Jobs-in-the-Woods” program. “Jobs-in-the-Woods” provides the opportunity, through innovative programs for displaced timber workers from the local communities, to work at short-term family wage jobs and be trained for the work force of the future. The BLM sponsored 235 projects and obligated over \$9.6 million for this program during 1995. Over 90 percent of the funds targeted local contractors in the region.
- Completed 23 percent of the watershed analyses on



Secretary Bruce Babbitt. Photo credit - Tami Heilemann.

BLM administered lands in western Oregon. Watershed analysis is a procedure used to characterize the human, aquatic, riparian, and terrestrial features, conditions, processes, and interactions on federal lands within a watershed. It provides a systematic way to understand and organize ecosystem information and enhances the Department’s ability to estimate effects of management activities.

Restoration of Prince William Sound

In 1995, significant strides were made to restore the natural resources of Prince William Sound, which were heavily damaged by the March 1989 Exxon Valdez oil spill -- the largest in U.S. history. The Administration and the Department acquired environmentally sensitive lands

and worked to implement joint Federal/State restoration for the area. The restoration plan will be supported by the civil fines and settlement monies (totaling \$1.1 billion) that will be paid by the Exxon Corporation into the next century.

TRIBAL SELF DETERMINATION

The Department is committed to the fulfillment of the Federal Government's special relationship with Indian nations. Key programs that underlie this commitment are Indian Self Determination and Education.

In 1995, the Department focused efforts on shifting the responsibilities from the Bureau of Indian Affairs to the Tribes to provide the Tribes with more flexibility to set and implement their own goals and directly administer Indian programs. Tribal Priority Allocations, the portion of the budget where Tribes determine funding priorities for programs, totaled \$520.8 million, or about 30 percent of the BIA's 1995 operating budget.

The Department also worked to improve the educational achievement of Indian children during 1995. Many Indian parents look to the school system as the main source of formal education to help raise their Tribe's and their own economic status. In 1995, almost one-third of the Bureau of Indian Affairs' operating budget was devoted to Indian education programs.

REINVENTING INTERIOR PROGRAMS

The Department of the Interior continues to strongly support the Administration's commitment to "create a government that works better and costs less." During 1995, the Department implemented a number of management reforms recommended by the Vice President's National Performance Review (NPR).

Endorsed a New Mission for the Bureau of Reclamation

The Bureau of Reclamation's "Blueprint for Reform" provides the framework for moving the agency from being one of the world's preeminent civil works agencies to its goal of becoming the world's preeminent water resources management agency. During 1995, Reclamation reduced funding for traditional construction projects and began reassessing the need for a Federal role in certain programs, in order to provide funds for water conservation and reuse, environmental protection and restoration, and rehabilitation of aging recreational facilities. Plans are underway to reduce the size of Reclamation's Denver staff and to move functions and personnel to regional and field offices.



Reclamation's effort and attention in administering the Department of Labor's Job Corps Program has earned it the "Best Overall Operator" award over the past five years. This photo shows Job Corps students pouring cement for the first portion of a bridge to be built as a memorial at the Marsing, Idaho Job Corps Center.

Reorganized Insular Functions

Secretarial Order 3193, signed August 8, 1995, officially reorganized the insular functions at the Department of the Interior. The changes included the elimination of the Office of Territorial and International Affairs (OTIA), the

abolishment of the OTIA Assistant Secretary and Deputy Assistant Secretary positions, and the redirection of line authority for insular affairs to the Assistant Secretary for Policy, Management and Budget. As a result of this streamlining effort, staff assigned to carry out the Secretary's responsibilities for insular affairs was reduced from 45 to 25 employees. The reorganization also reduced the number of insular field offices from five to two.

Improved Minerals Management Service Collections

During 1995, the Minerals Management Service (MMS) participated in three separate efforts to improve the royalty collection process within its Royalty Management Program. These efforts include developing a Compliance Action Plan, participating in collection improvements identified in the National Performance Review, and enhancing compliance efforts. The MMS was also selected by the Department to establish an NPR Reinvention Laboratory team to look for ways to improve many aspects of the complex royalty collection process.

**A MESSAGE FROM JOHN GARAMENDI
DEPUTY SECRETARY OF INTERIOR**



The U.S. Department of the Interior is committed to protecting and providing access to our Nation's natural and cultural heritage and honoring our trust responsibilities to Indian Tribes. These are important commitments that the Federal Government has made with the American people.

We also recognize that our mission must be carried out with less resources and that we must continually improve the performance of all operations in the Department. For these reasons, the Department has placed a high priority on reinventing Interior programs to better meet our commitments.

Our reinvention efforts build from the initiatives established by the Vice-President's National Performance Review and reflect the unique needs of the Department. We have placed a high priority on relooking at both what we do and how we do it. Endorsing a new mission for the Bureau of Reclamation, reorganizing the Insular Affairs function, improving Minerals Management Service collections, and reorganizing the Office of Surface Mining are but a few examples of our reinvention efforts that have extended throughout all bureaus of the Department.

In addition to reinventing Interior programs, we are also examining support functions to reduce administrative costs and to provide better service. We are incorporating new technologies and changing our work practices to encourage innovation in the delivery of our products and services. We are pursuing a management philosophy throughout the Department that fosters creativity, focuses on results and requires accountability at all levels.

Through this approach, the Department is providing its best possible service to our customers, clients and partners, improving its decision making process, and providing a fair taxpayer return for the use of public land and resources.

Streamlined the Minerals Management Service

The Minerals Management Service continued a comprehensive review to "rightsize" the changing nature of the Offshore Minerals Management Program. This review factors in a consolidation of functions previously carried out in five locations, elimination of some lower priority tasks, maintenance of ongoing key responsibilities, and identification of new requirements. Implementation of this long-term strategy will enhance the management of energy resources and protect the Nation's unique and sensitive environment.

Reorganized the Office of Surface Mining

On May 1, 1995, the Office of Surface Mining consolidated regional offices into new Regional Coordinating Centers in Pittsburgh, Pennsylvania (Appalachian), Denver, Colorado (Western), and Alton, Illinois (Midcontinent). In addition, headquarter units in Washington, D.C., were streamlined and combined. Two new Assistant Directorates -- one for Program Support and a second for Finance and Administration -- were created

and put in place. The elimination of six senior executive positions and the cutting of supervisors by more than half resulted in reduced review layers and cost savings. Staff cutbacks saved taxpayers almost \$31 million in 1995. With key functions and processes decentralized and re-engineered, and with a flatter, more field-oriented organization, the Office of Surface Mining has positioned itself to bring the program to a higher level of success.

Enhanced Environmental Management

The Department took action to strengthen programs for cleaning up hazardous material waste sites by creating a Central HAZMAT Fund. This fund, administered by the Bureau of Land Management, consolidated in a single account remediation funds that were previously dispersed among several bureaus. As a result of a new Departmentwide site ranking system, the HAZMAT fund ensures that resources are allocated to the highest priority sites.



Oil removal. Photo credit - Fish and Wildlife Service.

Improved USGS Information Services

During 1995, the U.S. Geological Survey completely integrated the objectives of the Information and Product Dissemination Reinvention Lab into its Branch of Information Services. The Branch of Information Services is responsible for disseminating graphic products,

digital data, imagery, and general information to more than 300,000 customers each year. Specific initiatives undertaken and achieved in 1995 include:

- Streamlined the turnaround time for processing requests from 3 to 4 weeks to 8 days.
- Barcoded all USGS graphic products, which significantly reduced the number of manual processes related to inventory control.
- Requested, tracked and monitored customer feedback for every order.
- Initiated an Inventory Management Project to assess and reduce the inventory of products. The project will reduce warehouse space by 30 percent and reduce inventory holdings by 40 percent.
- Allocated additional resources to support the network of over 2,000 commercial map dealers to develop new business agreements, provide more product information, and refer more sales to the private sector.

Initiated Administrative Savings

Under the executive order, "Deficit Control and Productivity Improvement in the Administration of the Federal Government," the Department continued efforts to lower administrative expenses through improving productivity and efficiency. During 1995, Interior bureaus identified and implemented changes needed to realize these gains, focusing on such traditional costs as travel, printing, contracting, and equipment purchase and usage. Savings from these efforts are estimated at \$47 million.

Reduced Headquarters Staffing

Significant progress has been made in reducing headquarters staff and funds, enabling bureaus to redirect funds and staff to on-ground activities. From 1993 to the planned 1997 level, headquarters staff will have been reduced by about 2,800 employees. Most of the reduction in headquarters staff is the result of planned buyouts and hiring freezes. The shift from headquarters to field has been accomplished by eliminating headquarters jobs and filling vacancies in field operations.

In 1995, the Department reduced FTE staff years to 72,012, a reduction of 4,359 from the 1994 level and 5,385 below the 1993 base level of 77,397 (see Figure 4). The 1995 reductions contributed to meeting the President's goal of reducing Federal employment by 252,000 Full-Time Equivalent positions by 1999.

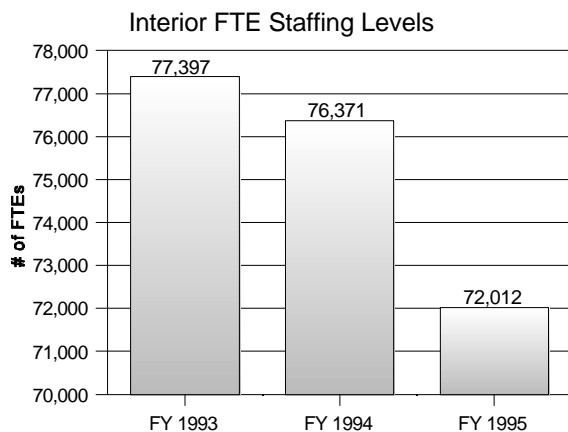


An outdoor classroom (Bombay Hook NWR). Photo credit - John and Karen Hollingsworth.

to customers in 1995. As part of this commitment, each bureau in the Department has implemented a customer service plan to address the expectations of the Government Performance and Results Act (GPRA) of 1993 and Executive Order 12862, "Setting Customer Standards." GPRA requires executive agencies to define their long-term goals, set specific annual performance targets, and report annually on performance compared to targets. Executive Order 12862 requires executive agencies to establish customer service standards to guide the operations of their programs.

Interior bureaus have published customer plans, with over 100 standards of service Departmentwide, and their first annual "Customer Satisfaction Reports." These reports provide feedback on how the Department is doing in meeting the needs of its customers, providing service, and meeting its standards. Highlights from individual bureau reports are provided in the respective bureau sections of this annual report. The reports are also available electronically on the Department's World Wide Web site at URL http://www.usgs.gov/ien/doi_cust.html.

Figure 4



CUSTOMER SERVICE

The Department of the Interior continued to accelerate its commitment to improving the quality of service provided

NATURAL RESOURCES

National Wildlife Refuges are found in every State of the Union. National Parks are found in every State save one. The public lands administered by the Bureau of Land Management spread across the expanse of 11 Western States and Alaska. The Department of the Interior is committed to supporting and improving the services provided to the people who visit or work on these lands, and to protecting the infinite variety of natural and cultural resources they contain.

"It is our task in our time and in our generation to hand down undiminished to those who come after us, as was handed down to us by those who went before, the natural wealth and beauty which is ours."

John F. Kennedy

Address at the dedication of the National Wildlife Federation Building, March 3, 1961

The careful balance, between providing public access to the Nation's resources today and preserving those same resources for coming generations, is a primary objective of the Department of the Interior.

ENSURING HEALTHY PUBLIC LANDS

The Department is committed to sustaining the health, diversity, and productivity of the public lands, and to adopting management practices that keep pace with competing demands on the Nation's natural resource base that stem from an ever growing population in the Western United States. The Department's responsibilities cover the management of mineral, timber, grazing and water resources on these lands and elsewhere for the benefit of the American people.

During 1995, the commercial uses of the Nation's Public Lands included over 52 thousand oil and gas leases on 36



*President Clinton and family visit Grand Teton National Park.
Photo credit - Bonnie Jo Mount.*

million acres of public land; 20 thousand ranchers who grazed cattle on Federal lands; the harvesting of 127 million board feet of timber; the extraction of a variety of other minerals including coal, uranium, potash, sand and gravel; and over 30 thousand permits for harvesting non-timber vegetation, including Christmas trees, mushrooms, pine nuts and cactus. Rangeland management activities not only provide livestock forage, but also support wildlife habitats, serve wild horse and burro needs and promote watershed health.

The Department is the fourth largest revenue producer in the Federal Government. During 1995, the income from resources on Public Lands brought over \$2.16 billion into the U.S. Treasury. In addition, Public Lands provided \$884 million of direct revenue to States, communities, and Native Americans, in addition to the economic benefits that industry and tourism provide to local communities.

To balance demands, the Department must consider the effects of management actions on all parties and throughout a given watershed rather than on individual

units of land. In this process, the Department is increasingly employing more open and collaborative decision-making procedures.

VISITORS AND PUBLIC ACCESS

The Department’s natural resource responsibilities begin with the management of over 442 million acres of land, which represent one-fifth of the total land mass of the United States. This land encompasses range land and forests, National Parks and recreation areas, wildlife refuges and wilderness areas.

National Parks, Wildlife Refuges and Public Lands belong not to the government but to the people of the United States. During 1995, an estimated 270 million people visited America’s National Parks, 28 million visited Wildlife Refuges, and approximately 138 million visited recreation areas managed by the Bureau of Land Management and the Bureau of Reclamation. Entrance fees, campground fees, and other recreation fees are collected at nearly 170 National Parks and totaled approximately \$80.5 million in fiscal year 1995, about 7 percent of the Park Service operating budget. Figure 5



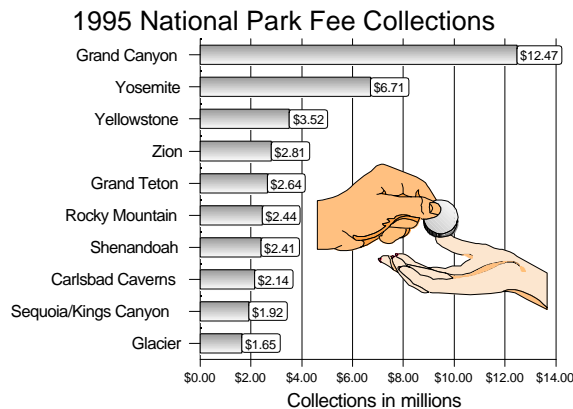
Range Manager inspecting Public Land. Photo credit - BLM.

shows the national parks with the highest fee collections in 1995. When compared to the total visits to the National Park System, fee receipts average well under \$1 per visitor.

WATER RESOURCES MANAGEMENT

The Department, through the Bureau of Reclamation, is the largest supplier and manager of water in the 17 Western states. In addition to critical water resources for cities and agriculture, Reclamation’s multi-purpose projects provide power, flood control, recreation, and fish and wildlife benefits. Facilities developed by Reclamation over the course of this century have contributed to sustained economic growth and enhanced quality of life in the western regions of the United States. However, greater environmental awareness and increased competition for scarce water resources in recent years have necessitated new approaches to water resources management. Reclamation is meeting this challenge through partnerships with Federal and non-Federal entities, and by promoting cooperative, effective stewardship of the West’s water and associated natural resources.

Figure 5



WORKING TOGETHER

In balancing the goals of public access and preservation, the Department is committed to bringing all interested parties into the decision-making process and to finding new ways of achieving these goals.

Habitat Conservation Plans

The Department is working closely with private landowners, local governments, and other groups to develop Habitat Conservation Plans that balance the needs of economic development activities with the needs of endangered and threatened species. The intent of these Plans is to maintain adequate protection for the species through agreements, easements, and other protective



Northern Spotted Owl. Photo credit - Fish and Wildlife Service.

measures, while providing communities with room for economic development activities. Further, these Plans allow owners of small parcels of land to make positive efforts to attract species without fear of future restrictions on the use of their land.

Appalachian Clean Streams Initiative

Within the Appalachian region, the most serious water quality problem is pollution caused by acid mine drainage resulting from coal mining. To date, over 7,000 miles of



Deputy Secretary John Garamendi surveys a stream damaged by acid mine drainage. Photo credit - Office of the Secretary.

streams have been devastated by the effects of this drainage, which cause ill health in humans and which kill fish and wildlife. As the environmental and recreational value of Appalachia's streams have deteriorated, local economies that depend on these natural resources for jobs and tourism have suffered.

The Office of Surface Mining has established the Appalachian Clean Streams Initiative to bring together Federal agencies, State coal regulatory authorities, fish and wildlife agencies, local water conservation districts, industry, environmental groups, and coal field residents to solve this problem. An example of the benefits of the Appalachian Clean Streams Initiative occurred in August 1995, when about 50 miners, environmentalists, regulators, volunteer leaders, elected officials and media gathered on Greens Run, a tributary of the Cheat River in West Virginia, to break ground on the first "River of Promise" environmental restoration project. The "River of Promise" was heralded as the first commitment to clean up an entire watershed initiated jointly by a private mining company, a grassroots community organization, a statewide river conservation group, and state and Federal regulatory agencies.



National Park Service

As steward of America's natural and cultural heritage, the National Park Service (NPS) is dedicated to conserving the resplendent landscape and historic treasures of the National Park System, for the enjoyment, education and inspiration of this and future generations.

Since its establishment by Congress in 1916, the National Park System has evolved into a magnificent conglomeration of 369 areas, covering 83 million acres of land in 49 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, and American Samoa. The Park System's diversity is reflected in more than 20 classifications of park units, including national parks, monuments, battlefields, military parks, historical parks, historic sites, lakeshores, seashores, recreation areas, scenic rivers and trails. In July, 1995 the Korean War Veterans' Memorial became the newest addition to the National Park System, paying tribute to Americans and others who sacrificed and served with bravery and determination to preserve freedom in South Korea.



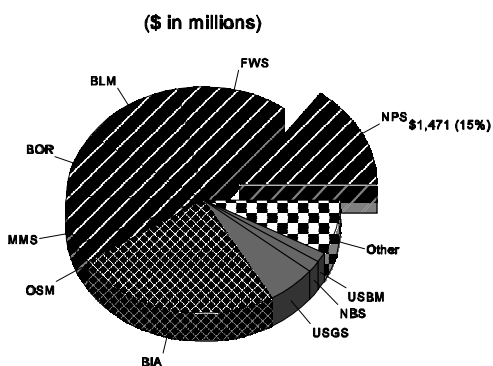
Korean War Veterans' Memorial. Photo credit - Eric Eisenstein.

THE NPS CHALLENGE

Today, the National Park Service is confronted with complex challenges. In an era of budgetary constraints and rising expectations, the Park Service is expected to do more with less, make difficult choices, work more efficiently and effectively, and be more accountable. In 1995, the NPS embarked on an aggressive agenda of reorganization, streamlining, and reengineering, to rethink the way it conducts business and to achieve more efficient management of diminishing funding. When completed, the reorganization will result in a 30 percent reduction in central office staff with estimated savings in excess of \$30 million. This will allow the Park Service to target its resources to the field units where they are most needed.

Figure 6

1995 National Park Service Budget Authority



Total DOI Budget Authority - \$9,744 million

"In God's wilderness lies the hope of the world -- the great fresh unblighted, unredeemed wilderness."

John Muir, *Alaska Fragment*, 1890

Heart of the Rockies Adventure Program

The **Heart of the Rockies Adventure Program** provides opportunities for students to access Rocky Mountain National Park as an extended classroom. The program promotes authentic outdoor learning experiences to help students develop a commitment to the future of the national parks. The program has gained national recognition for its innovative approach and for its cost effectiveness.

Having begun with grants from the National Park Foundation, Pew Charitable Trusts, and the National Park Service, the **Heart of the Rockies** program has trained over 400 teachers since 1992 to use the Park as an extended classroom, using curriculum materials developed in partnership with local educators. The curriculum materials, which received awards from the National Association for Interpretation in 1993 and 1995, help teachers present "hands-on" activities to their students in their home classrooms and at Rocky Mountain National Park. Teachers who have been trained in Rocky Mountain's curriculum have received over \$6,000 in mini-grants from the Park since 1993 to help defray transportation costs.

Heart of the Rockies has a special program that targets under-served elementary students from the Denver inner-city. This effort uses local high schoolers to teach the elementary students about the natural resources of the Park. This unique effort by the high school students was recognized by Interior Secretary Babbitt during a 1994 visit to Rocky Mountain.

The **Heart of the Rockies** program has served over 19,000 students from 130 schools since 1992. It has done so at an average cost of 14 cents per visitor activity hour, which is considerably cheaper than many visitor services offered by the Park. **Heart of the Rockies** serves as a model for environmental education, and was the subject of a 1995 documentary by Louisiana Public Broadcasting which was broadcast to teachers in 28 states. The program will be featured again in the spring of 1996 when Hawaii Public Television highlights the involvement of high school students with the under-served elementary schools.



Students from an under-served elementary school in Denver , Colorado, learn about the mountain building episodes in Rocky Mountain National Park. Photo credit - National Park Service.

encroachment of development into historic scenes, and by inappropriate visitor use. The stewardship of natural resources -- including wildlife, fisheries, vegetation, habitat, air quality, scenic vistas and water resources -- requires that we know what and where our resources are, their current condition, and how to maintain them, as well as how to protect these precious, often irreplaceable resources.

The Park Service has established a resources management framework by defining a basic set of 12 inventory data needs and establishing a Servicewide program to oversee its acquisition. To develop effective and cost-efficient ecosystem monitoring, a network of 10 prototype monitoring programs has been implemented. In 1995, work on four prototypes -- in Denali, Channel Islands, Shenandoah, Great Smoky Mountains -- began and a cluster program was initiated, comprising six small grassland and prairie units in the Great Plains.

A high priority of the Natural Resources program is to identify and compile all natural resource studies that have been completed into an easily usable and updated automated data base. This effort was initiated in 83 parks in 1995, bringing the total number of parks that have undertaken this effort to 181.

NATURAL AND CULTURAL RESOURCES

Resources are being imperiled every day in numerous ways -- by acid rain that degrades the quality of air and water, by toxins contained in agricultural runoff which pollute lands and water, by mining and oil and gas drilling operations which fragment native habitat, by the

In 1995, the National Park Service played a key role in developing the Native Plant Conservation Initiative, a public/private collaboration that emphasizes a multi-species, multi-agency, ecosystem approach to plant conservation. Several private organizations have joined to work on plant conservation actions, public education, research, and data needs. This initiative will serve the NPS and other agencies as more effective means to conserve native plants.

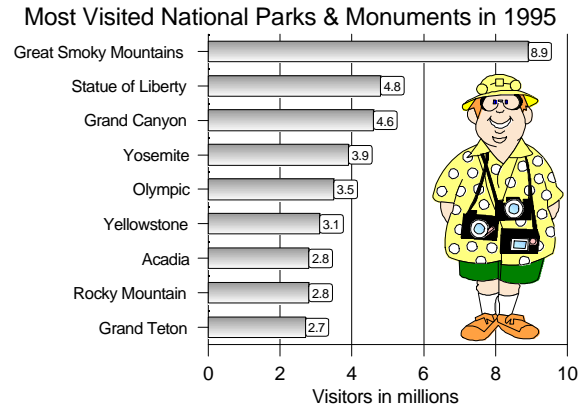
The South Florida ecosystem contains nationally and internationally significant natural resources, in addition to supporting local tourism, agricultural, and fishing industries. The National Park Service, in a joint effort with state and local governments, the Seminole and Miccosukee Tribes and other organizations, is working to restore the natural hydrologic function of the Everglades. In 1995, the NPS was able to acquire almost 5,000 acres at Big Cypress and Everglades National Park for restoration and preservation. Additionally, the NPS secured \$4.8 million to transfer to the State of Florida to assist in protecting land resources which are adjacent, but external, to park boundaries.

VISITOR SERVICES

Our national parks welcomed an estimated 270 million visitors in 1995. Nearly 295,000 buses entered park units and there were over 17 million overnight stays. Overall, NPS visitation has increased at an average of one percent per year since 1990.

Individual park experiences help people gain a sense of place and a stronger sense of our collective national history and identity. Most importantly, the forging of emotional, intellectual and recreational ties encourages people to take greater responsibility for protecting this heritage and ensuring it will be passed on to future generations.

Figure 7



In 1995, 79 million hours of interpretation and education programs were presented. The array of services provided included 540 staffed information and orientation stations; 16,000 guided tours through parks, caves, archaeological ruins and historic buildings; 10,000 historical demonstrations; 6,000 on-site school programs and 8,000 off-site community education programs.

Park rangers and the U.S. Park Police work to ensure the safety of visitors and employees as well as the protection of resources. In 1995, there were over 16,000 resource violations -- crimes ranging from poaching to collecting and damaging wildlife, plants, minerals and fossils. Nearly 5,000 search and rescue missions were conducted at a cost of nearly \$4 million, and there were more than 5,000 serious law enforcement incidents. In addition, NPS emergency medical personnel responded to nearly 26,000 incidents.

LEADERSHIP INITIATIVES AND PARTNERSHIP PROGRAMS

The NPS plays a leadership role in the national program of public and private preservation of America's historic, cultural and natural heritage and integration of preservation values in public and private decisions. The NPS has statutory responsibility for partnership programs to assist other Federal agencies, state, and local governments, the private sector and individuals with the identification, evaluation, registration, and protection of irreplaceable historic and archaeological resources.

The National Register of Historic Places is the official list of the Nation's cultural resources worthy of preservation, including all historic areas of the NPS, National Historical Landmarks, and other places significant to the nation, states, or communities. Nearly 65,000 properties are listed in the National Register, which incorporates nearly one million historic and archaeological resources. In 1995, 1,537 new properties were added to the National Register, 24 preliminary nominations were reviewed, and 66 new determination of eligibility requests were processed.

PARK FEES

Entrance fees and recreation user fees for campgrounds and other activities are charged at nearly 170 national parks. In 1995, fee receipts totaled \$80.5 million, of which 15 percent was retained by the NPS to help offset collection costs. The balance of receipts may be appropriated by Congress for operations in the following year. Entrance fees are collected for both vehicles and individuals entering parks, and range from \$4 to \$10 per non-commercial vehicle and \$2 to \$5 per person. Several studies have concluded that the visiting public is willing to pay higher fees as long as those fees are used to fund parks directly and yield tangible recreational or resource



The badlands of Rainbow Forest in Petrified Forest National Park, Arizona, contain extraordinary weather-worn rock formations. Photo credit - National Park Service.

benefits.

Many visitor services, including food, lodging, and various other services are provided by concessionaires under contract with the Park Service. Currently, there are 661 concessionaires operating in 129 Park Service units. Concessionaires contributed \$19 million to the general fund of the Treasury in 1994 (the most recent year for which data is available), and expended \$12 million in special improvements in lieu of franchise fees. The Vice President's National Performance Review recommended improvements in the Park Service's concession management and concession contract structure to improve services and generate higher franchise fees. The Park Service has begun adopting these recommendations by negotiating increased fees as concessionaire contracts are renewed and by pursuing legislative changes.

MAINTENANCE

The physical plant of the Park Service comprises approximately 15,000 buildings, 8,000 miles of roadways, 1,400 bridges and tunnels, 5,200 employee housing units and 1,500 water and sewer systems. While there has been increased funding for overall maintenance in recent years, deferred maintenance in parks remains a serious problem.

The National Park Service has, by necessity, undertaken new construction of facilities without sufficient funds to properly maintain them. Parks have experienced increased visitation, longer seasonal use, more vandalism, and higher costs for utilities, supplies, and materials. Finally, using maintenance equipment beyond its designated life expectancy has also contributed to the shortfall in operational maintenance. In 1995, park operational maintenance costs totaled approximately \$271 million. Regional maintenance project costs (defined as nonroutine or nonrecurring) totaled \$54 million in 1995. It is estimated that the Park Service has backlogs of \$400 million of repair and rehabilitation projects; \$1.7 billion in prioritized construction projects; \$1.3 billion in road projects; and \$2.7 billion in unprioritized construction projects.

CUSTOMER SERVICE

During 1995, the NPS published its second “report card” on how well the Park Service is serving its primary customers. This report, entitled *Serving the Visitor, 1995*, contains two kinds of information. The first is baseline data on 12 important visitor services, from park personnel to campgrounds and picnic areas. The data is taken from surveys conducted during 1988-1992 in 34 parks. Over 15,000 visitors are included. Overall, these visitors rated 74 percent of park services as good or very good.

The second kind of information is current data on the same services. The information is taken from surveys conducted during 1993-1994 in 18 parks. Over 8,000 visitors are included. Overall, these visitors rated 77 percent of park services as good or very good, which reflects an increase of 3 percent compared to the first survey. Figures 8, 9 and 10 depict selected survey results from the report.

Figure 8

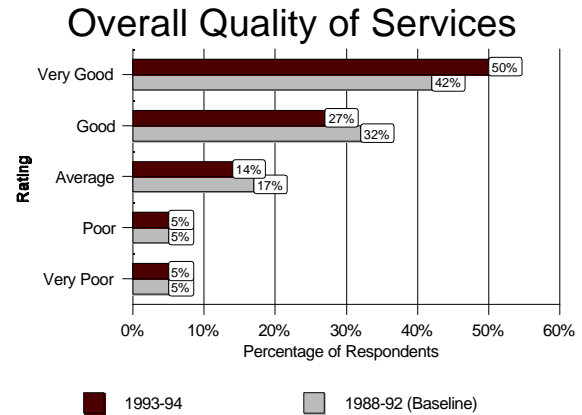


Figure 9

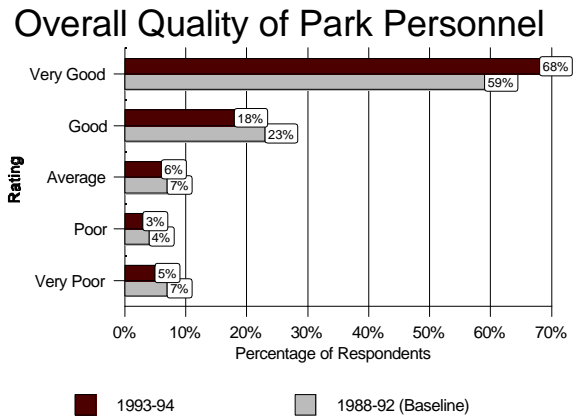
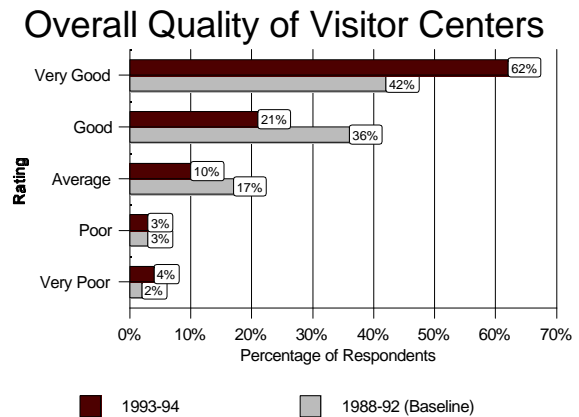


Figure 10





Fish and Wildlife Service

The mission of the Fish and Wildlife Service (FWS) is to conserve, protect, and enhance fish and wildlife and their habitats for the continuing benefit of the American people. The Federal role in fish and wildlife management was first recognized in 1871 with the establishment of the Bureau of Fisheries. In the 1970s, the Bureau of Sport Fish and Wildlife became today's Fish and Wildlife Service. The changes in management and organization over the years demonstrate the evolving, yet continuing need for Federal programs to protect fish and wildlife resources.

Today, the Fish and Wildlife Service manages 508 national wildlife refuges and 50 coordination areas with waterfowl production areas in 186 counties, for a land

"Nature is full of genius, full of divinity; so that not a snowflake escapes its fashioning hand."

Henry David Thoreau
Journal, Jan 5, 1856

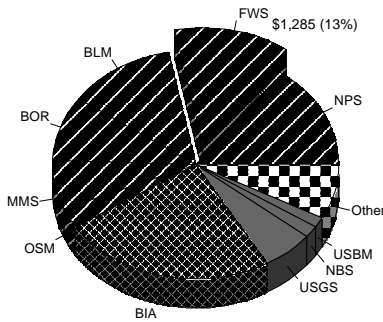
ENDANGERED SPECIES ACT

The Endangered Species program received increased attention in 1995 as debate about reauthorization of the Endangered Species Act of 1973 continued to make headlines across the country. The Act, recognized as the single most comprehensive environmental legislation ever enacted by Congress, requires the conservation of threatened and endangered species and the ecosystems upon which they depend.

In 1995, several innovative and important policies were drafted to help make the Act work better, especially in the area of encouraging the private sector to help recover threatened and endangered species. The "No Surprises" policy assures non-Federal landowners participating in functioning Habitat Conservation Planning efforts that no additional land restrictions or financial compensation will be required for species should unforeseen or extraordinary circumstances occur. The "Safe Harbor" policy authorizes non-intentional taking of Federally listed species that establish themselves on a property as a result of the landowner's affirmative conservation efforts. The "Residential Property/Low-Impact Exemption" policy will allow small (five acres or less) landowners to undertake certain activities that could result in taking of some threatened species. These policies are strong incentives for the private sector to work with FWS in recovery of listed species.

Figure 11

1995 Fish & Wildlife Service Budget Authority
(\$ in millions)



Total DOI Budget Authority - \$9,744 million

mass totaling more than 92 million acres. FWS also manages 74 fish hatcheries and 52 Fishery Resources Offices throughout the country. Additionally, FWS is responsible for migratory bird management, endangered species protection, law enforcement and for consultations on water resource development projects.



Fish and Wildlife biologist Joe Fontaine with Gray Wolf pup from first litter born to Yellowstone wolves. Photo credit - George Gentry.

In March 1995, Congress mandated a moratorium on adding new species to the list for the remainder of the fiscal year. Consequently, only 47 non-foreign species of plants and animals were added to the list during 1995. This brought the total number of domestic listed species to 956 -- 526 species of plants and 430 species of animals.

In 1995, the bald eagle, our Nation's symbol, was reclassified from an endangered to a threatened species. The bald eagle has been an excellent example of cooperation among Federal and State agencies, private conservation groups, and private individuals, all working together to recover what once was a species on the brink of extinction in the lower 48 States.

NATIONAL WILDLIFE REFUGE SYSTEM

FWS manages the National Wildlife Refuge System, the Nation's only system of lands designated for conservation and management of fish and wildlife. The National Wildlife Refuge System is the most visible program of the Fish and Wildlife Service. In 1995, there were approximately 28 million visitors to wildlife refuges.

The Refuge System provides far more interaction with the general public than other components of FWS. The scale and range of this interaction cannot be captured solely by the number of visitors because it includes such diverse

REINTRODUCTION OF GRAY WOLF



The gray wolf, a species that has become the ultimate symbol of wilderness, has returned to its niche in the natural heritage of the American West. Eight Canadian gray wolves were released in January of 1995 in Yellowstone National Park and four were released in central Idaho. They were the first to be reintroduced into the northern Rocky Mountain region in an ongoing effort to

restore the species, which was exterminated from the area 60 years ago.

All 12 wolves were captured in west-central Alberta with the cooperation and assistance of the Alberta Department of Forestry, Lands, and Wildlife's Fish and Wildlife Division. The Service will continue locating wolves in the region until about 30 are captured -- 15 for Yellowstone and 15 for central Idaho.

This was the first year of a 3 to 5 year effort to relocate wild gray wolves to the northern Rocky Mountains. FWS's goal is to recover the gray wolf by establishing 10 breeding pairs in each of the locations by the year 2002, at which point the protection of the Endangered Species Act would no longer be necessary.

activities as educational outreach, television specials, various forms of wildlife-dependent recreation and newspaper and magazine articles. For example, in November of 1994, Refuge staff worked with Turner Educational Service and volunteers to produce an interactive learning program at the Okefenokee Refuge in Georgia. The program was broadcast live for a total of 9 hours over a 3-day period and reached 260,000 students at 480 elementary and high schools nationwide. In addition, hunting, fishing, camping, picnicking, nature tours and other recreational programs are in growing demand by the public.

Of the 956 species listed under the Endangered Species Act, 215 or 24 percent occur and/or have habitat on national wildlife refuges, and critical habitat for listed species occurs on 51 refuges.

The number of Refuge systems and acreage are indicators of the contribution of refuges to preserving natural diversity on refuge lands. As of September 30, 1995, the Refuge System included 89,72,022 acres in 508 National Wildlife Refuges, 317,322 acres in 50 Coordination Areas, and 2,280,950 acres in 186 counties with Waterfowl Production Areas.

VOLUNTEERS

Since the beginning of the Fish and Wildlife Service's volunteer program in 1982, individual volunteers may have come and gone, but the benefits of their labor have withstood the test of time. Although most volunteers work on refuges, they have been integrated into all Service programs. They have given their time during every season of the year and have represented every age from 5 years old to senior citizens. During 1995, approximately 21,000 volunteers donated 880,000 hours of time worth an estimated \$8.1 million.



Felsentahl NWR volunteers conducted a tour of the refuge Visitor Center for this group of senior citizens from the local Leisur e Lodge in concert with Earth Day celebration. Photo credit - R.J. Bridges.

ENFORCING WILDLIFE LAWS

The Fish and Wildlife Service protects fish, wildlife and plants through a broad range of law enforcement techniques. Over the past 20 years, FWS's law enforcement responsibilities have shifted from primarily domestic in nature to increasingly international in scope. With the implementation of the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1975, FWS truly became an international law enforcement agency. As barriers to world trade decrease, and the world's wildlife resources diminish, this international role becomes even more significant.

DUCK STAMPS

The Federal Duck Stamp Program, through the active support of conservation, art, philatelic and business interests, has become one of the most successful conservation programs ever initiated. The Federal Migratory Bird Hunting Stamp Act requires every waterfowl hunter 16 years of age or older to possess a

valid Federal Duck Stamp. The 1934 price of the original \$1 Federal Duck Stamp has increased over the years to the present \$15 stamp, with 98 percent of every Duck Stamp dollar going directly to the Migratory Bird Conservation Fund for wetlands acquisition, while the other 2 percent pays for the printing and distribution of the stamps.

The Federal Duck Stamp contest is held annually to choose a winning design for the following year and is the only annual art competition sponsored by the Federal Government.

FISHERIES

The stewardship of fishery resources has been a core responsibility of the Fish and Wildlife Service for over 120 years. Recreational angling in the United States provides over \$69 billion in economic output, 1 million jobs, \$2.1 billion in Federal income taxes, \$1.1 billion in State sales taxes, \$227 million in State income taxes and about \$200 million in excise taxes to create new fishing opportunities.

The Fisheries Program was actively involved in several multi-agency programs to restore anadromous fish stocks along the Pacific, Gulf, and Atlantic coasts. These efforts



Fishing for largemouth bass. Photo credit - Fish and Wildlife Service.

AMERICA'S 500TH NATIONAL WILDLIFE REFUGE CELEBRATED NATIONWIDE

It started small, nearly 100 years ago, when tiny 3.5 acre Pelican Island in Florida became the very first national wildlife refuge. Today, the National Wildlife Refuge System spans 92 million acres nationwide and on October 22, 1994, marked an historic occasion with the dedication of the 500th refuge at Canaan Valley in West Virginia. Other National Wildlife Refuges across the country held special events and ceremonies to commemorate this conservation milestone.

"The 500th national wildlife refuge is a statement by the American people that we care about conservation, we care about wildlife, and that we'll protect it for future generations," said Mollie Beattie, Director of the Fish and Wildlife Service. "I hope Americans everywhere will discover these little-known natural treasures they own."

The National Wildlife Refuge System extends from U.S. territories in the South Pacific, up to Alaska, across the United States, and into the Caribbean. Ranging in size from ½ acre to more than 19 million acres, refuges can be found within a short drive of virtually every major metropolitan area.

included improvements to fish passage facilities, implementation of fishery management plans, and production of 68 million Pacific salmon and steelhead trout, 5.5 million Atlantic salmon, and 7.7 million Atlantic and Gulf-striped bass. Non-anadromous fish restoration efforts focused on providing technical assistance in the recovery efforts of threatened and endangered species, restoration and enhancement of interjurisdictional waters, meeting trust responsibilities on tribal lands, mitigation of the impacts of Federal water development projects, and the prevention and control of aquatic nuisance species. These efforts were supported by the production of 98 million warm and coolwater species, 17 million inland salmonids, 6 million lake trout for the Great Lakes restoration effort, and production of 1.5 million threatened and endangered fish species.

In 1995, President Clinton emphasized the Administration's commitment to recreational fisheries by

signing Executive Order 12962 on Recreational Fisheries. The Order established a National Fisheries Coordination Council comprising seven Federal agencies and requires Federal agencies to strengthen efforts to improve the quality of streams, rivers, and lakes supporting recreational fisheries. The Fish and Wildlife Service and the National Marine Fisheries Service co-chair the Council.

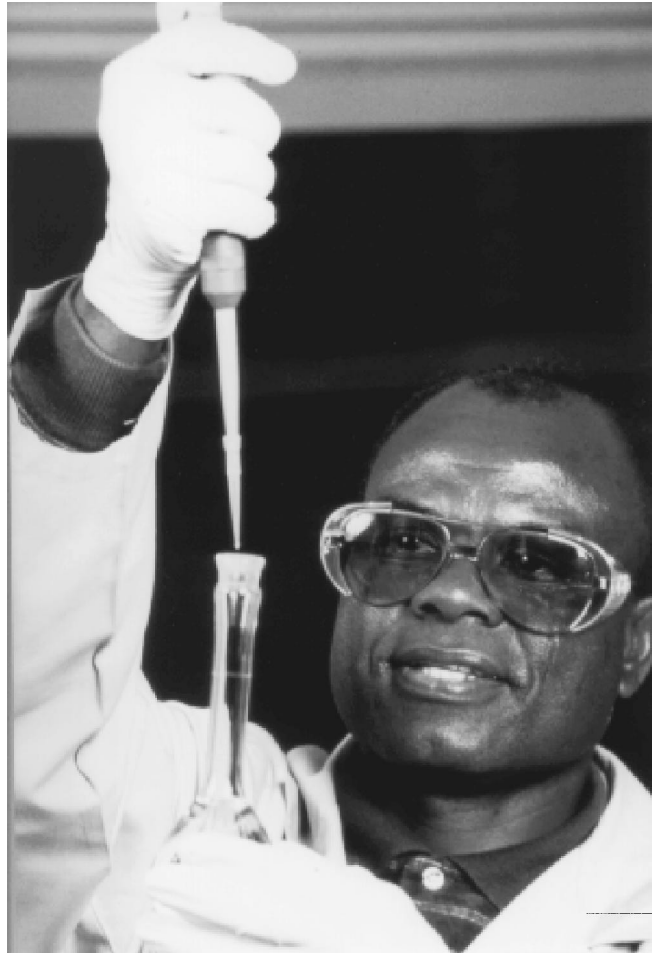
In 1995, FWS actively supported National Fishing Week, an annual activity designed for outreach purposes. Over 60,000 children and adults attended fishing clinics, demonstrations, and environmental education sessions at FWS facilities.

CUSTOMER SERVICE

In her message to FWS employees on the eve of Customer Service Day 1994, Director Mollie Beattie challenged employees to find new and innovative ways of responding to the needs of FWS customers. To meet the Director's challenge, the Fish and Wildlife Service initiated several projects to assess customer needs and ways to improve service.

FWS customer service highlights include the following:

- Published customer service standards at selected National Wildlife Refuge visitor centers in each of the seven FWS regions.
- Teamed with the National Park Service to develop a customer service evaluation card. The Cooperative Park Studies Unit at the University of Idaho is performing the research and development under a cooperative agreement with the National Park Service. The evaluation card is designed for use at refuges and parks across the country, and will provide



Fish and Wildlife Service Physical Science Technician Steve Boateng at work at the Patuxent Wildlife Refuge. Photo credit - Keith Weller.

visitor feedback regarding specific aspects of customer service linked to published standards.

- Conducted pilot testing of the card at two National Wildlife Refuges. At both locations, over 95 percent of customers indicated an overall satisfaction of very good or good (scale - very good, good, average, poor, very poor). Satisfaction with other specific areas such as trail signs, cleanliness of facilities and quality of informational materials generally ranged from 80 percent to nearly 100 percent.



Bureau of Land Management

The Bureau of Land Management (BLM), which celebrates its 50th anniversary in 1996, administers what remains of the Nation’s vast land holdings -- the public domain. The public domain once stretched from the Appalachian Mountains to the Pacific Ocean. In historian Frederick Jackson Turner’s words, it was “the richest free gift that was ever spread out before civilized man.”

Of the 1.8 billion acres of public land originally acquired by the United States, two-thirds went to citizens, corporations, and the States. Many of the remaining lands were set aside for national forests, wildlife refuges, national parks and monuments, and other public purposes.

BLM administers the remaining 270 million acres -- about one-eighth of America’s land surface, or 41 percent of the lands under Federal ownership. Most BLM-managed public lands are located in the 11 Western States, including Alaska, although small parcels are scattered throughout the eastern United States. BLM also manages

“To waste, to destroy, our natural resources, to skin and exhaust the land instead of using it so as to increase its usefulness, will result in undermining in the days of our children the very prosperity which we ought by right to hand down to them amplified and developed.”
Theodore Roosevelt
Message to Congress, December 3, 1907

570 million acres of subsurface mineral estate.

BLM’s mission is to sustain the health, diversity, and productivity of the public lands for the use and enjoyment of present and future generations.

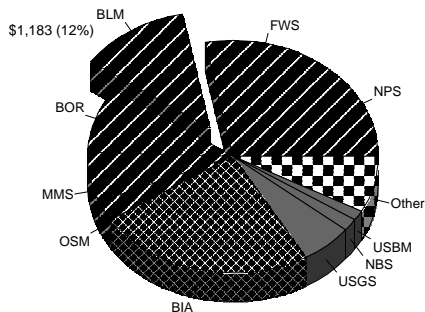
HEALTHY PRODUCTIVE LANDS

The Bureau of Land Management has been the lead agency in developing new rangeland management regulations. *Soil, water, and air management* provides for the protection of soils, watershed values, and air resources on the public lands; reduces salinity and runoff from the public lands to protect water quality; and provides the basic data and technical information needed for resource management. *Riparian management* (i.e., riverbank) encompasses nearly 24 million acres of lands classified as riparian or wetlands. *Wildlife habitat and fisheries management* includes efforts to protect, manage, and improve fish and wildlife habitats. Selected 1995 achievements include:

- Establishment of Resource Advisory Councils to bring diverse groups of people together to develop shared solutions for managing public lands.
- Review of over 8,500 miles of riparian streams in the western States to determine the health and condition

Figure 12

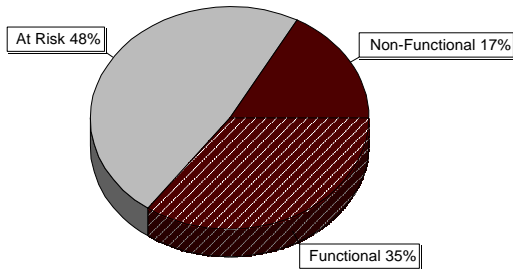
1995 Bureau of Land Management Budget Authority (\$ in millions)



Total DOI Budget Authority - \$9,744 million

Figure 13

Condition of BLM Stream Riparian-Wetland Areas
Actual 1995 (Based on Miles Assessed)



of these crucial areas.

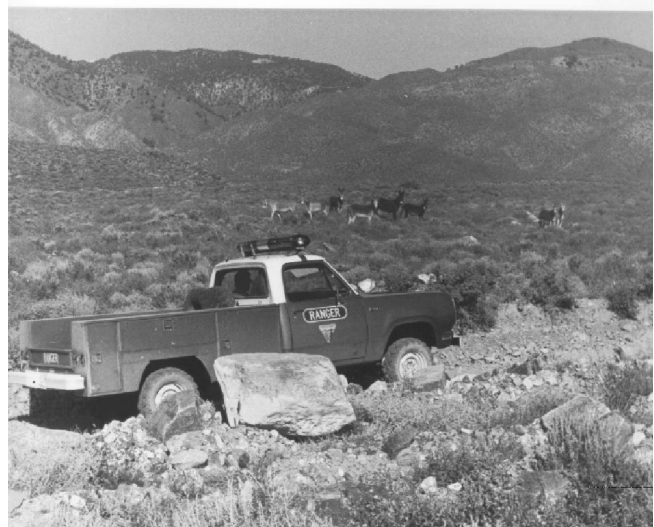
- Development of interim standards and guidelines for PACFISH, an interagency program to help Pacific fish species such as salmon and other anadromous fisheries.
- Participation in an interagency effort to reduce saline runoff and overall salinity in the Colorado River.
- Removal of 9,570 wild horses and burros from public lands and placement of 9,660 animals in private care through adoption.

COMMERCIAL ACTIVITIES

BLM authorizes nearly 20,000 Western ranchers to use public rangelands, sells as much as 170 million board feet of saw timber and other forest products annually, and issues thousands of leases each year for oil, gas, or geothermal exploration and development. Public lands are also made available for coal production; gold and silver mining; sand and gravel operations; electrical transmission lines; oil, gas, and water pipelines; hunting and fishing guide services; meeting the infrastructure needs of local

communities; and movie filming.

During 1995, the public lands produced approximately \$1.1 billion from oil, gas, coal, and geothermal rents, royalties, and bonuses, as well as an additional \$200 million from grazing and timber fees and other fees, for a total of about \$1.3 billion. Oil and gas royalties are collected by the Minerals Management Service acting as agent for the Federal Government. Production from Federal coal leases was totaled over 245 million tons and generated about \$300 million in Federal royalties, of which 50 percent was returned to the states.



BLM Ranger checks the status of wild burros while patrolling Saline Valley. Photo credit - Steve Smith.

RECREATION AND LEISURE

BLM lands are noted for providing wide-open spaces rather than highly developed recreation sites. While the Bureau does manage over 1,000 developed and semi-developed sites (campgrounds, picnic areas, etc.), most of the emphasis is on providing areas and trails for biking, hiking, float boating, camping, hunting, fishing, birdwatching, photography, and similar activities.

In 1995, the BLM focused efforts on visitor services, resource protection, use management, and plan preparation for special management areas. During 1995, a total of 126,331 recreation use permits were issued. Also, 204 BLM fee sites generated \$860,000 from collected fees, which were appropriated to BLM to be used for operating and maintaining facilities.

PRESERVING CULTURAL AND NATURAL FEATURES

As the manager of the Nation's largest land estate, BLM administers the Federal Government's largest, most varied, and most scientifically important body of cultural resources. BLM has inventoried more than 10 million acres of the 270 million acres of public lands in the 11 Western States and Alaska, or about 4 percent of the total area. More than 175,000 cultural properties, such as archaeological and historical sites, have been discovered through this inventory, with estimates of the total number ranging between 4 and 5 million. During 1995, over 430,000 acres were inventoried and 6,846 sites were managed.

During the year, BLM continued to enhance its ongoing Native American coordination and consultation program by maintaining a small program staff to provide coordination, assistance, policy guidance, training, and outreach on Native American-related issues. This program focused on supporting BLM managers in addressing the full spectrum of relationships between BLM and Native American communities, tribal governments, and Alaska Village Councils and Native Corporations.

PUBLIC HEALTH AND SAFETY

Law enforcement and resource protection in BLM is



Department of the Interior firefighters. Photo credit - John and Karen Hollingsworth.

concentrated on mission-essential programs, such as resource protection, public health and safety, and drug control efforts that have a direct impact on public lands. In 1995, a total of 6,519 investigations and enforcement actions were conducted. These included opening 1,723 investigations, issuing 3,900 citations, and making 303 arrests.

A primary objective of hazardous materials management is to protect natural resources and the environment from the effects of hazardous materials or wastes. In 1995, a total of 43 emergency response actions were taken, 111 site cleanups were accomplished by BLM, additional site cleanups were performed by 37 potentially responsible parties, and 31 site cleanups were accomplished in cooperation with States.

During 1995, BLM provided wildlife protection for property and natural resources on 270 million acres of public land through operation and maintenance of the National Interagency Fire Center in Boise, Idaho, and the Alaska Fire Service in Fairbanks, Alaska. In 1995, BLM suppressed 2,966 wildfires that burned over 831,000 acres.



BLM River Patrol in Gulkana National Wild River. Photo credit - James Thomson.

LAND RESOURCES, LAND EXCHANGES AND TITLE INFORMATION

Cadastral survey is responsible for legal identification of all Federal land boundaries and maintenance of the Public Land Survey System. Cadastral surveys, which identify boundaries, property lines, and other features, are an integral component of the Alaska land conveyance program. BLM's 1995 survey emphasis supported land and realty actions (i.e., land exchange/acquisition and trespass abatement) and boundary surveys for various special land management designations such as wilderness, Wild and Scenic River designations, and National Conservation Areas.

In 1995, over 200 Bureau projects, totaling approximately 6,350 miles of cadastral survey, were completed. A total of 47 projects consisting of approximately 1,500 miles and 62 projects encompassing approximately 1,030 miles of cadastral survey were accomplished at the request of the Bureau of Indian Affairs and U.S. Forest Service, respectively. BLM also completed 48 cadastral survey projects requested by other external customers; these involved approximately 924 miles of cadastral surveys.

Alaska lands management provides the special lands and realty functions for Federal lands in the State of Alaska. This program includes continuing the transfer of title for large acreage to the State of Alaska and Native corporations; processing Native allotments, land exchanges, and use authorizations; performing easement management; and doing other lands and realty work to support natural resource programs in Alaska. In 1995, 1,650,815 acres were patented to Native corporations, while 982,272 acres were conveyed to the State of Alaska.

TECHNICAL AND ECONOMIC ASSISTANCE

The Payments in Lieu of Taxes (PILT) program provides for payments to counties for lands located within their boundaries that are administered by BLM, the Forest Service, the National Park Service, or other Federal agencies. The law provides for payment of 75 cents per acre, reduced by payments made under certain other revenue sharing programs such as the Mineral Leasing Act and the National Forest Revenue Act, or a payment of 10 cents per acre, whichever is greater. The payment to each recipient, however, may not exceed a statutory ceiling based on population.

In 1995, over \$101 million was distributed to counties and states as payments in lieu of taxes.

CUSTOMER SERVICE

During June and July 1995, the BLM conducted its first national survey of customers to determine the level of customer satisfaction with the BLM services. The survey was conducted with a random sample of over 7,000 customers, grouped according to the products or services they receive most often from BLM: (1) information



A Co-op student serving as BLM's Public Contact Specialist in the Joint Information Office in Portland's Multnomah Building. Photo credit - Theresa Gibson.

access, (2) recreation and education, and (3) use authorization. These groups encompass the vast majority of BLM's day-to-day customers. In addition, some 3,000 front-line employees were surveyed about providing customer service.

The survey asked a variety of questions in different categories (see Figure 14). Customers rated their experiences with BLM on a scale of 1 to 7, with 1 meaning "needs improvement," and 7 meaning "excellent." As shown in Figure 15, information access customers indicated the highest level of satisfaction with BLM, followed by recreation and education customers, and then use authorization customers.

Figure 14

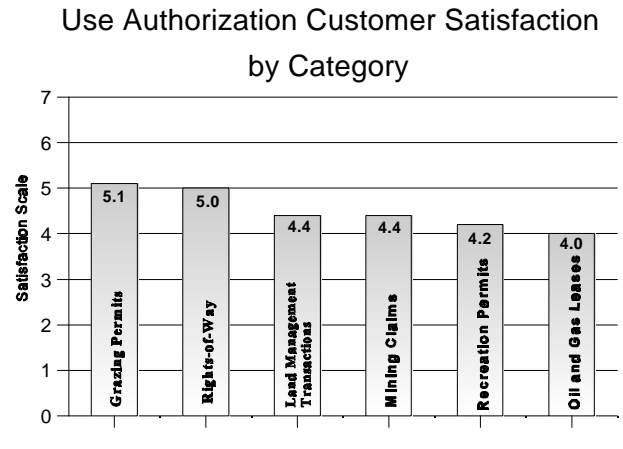
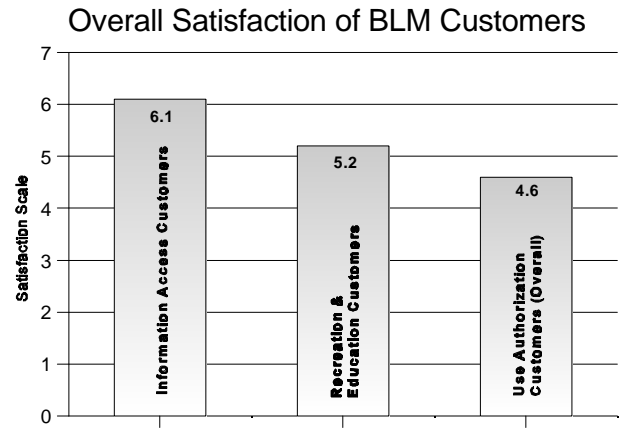


Figure 15





Bureau of Reclamation

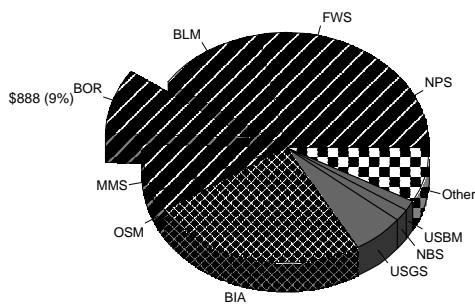
The Bureau of Reclamation has undergone a dramatic transformation since 1988 in response to changing water needs in the West. The mission of Reclamation today is to manage, develop, and protect water and related resources in an environmentally and economically sound manner in the interest of the American public. As urban development continues west of the Mississippi River, the demand for water to meet diverse needs also increases. These water uses range from municipal and industrial, to environmental protection to recreation. In fact, the amount of Reclamation water for non-agricultural uses has been steadily increasing with annual deliveries now totaling almost 5 million acre-feet.

priorities to accommodate fundamental changes in the management of water resources while addressing the interests of the diverse constituent groups of the West. The success of these efforts is already apparent. Programs are gradually changing from construction activities to water conservation, waste water reuse, river basin management, and environmental restoration. With greater competition for water, Reclamation is placing more emphasis on the needs of all constituencies, including Western cities, Native American tribes, irrigators, recreational interests and fish and wildlife.

At the same time, Reclamation is improving its business practices and is allowing employees more authority and flexibility to innovate, while also streamlining the staff. Reclamation began its reinvention efforts in 1987, but it

Figure 16

1995 Bureau of Reclamation Budget Authority
(\$ in millions)



Total DOI Budget Authority - \$9,744 million

Reclamation's original charter was to reclaim the West by ensuring an adequate supply of water in that arid region. This was accomplished by building dams, such as Hoover and Grand Coulee, and implementing widespread irrigation systems throughout the Western States.

Reclamation has redirected its policies, processes, and



This photo shows the signing of the Bay-Delta Protection Plan. Present are Secretary of the Interior Bruce Babbitt; Doug Wheeler, California Resources Agency; Governor Pete Wilson; and Environmental Protection Agency Administrator Carol Browner (signing). The goal of the Bay-Delta Protection Plan is to establish environmental protection and to provide certainty about a water supply for 20 million Californians and the State's \$750 billion economy. Photo credit - Bureau of Reclamation.

wasn't until 1994 and 1995 that significant effects could be measured. Since 1992, Reclamation's new budgetary authority has shrunk by \$174 million (16 percent) and its work force has been cut more than 20 percent, to 6,200, with an additional 7 percent reduction expected by early 1997 due to an early retirement program.

WATER CONSERVATION

Water conservation, with an investment of \$36.5 million, was one of Reclamation's priority programs in 1995. In partnership with others, Reclamation provided education on water conservation and technical and financial assistance to water users through the development and implementation of conservation plans and demonstration grants. These partnerships include cost sharing by local entities to reduce the burden on taxpayers.

Reclamation conducts research on emerging water-efficient technology and household appliances. Cost-effective water and energy equipment is being installed at all Reclamation facilities. Likewise, Reclamation is developing guidance for water-efficient landscaping at



BOR employee Joe Kahl removes a razorback sucker from the ponds at the Boulder City Golf Course for transplanting to the Colorado River. Photo credit - Andrew Pernick.



Roberta "Birdie" Hensley, Hoover Dam Powerplant Operator, makes adjustments to the Control Cubicle for Unit Number 1. Photo credit - Bureau of Reclamation.

Federal facilities and in residential areas.

POWER MANAGEMENT

Reclamation is the Nation's second largest producer of hydroelectric power, and in 1995, its 58 powerplants generated over \$800 million dollars in power revenues. The power generated was enough to serve 6 million homes, equal to the combined population of Wyoming, Colorado, Utah, Arizona, Nevada, Idaho, Oregon, and Montana.

A Power Management Laboratory was initiated during the year to develop new ways to provide reliable electricity while improving the compatibility between hydropower and the environment. Each percentage increment of improved powerplant efficiency could annually save Reclamation's customers \$45 million and provide an added 400 million kilowatt-hours of electricity each year. This increased efficiency would result in enough energy for 50,000 households and save 1 million barrels of imported oil annually.

TITLE TRANSFER

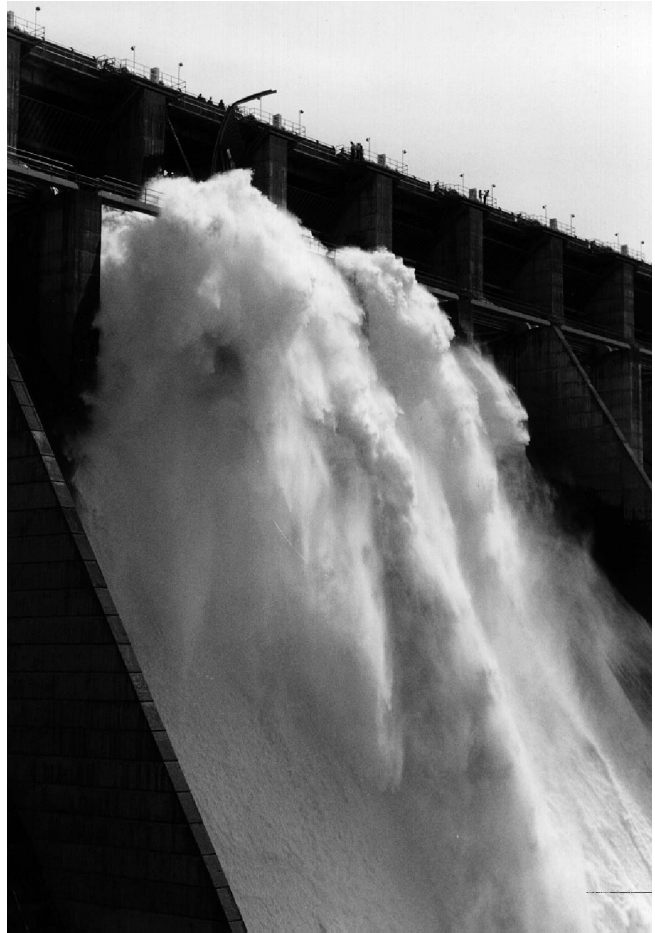
Reclamation currently holds title to 343 storage dams and reservoirs, 58 hydroelectric powerplants, and 72,019 miles of canals and other conveyance and distribution facilities. In 1995, \$542 million was allocated to operate and maintain these facilities.

In August 1995, Reclamation initiated a program aimed at transferring title to, and responsibility for, certain Reclamation projects and facilities to non-federal entities. This effort focuses on single-purpose projects and will involve public input and agreement with the conditions of the transfer, and Congressional approval. Legislative authorization has already been received for the Rio Grande Project irrigation and drainage facilities in New Mexico and Texas.

DAM SAFETY PROGRAM

Since approximately 50 percent of Reclamation structures were built between 1900 and 1950, the continued safe operation of this aging infrastructure is a high priority. Through Reclamation's Dam Safety Program, periodic monitoring is performed to evaluate the risks associated with these facilities and to analyze potential dam safety deficiencies. Reclamation has identified 262 facilities that would place the public at risk if they were to fail. During 1995, inspections were performed on 88 of Reclamation's facilities, while instrumentation monitoring also continued.

This program also provides for structural and nonstructural modifications of Reclamation dams to mitigate dam safety deficiencies and associated hazards. In 1995, Reclamation spent \$67.1 million on dam safety modifications, with structural modifications completed on two dams, while construction continued on eight others. Early warning systems are designed to successfully facilitate evacuation of populations located downstream



A failure of one of Folsom Dam's flood control gates allowed the reservoir level to drop 37 feet before the problem could be abated. Although damage to downstream property and lives was averted, an estimated \$3 million (150 million kilowatt hours) in energy generation was lost. Photo credit - Bureau of Reclamation.

from the dams. During 1995, one Early Warning System was completed, while implementation and installation continued at 10 other dams.

DISASTER RESPONSE PROGRAM

In 1995, Reclamation assisted both the Federal Emergency Management Agency and the U.S. Army Corps of Engineers in disaster response operations in northern California, South Dakota, and Kansas City, Missouri.

RESEARCH AND TECHNOLOGY DEVELOPMENT PROGRAM

Reclamation invested \$9.3 million in research and development during 1995 which resulted in:

- more effective reservoir management;
- improved river system operations through more accurate rainfall forecasts;
- wetlands management modeling; and
- environmental solutions, such as improved safe-passage fish screens and pumps.

Partnerships with water users were used to leverage Reclamation funds and human resource capability. For every Reclamation dollar invested in 1995, partners invested two.



Windsurfers enjoy the breeze at Deer Creek Reservoir near Salt Lake City, Utah. Part of the Provo River Project, the reservoir is a favorite summer spot for area recreationists. Photo Credit - Bureau of Reclamation.

Reclamation Recognized by Ford Foundation

In recognition of its leadership role throughout government in the area of reinvention and streamlining, Reclamation was selected from a field of 1,450 state, local, and Federal applicants as a proud finalist in the 1995 Innovations in American Government Awards Program. The program, sponsored by the Ford Foundation and Harvard University's John F. Kennedy School of Government, awards government programs and policies that represent new and highly effective approaches to meeting public needs. This is the first year Federal programs have been eligible for the award.

CUSTOMER SERVICE

The Bureau of Reclamation published its Customer Service Plan in September, 1995. Commissioner Daniel Beard described the plan as “...a dynamic document which will guide our relationship with our customers. Although our commitment to this plan is solid, the document itself will be public, shifting, and adapting as needed to meet a standard of service second to none.”

The Reclamation customer service report highlights include the following:

- All BOR offices have implemented customer service plans.
- The reorganization and restructuring of several BOR offices has focused on improving customer service.
- Increased training and better communication has increased customer service awareness.
- Customer service standards and customer input have changed behavior and improved management.



Office of Surface Mining

Since 1977, protecting the environment during coal mining and reclaiming the land after coal is removed have been required by the Surface Mining Control and Reclamation Act. In cooperation with States and Tribes, the Office of Surface Mining (OSM) has the responsibility to make sure those requirements are met. OSM is organized around the two principal requirements of the surface mining law -- protecting the environment during active coal mining and restoring abandoned mines.

Since May 3, 1978, all surface coal mines must have permits and comply with either OSM's Federal programs or approved state programs. Where states are the primary regulators, they administer and enforce surface coal mining and reclamation. Currently, there are 24 states with regulatory programs. Twenty-four states and three Indian tribes have approved Abandoned Mine Land programs.

The Abandoned Mine Land Reclamation Program restores lands mined and abandoned or left inadequately restored before August 3, 1977. Situations of danger to public

health, safety and general welfare are given priority. Coal producers pay fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite, which are deposited in the Abandoned Mine Reclamation Fund. Appropriations from this fund are used to make grants to States and Tribes for the reclamation costs of abandoned mine lands and to fund OSM cleanup projects on Federal and non-Federal lands.

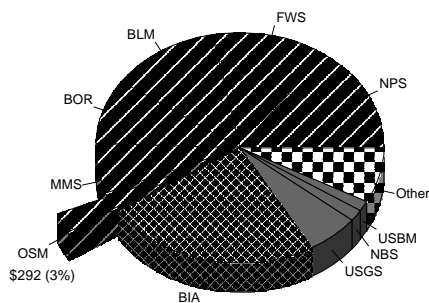
"The greatest domestic problem facing our country is saving our soil and water. Our soil belongs also to unborn generations."
Sam Rayburn, 1956

APPALACHIAN CLEAN STREAMS INITIATIVE

The Appalachian Clean Streams Initiative is an inter-agency effort led by the Office of Surface Mining to address the number one water problem in Appalachia - acid mine drainage. Over the past few years, the public has become more committed to the restoration of streams and watersheds degraded by acid/toxic mine drainage, the product of decades of coal mining. Various private and public coalitions have formed to focus funding and technical resources toward cleanup of selected streams of high interest to the citizens and state governments. Responding to these expressions of public and state priorities, OSM created the Appalachian Clean Streams Initiative as a focal point for action in this arena. Twelve stream cleanup projects in eight states have been selected and preliminary planning has been completed. Over 7,000 miles of polluted streams need to be restored to productive use. Not only will the water supplies of the coal field communities be improved, their local economies will benefit from increased tourism and recreational activities.

Figure 17

1995 Office of Surface Mining Budget Authority (\$ in millions)



Total DOI Budget Authority - \$9,744 million

FOSTERING OPEN COMMUNICATION

In today's world, effective communication is vital to the success of any organization. The Office of Surface Mining, with its broad and diverse customer groups including citizens, state regulators, the coal industry, and interest groups, achieved several important successes in 1995.

■ ***The Applicant Violator System was opened to the public.*** System training was provided in Washington, D.C., Pittsburgh, Pennsylvania, and Lexington, Kentucky. Public access allows coal companies and other interested parties to monitor records that could affect the issuance of permits, while enabling OSM to build a more open permit approval process.

■ ***The COALEX computer data base was opened to the public.*** This data base contains the full text of the Surface Mining Control and Reclamation Act and all Office of Surface Mining regulations (both past and current). Computer access to this data supports more substantive public participation while providing equal access to key data for all parties affected by the Surface Mining Control and Reclamation Act.

■ ***A new advisory notice format was initiated.*** A violent eruption, or blowout, caused by pressurized water inside an underground coal mine killed a young woman in West Virginia. To alert the coal industry to this hazard, Director Robert Uram issued an advisory to state, regional and national coal mining associations describing deadly mine blowout hazards and asked for their cooperation in safeguarding the public from these dangers. This was the first time an advisory format had been used by the Office of Surface Mining. It provided a quick, effective way to get this important message to everyone across the country who had knowledge of mines that could contain



OSM Reclamation Specialist Jack Simpson examines rich topsoil being spread over a reclaimed area of an Illinois mine. Topsoil removal and handling are critical in the Midwest, where prime farmland must be restored to its pre-mining level of productivity. Photo credit - Chuck Meyers.

similar safety hazards.

INITIATIVES

In 1995, significant success was achieved on agency initiatives dealing with acid mine drainage, electronic permitting, shared oversight, clean streams, and re-mining. An acid mine drainage summit was planned to bring experts from all parts of the country together to focus on acid mine drainage prevention. The Appalachian Clean Streams Initiative was the catalyst responsible for bringing diverse public and private entities together to work on improving on-the-ground conditions in acid-polluted streams. Electronic permitting moved from the testing to the application stage, with significant savings in efficiency. The oversight process was re-engineered and the new shared process will fully implemented in 1996. Also, the *Remining For Real!* initiative was started, and the first site-specific case to eliminate regulatory barriers to re-mining began at a proposed mine site in Virginia.

REGULATION OF MINING AND RECLAMATION

Major 1995 accomplishments were achieved in three areas:

■ ***The Office of Surface Mining, in cooperation with its partner states and tribes, revised its oversight policy to focus on results.*** The new policy incorporates result-based oversight founded upon performance agreements worked out by consensus with each partner. As a result of this initiative, States and Indian Tribes are less encumbered by OSM reviews and involvement and thus better able to run their own programs. The result is more efficient programs and savings of administrative costs - savings that are used for better environmental protection and reclamation throughout the coal fields of the nation. Program evaluation now focuses on identifying the financial, technical, and other assistance States need in order to strengthen their programs and no longer duplicates State program responsibilities.

■ ***Indian lands programs began to move toward primacy.*** The Office of Surface Mining and the coal resource Indian Tribes formulated a plan that will enable additional tribes to serve as the primary regulator of mining activities on their lands.

■ ***New rules were promulgated to fulfill the congressional mandate to help states protect private property from damage by underground coal mines.*** These rules fill a gap in the previous subsidence rules by requiring coal operators to protect the homes, churches, and other buildings as well as water supplies of coalfield residents from damage caused by underground coal mining.



This Ohio Christmas tree farm was established on a former coal mine site. Trees from the farm have been established for use in the National Christmas Pageant of Peace. Photo credit - Chuck Meyers.

TECHNICAL TRAINING

The technical training program has been consistently cited by customers as a model of Federal, State, Tribal and private cooperation and as an outstanding means of providing technical assistance. All courses are developed by teams of State and Federal personnel and are based on customer surveys. During 1995, over 1,000 participants attended 62 training sessions offered for 24 courses. State and Tribal representatives accounted for 73 percent of program attendance, OSM personnel 22 percent, and private attendance totaled 5 percent. The 1995 program represented a 25 percent increase in program offerings and services over 1994. The program worked cooperatively with States and Tribes to maintain low costs which allowed an increase in offerings without increasing the program budget over the previous year. Increases were made directly in response to the demand of State, Tribal, and OSM customers. For example, at the request of the State of Oklahoma, eight course sessions were held in Oklahoma to meet special programmatic needs. Additionally, as part of the Indonesia Program which is

funded by the World Bank, Indonesian students attended courses in the United States and Indonesia.

CUSTOMER SERVICE

The Office of Surface Mining developed its customer performance standards in 1994. During fiscal year 1995, a survey was conducted to further identify OSM’s customer base and its perceptions and needs. The survey provided summary information concerning (1) the dissemination of information, (2) products and service delivery, (3) quality of service, and (4) suggestions for improvement.

Fiscal year 1995 accomplishments include the following:

<u>Abandoned Mined Land Emergency Complaints</u> -- complaints were addressed within the allotted time frame:	95%
<u>Applicant Violator System</u> -- requested information was received within the allotted time frame:	97%
<u>Wilkes-Barre and Pittsburgh Mine Map Offices</u> -- customer requests for materials were provided in the allotted time frame:	97%
<u>State Program</u> -- State Program amendments were announced in the allotted time frame:	97%

Figure 18

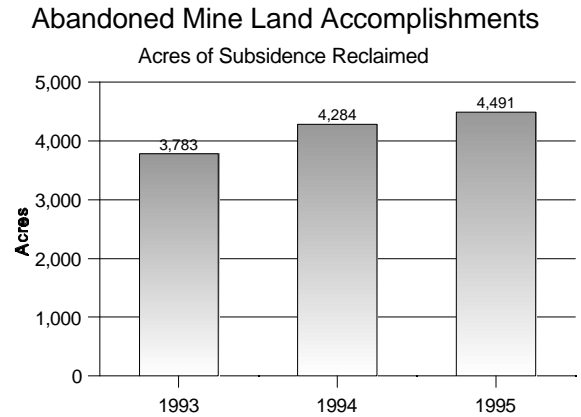
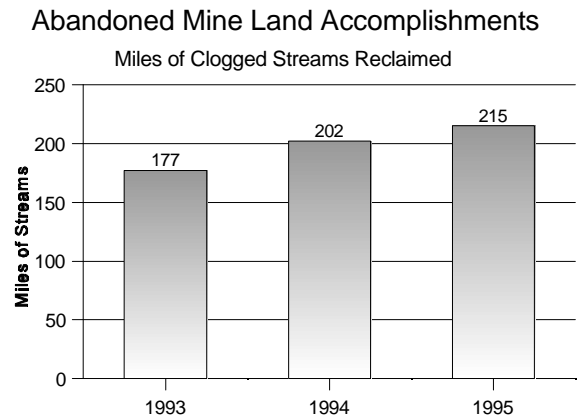


Figure 19





Minerals Management Service

The Secretary of the Interior established the Minerals Management Service (MMS) in 1982 to:

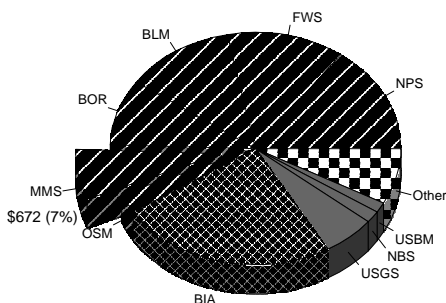
- Strengthen the Nation's mineral revenue collection efforts, and
- Improve the management of the resources on the Outer Continental Shelf (OCS).

Although the MMS is a relatively small bureau, its activities are of national significance. The benefits MMS provides to States, Indian Tribes and allottees, localities, and U.S. taxpayers include:

- Administration of 27 million acres of the Outer Continental Shelf (an area the size of Texas and California combined), which, during 1995 supplied over 25 percent of the natural gas and over 12 percent of the oil produced in the United States.
- Collection and distribution of \$2.7 billion per year in

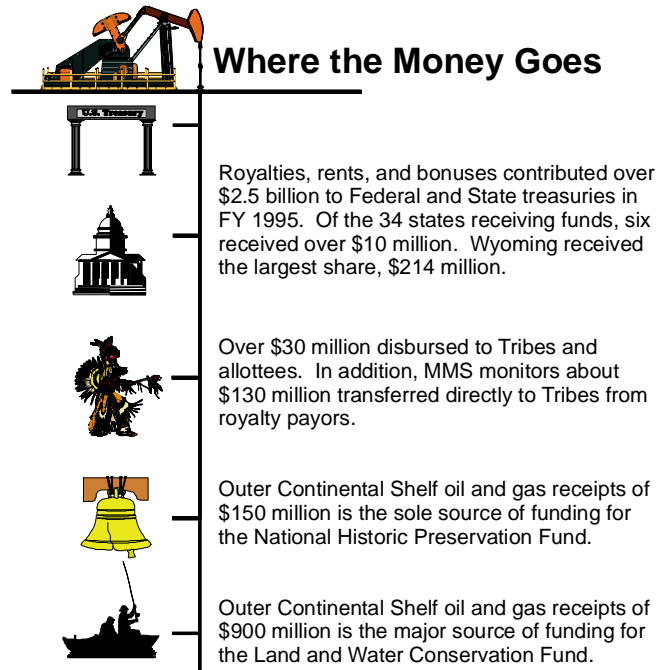
Figure 20

1995 Minerals Management Service Budget Authority (\$ in millions)



Total DOI Budget Authority - \$9,744 million

Figure 21



rents, bonuses, and royalties from mineral leases on the Outer Continental Shelf. This effort provides \$1.7 billion per year to the Federal and State treasuries. The remaining \$1 billion is distributed to the Land and Water Conservation Fund and the National Historic Preservation Fund (see Figure 21).

- Distribution of approximately \$1.1 billion per year in royalties, rents, and bonuses from onshore mineral leases, of which over \$500 million is distributed to States, Tribes, and Indian allottees; the remainder is distributed to the Reclamation Fund and the U.S. Treasury.

The MMS's responsibilities are performed by its Offshore Minerals Management Program and its Royalty Management Program organizations.



MMS scientists place strong motion instruments beneath the sea floor in the Santa Barbara Channel to better understand the effects of earthquakes on offshore structures. Photo credit - MMS.

OFFSHORE MINERALS MANAGEMENT

The Offshore Minerals Management Program administers the Outer Continental Shelf competitive leasing program and oversees the safe and environmentally sound exploration and production of the Nation's offshore natural gas, oil, and other mineral resources. The goal for the Offshore Minerals Management Program is to maximize the development on the Outer Continental Shelf while ensuring fair market return and the safe, environmentally sound Outer Continental Shelf operations.

An important strategy for achieving this goal and maintaining the integrity of the program, is to ensure that customers have adequate opportunity to participate in the decision-making process. Two significant accomplishments during 1995 reflect this strategy:

- In August 1995, MMS issued the "Outer Continental Shelf Draft Proposed Oil and Gas Leasing Program for 1997-2002." The proposed program embraces the advice provided by the Outer Continental Shelf Policy committee and reflects the beginning of a long-term

movement from conflict to consensus in the program. Before issuance, MMS conducted extensive outreach efforts on a regional basis to describe the overall 5-year program process, discuss formulation of the draft proposal, and continue the scoping of issues for the Environmental Impact Statement.

- Public Law 103-426, enacted in October, 1994, authorizes the Secretary of the Interior to negotiate agreements for use of Outer Continental Shelf sand, gravel, and shell resources. The legislation facilitates coastal communities' and States' access to Federal Outer Continental Shelf resources for beach and wetlands restoration, and other projects of public benefits, without going through a competitive lease sale process. One negotiated lease has been concluded and several other requests for negotiations are in various stages of review or discussion.

As of September 30, 1995, there were 5,225 leases under supervision on the Outer Continental Shelf encompassing approximately 25 million acres. These leases supplied 5.06 trillion cubic feet of natural gas representing over 25 percent of all natural gas produced in the United States. The volume of crude oil from these leases exceeded 421 million barrels, or over 12 percent of the Nation's output of oil.

Since the inception of the Outer Continental Shelf program, 117 Outer Continental Shelf lease sales have been conducted generating over \$109 billion in bonus, rent, and royalty revenue to the Federal Government. The 1995 receipts of \$2.742 billion represent a decrease of \$343 million from last year due primarily to decreased prices.

During 1995, offshore operations were conducted in a safe and environmentally sound manner. There were 35 minor oil spills and only one oil spill was greater than 1,000

barrels (a total of 5,152 barrels spilled was reported for 1995). There were no fatalities from well control incidents during the year.

ROYALTY MANAGEMENT

The Royalty Management Program's goal is to provide timely, accurate, and cost-effective collection and disbursement of revenue from mineral leasing and production due to Indian Tribes and allottees, States and the U.S. Treasury. Two of the strategies for achieving this goal are to:

- Assist and encourage royalty payors to submit royalty reports and payments correctly the first time, and
- Use modern information management tools to improve the royalty collection and disbursement processes.

Two notable Royalty Management achievements in 1995 reflect these strategies:

- Royalty reporters submitted 97.5 percent of all royalty lines and 97.3 percent of all production lines correctly. Due to the sustained improvement in reporting accuracy, the Royalty Management Program initiated a moratorium on assessments for inaccurate reports. The moratorium will nearly eliminate the workload associated with processing about 1,000 bills annually, with a corresponding reduction of about 35 percent of royalty appeals. Industry's workload will also be similarly reduced.
- The Royalty Management Program initiated electronic data interchange and electronic mail as reporting alternatives to magnetic tape and diskettes. Less than one percent of the report lines received by electronic reporting contained "fatal" errors, errors

Outer Continental Shelf Oil Spill Facts

Every day, about 1,000 barrels of oil seep naturally from the seabed into U.S. marine waters. Natural oil seepage occurs anywhere oil and/or natural gas bearing strata intersect the earth's surface, or where they are tapped by faults and fractures. Seeps are common in the Gulf of Mexico and offshore southern California.

In comparison, during 1995, there was only one oil spill on the Outer Continental Shelf that exceeded 1,000 barrels of oil spilled.

In 1995, the Minerals Management Service spent approximately \$10 million on research into oil spill prediction, prevention and response technology. This research is paying off in steady downward trends in the number of oil spills, in the average size of oil spills, and most importantly, in the total volume of crude oil spilled. On the Outer Continental Shelf between 1964 and 1979, less than 88 thousand barrels of oil were spilled from platforms and pipelines for every billion barrels of oil handled. In the period 1980 through 1993, this number has decreased to less than 11 thousand barrels spilled for every billion barrels handled.

that necessitated the rejection of the data. The decrease in errors results in minimizing processing delays, reducing manual re-entry of data, and increasing Royalty Management's Program ability to disburse revenues timely.

The Compliance Action Plan was completed in 1995. This multi-year plan implements recommendations from the Task Force on Royalty Compliance and institutes a range of program-wide improvements targeted at encouraging voluntary compliance by companies. This is done through clarification of policies and requirements as well as more aggressive enforcement. The Department's Office of Inspector General reviewed the Compliance Action Plan during 1995 and concluded that the Minerals Management Service achieved significant progress in implementing the Task Force's recommendations.

In 1995, MMS worked cooperatively with industry to initiate the Royalty Gas Marketing Pilot, which is an effort to streamline gas royalty determination and collection procedures. In this pilot, MMS tested the concept of removing itself from the complex business of valuing and auditing royalties while ensuring that the government

receives the royalty collections due it. As of September 30, 1995, 14 volunteer producers were participating in the pilot. The producers worked with the MMS to develop an agreement that governs the pilot and served as the basis for an Invitation for Bids. The MMS received 23 bids from 22 marketing companies and awarded 14 sales contracts during 1995.

CUSTOMER SERVICE

The MMS continually strives to be responsive to the public's concerns, and the interests of our customers and stakeholders. Following are highlights from 1995 Customer Service Reports prepared by the Minerals Management Service.

The Offshore Minerals Management (OMM) Program's many customers include customers who rely on timely and accurate information (e.g., 24 States, Congress, foreign countries, the legal community, the banking community, environmental groups, universities, consultants), customers who are regulated by the MMS (e.g., oil and gas industry operating leases and facilities on the OCS), and other customers who receive benefits through the OCS leasing process (e.g., U.S. Treasury and U.S. taxpayers).

OMM's 1995 Customer Service report included results from OCS Leasing (March 1994 - March 1995):

- 3 lease sales held
- \$578 million in bonuses received
- 1,085 leases issued
- \$27.7 million expected first year rentals
- 635 new wells permitted
- 205 new platforms approved
- 8 public hearings held

- \$12.9 million spent on environmental research
- 7 Special Environmental Impact Statement Workshops held in Alaska

The Royalty Management Program's many customers include those who rely on timely and accurate revenue disbursement (e.g., 38 States, 42 Indian Tribes, 25 Bureau of Indian Affairs offices representing 20,000 allottees, U.S. Treasury, Forest Service, Bureau of Reclamation, Army Corps of Engineers, and the Bureau of Land Management), customers who are regulated by the MMS (e.g., oil, gas, solid minerals, and geothermal industries reporting and paying on more than 107,000 leases), and others who rely on Royalty Management Program data and services (e.g., General Accounting Office, Department of Energy, Congress, and U.S. taxpayers).

Selected results from the Royalty Management Program customer service report include the following:

<p><u>Responsiveness</u></p> <p>Satisfied or Very Satisfied: 60-70% Very Satisfied: 20-50% Lowest ratings given by Indians; highest by States</p>
<p><u>Professional Image</u></p> <p>Satisfied or Very Satisfied: 61-100% Very Satisfied: 16-30% Lowest ratings given by Indians; highest by States</p>
<p><u>Credibility</u></p> <p>Satisfied or Very Satisfied: 61-100% Very Satisfied: 16-30% Lowest ratings given by Indians; highest by States</p>
<p><u>Overall Quality</u></p> <p>Satisfied or Very Satisfied: 59-78% Very Satisfied: 8-22% Lowest ratings given by Indians; highest by States</p>

SCIENCE

One of the highest priorities of the Department is performing critical science in the national interest. Whether it's conducting discrete water quality assessments

that add up to a broad understanding of our Nation's drinking supply, seismic monitoring of the earth to better understand past earthquakes and warn of future ones, or building an understanding of the population and health of migrating waterfowl for use by wildlife managers nationwide, the Department carries out some of today's most vital scientific research, research that directly affects and impacts the health and welfare of the American people.

The Department's science bureaus -- the U.S. Geological Survey, the National Biological Service and the U.S. Bureau of Mines -- are premier organizations that respond to natural hazards, understand the complex biodiversity of the Nation's fish and wildlife, and find new ways to treat past abuses of public lands in terms of hazardous wastes. These bureaus do not have land management or regulatory responsibilities. It is precisely because of this that they are able to provide objective earth science and biological information from an unbiased, national perspective -- information that is trusted and depended upon by decision makers in the private and public sectors. Rigorously established standards are consistently applied to the generation of data, including both sample collection and analysis. The data are well maintained in easily accessible data bases.

"Human subtlety will never devise an invention more beautiful, more simple or more direct than does nature, because in her inventions nothing is lacking, nothing is superfluous."

Leonardo da Vinci (1452-1519)

EARTH SCIENCE

At the U.S. Geological Survey (USGS), earth science assessments are conducted by highly qualified scientists, based on the best data and

scientific information possible. Research by the Geological Survey focuses on continually improving our scientific understanding, and extensive data collection helps to improve assessment reliability. The Geological Survey maintains data bases for information about the whole of the United States, and in some cases, the world. The Geological Survey also provides regional perspectives that are necessary for helping address land management and regulatory decisions on complex long-term issues that cross political boundaries.

It only took 10 to 20 seconds of strong ground shaking on January 17, 1994, to collapse buildings, bring down freeway interchanges, and rupture gas lines in the Los Angeles area. The Northridge earthquake, although moderate in size, caused about \$30 billion in damage; but



Los Angeles Times article on the Northridge earthquake. Photo credit - U.S. Geological Survey.



USGS water quality study on the Upper Mississippi River.
Photo credit - U.S. Geological Survey.

damage could have been much worse. The Geological Survey activities to record regional earthquake patterns, map the geology of the Los Angeles basin, and calculate the strength of future ground motions formed the basis in southern California for some of the country's most stringent building codes.

Earth science information produced by the Geological Survey is readily available to individuals, industry, and Federal, State, and local agencies at no cost other than the cost of printing and distribution. This earth science information includes interpretive reports, maps of many kinds, data bases, and specialized products, many of which are based on long-term monitoring efforts. The Geological Survey earth science information is of greatest use to the Nation when the information is disseminated to and used by the greatest number of customers.

BIOLOGICAL SCIENCE

The National Biological Service (NBS) provides research and other biological data support to all Interior bureaus, States, and other Federal agencies. The creation of the National Biological Service in 1993 responded to the need for sound, objective biological data to support the host of day-to-day decisions made by Federal, State, local, and private resource managers.

Up-front information dealing with integrated regional issues, not single species or jurisdictions, is needed to avoid "train wrecks" -- situations where problems go unnoticed, or unaddressed, until both ecological and economic disruption is all but inevitable. Integrating the Department's biological science expertise in a single, non-regulatory agency enables Biological Service scientists to provide objective input to complex debates, without raising questions of motive or influence.

For example, the Biological Service offers the best scientific advice on waterfowl populations. The Biological Service scientists are experts in population monitoring, data management, reproductive and nesting success, effects of predators, habitat restoration, and wildlife disease. These experts can -- and do -- apply this expertise across the United States, as well as Canada and Mexico, where many ducks and geese breed and winter. State, Federal, and international waterfowl managers use this critical science, knowing that the Biological Service has no stake in a particular management decision. But it is citizens -- including both hunters and bird watchers -- who benefit from healthy flights of migratory waterfowl.



Computer landscape analysis at Glacier National Park field station. Photo credit - National Biological Service.



Help from nature. U.S. Bureau of Mines scientists developed these tiny, porous beads made from peat moss and polymers to extract metal ions from waste water. Photo credit - USBM.

RESEARCH IN HEALTH AND SAFETY

After 85 years of invaluable service, the U.S. Bureau of Mines (USBM) will close in early 1996. Over the years, the Bureau of Mines contributed to the economic, military, and industrial strength of our country through improved mining methods and equipment, less expensive refining, and innovative metallurgical technologies. Other work in explosives, robotics, armor, and rescue equipment has benefited national defense and non-mining industries and applications. Because of Bureau of Mines research, energy and mineral resources have become steadily less expensive to obtain and use at the same time that the health and safety of the Nation's miners has improved.

As environmental concerns increased, the Bureau of Mines applied its expertise to mine-related problems and developed improved mine reclamation and remediation technologies, constructed wetlands to mitigate acid mine drainage, and found ways to remove selenium, arsenic, and lead from polluted waters. The Bureau has assisted the land management agencies in dealing with abandoned mines and mineral processing sites, helped the Department of Defense remove lead from soils around firing ranges, and helped the Department of Energy find new ways to



The USBM collected, analyzed, and disseminated information about the mining and processing of more than 100 mineral commodities across the Nation and in more than 185 countries around the world. Photo credit - USBM.

deal with massive waste storage problems.

Some of the Bureau of Mines' health and safety activities will transfer to the Department of Energy, and some of the information and analysis activities will transfer to the U.S. Geological Survey and the Bureau of Land Management. However, almost \$100 million of the Bureau's 1995 programs and activities will be terminated, and over 1,000 of its employees will be separated.

The employees of the Bureau of Mines have every reason to be very proud of their agency's 85 years of service to our country. The outstanding work and accomplishments of the employees of the Bureau of Mines will continue to benefit the nation long after the doors of the Bureau are closed.



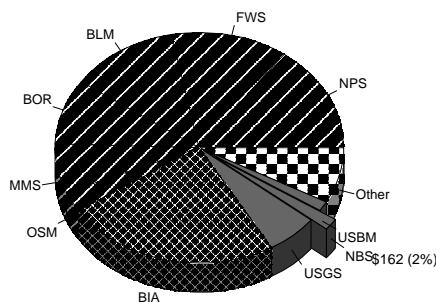
National Biological Service

In 1995, the National Biological Service (NBS) made great progress in pursuit of its mission, which is to work with others to provide the scientific understanding and technologies needed to support sound management and conservation of our Nation's biological resources.

In carrying out this mission, the NBS is dedicated to excellence in science and technology. It does not manage or regulate use of lands or biological resources, nor adopt advocacy positions that might compromise the objectivity of its research. In its quest for scientific excellence, NBS is also improving the relevance of its products to public and private entities engaged in managing the use of biological resources.

Figure 23

1995 National Biological Service Budget Authority
(\$ in millions)



Total DOI Budget Authority - \$9,744 million

While continuing to meet the traditional needs of the bureaus from which it was formed, the NBS is looking ahead and applying innovative strategies and initiatives to address future challenges.

STRATEGIES AND INITIATIVES

Ecosystem Focus - Conducting research that encompasses whole ecosystems rather than only fragments or single components.

Partnerships - Involving interested or affected Federal, state and private partners.

Information Needs Identification - Improving the relevance of its research by involving its clients/partners in developing and listing present and future needs in priority to guide research.

Multidisciplinary Science - Involving the Nation's best scientists and technicians from diverse disciplines, both from within and without the NBS, in collegial research.

Prevention of "Train Wrecks" - Developing the capability to anticipate the consequences of human activities on ecosystems, and recommend ways to prevent or remedy negative consequences, while simple and cost effective solutions remain available.

Peer Review - Expanding the use of scientific peer review of research proposals, plans, project execution and manuscripts; and including more highly qualified external scientist on peer review panels.

Electronic Technology - Using the power of recently developed electronic and computerized technology to facilitate rapid analysis and communication of data among partners, colleagues and clients.

ACCOMPLISHMENTS

Although its 1995 budget, \$161.8 million, represented a reduction of \$5.1 million from the previous fiscal year budget, the NBS achieved noteworthy progress toward its goals and objectives. Among its significant accomplishments were:

Information and Publications

"Our Living Resources" - Publication of this report to the Nation on the distribution, abundance, and health of U.S. plants, animals and ecosystems plus special issues, is truly a significant milestone in fulfilling NBS' mission. It contains over 200 articles written by the top experts in the fields.

National Biological Information Infrastructure - NBS completed several components of this electronic network linking Federal and State government agencies, universities, museums, libraries, and private organizations enabling them to share data and information electronically worldwide. It will grow in the future as more participants and more information are added. The components made available for use during 1995 were:

- **A National Link to State Natural Heritage Databases** - This computer network will facilitate the ability of clients on Internet to obtain biological information on all State Natural Heritage Programs through the World Wide Web.
- **A Standardized Taxonomic Information System** - NBS collaborated with five other Federal agencies to provide electronic access to standard scientific names, synonyms, common names, origin and general distribution of all North American plants and animals.



Catching zebra mussels in Lake Erie (North Central Research Group). Photo credit - National Biological Service.

- **National Biological "Metadata" Standards** - NBS collaborated with Federal and State agencies, and the American Institute of Biological Sciences in developing a proposed standard format for describing biological databases, which will allow users to identify and access information more readily.

Prince William Sound CD ROM - NBS offered interested parties a free compact disc containing geographic features, land ownership, land use, roads, pipelines, extent of oiling, natural resource information, and additional information necessary to the restoration of Prince William Sound. This compact disc is a compilation of information from 35 State and Federal geographic information system databases.

Zebra Mussel Distribution Tracking System - This system stores information and produces maps on the growing distribution of this small "clam like" creature introduced into the U.S. from Europe in the late 1980s. It spread rapidly throughout the Mississippi River drainage and is beginning to show up in other river systems and inland lakes.

Research and Monitoring

Species at Risk Initiative Wins Award - *Renew America* awarded its Certificate of Environmental Achievement to this NBS Initiative intended to reduce the number of species becoming endangered or threatened. It was also selected for listing in the *Environmental Success Index*. Several of the projects under this initiative were completed and provided information to resource managers.

National Park Natural Resource Monitoring - NBS scientists collaborated with the National Park Service in providing recommendations to strengthen and improve the applicability of natural resource monitoring activities in and around National Parks.

Contaminant Monitoring on Public Lands - NBS tested and recommended a process to monitor threats to biological resources from contaminants on National Wildlife Refuges.

Partnerships

State Partnerships - In 1995, NBS became partners with 15 States, committing \$1,162,380 through cooperative agreements to achieve common objectives.

Ecosystem Studies - NBS identified 12 ecosystems to demonstrate collaborative research involving Federal, State and private partners in identifying and describing ecological dynamics. Such collaborative efforts build

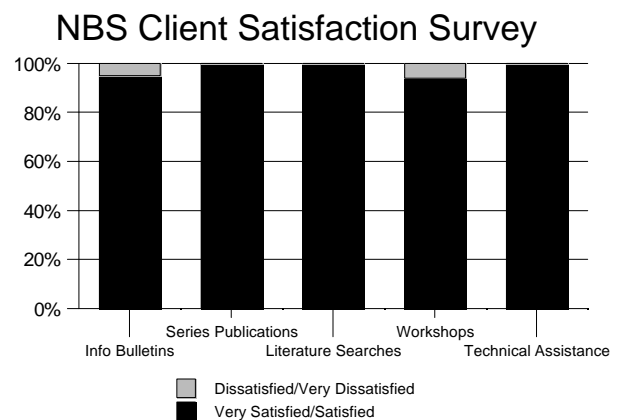
upon the multidisciplinary, partnership approach to scientific excellence.

CUSTOMER SERVICE

As the biological science and research arm of the Department, the NBS provides information and technologies to the Department's other bureaus responsible for managing or regulating public lands and resources. The NBS also meets similar needs of other Federal agencies, State and local governments, and even private entities involved in land and resource management.

During 1995, the NBS tracked the level of satisfaction for clients who received products and services through its Information Transfer Center in Fort Collins, Colorado. These products and services include NBS information bulletins, NBS series publications, literature searches, and workshops. Figure 24 displays client satisfaction with NBS products:

Figure 24





U.S. Bureau of Mines

For most of this century, the U.S. Bureau of Mines (USBM) has been the primary Federal agency conducting scientific research and disseminating information on the extraction, processing, use, and conservation of mineral resources.

Founded in 1910 to deal with a wave of catastrophic mine disasters, the mission of the Bureau of Mines expanded over the years to include:

- The conduct of research to enhance the safety, health, and environmental impact of mining and processing of minerals and materials.
- The collection, analysis, and dissemination of information about mining and processing of more than 100 mineral commodities across the Nation and in more than 185 countries around the world.
- Analysis of the impact of proposed mineral-related laws and regulations upon the national interest.

- Production, conservation, sale, and distribution of helium for essential government activities

From its creation, the USBM was viewed, both nationally and internationally, as the focal point for new and emerging science and technology in the minerals field. Since entering competition in 1978, the Bureau of Mines won 35 "R&D 100" Awards, given annually by Research and Development magazine for the 100 most important research innovations of the year. This achievement is especially impressive considering the small size of the Bureau's research budget, compared to those of competing organizations, such as E.I. Du Pont De Nemours and Company, Westinghouse Electric Corporation, General Electric Company, Hitachi Ltd., the Department of Energy, and the National Aeronautics and Space Administration (NASA).

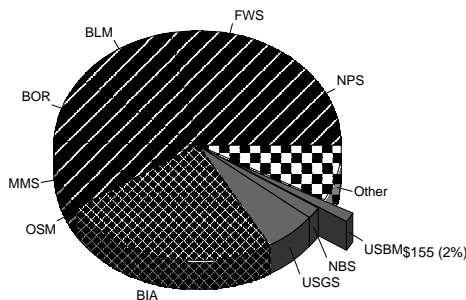
CLOSURE OF USBM

"We leave knowing that the proud accomplishments of this agency did make a difference in the quality of life we now enjoy, and they will continue to do so well into the 21st century."

USBM Director Rhea Graham

Figure 25

1995 U.S. Bureau of Mines Budget Authority (\$ in millions)



Total DOI Budget Authority - \$9,744 million

In September of 1995, Congress voted to close the Bureau of Mines and to transfer certain functions to other Federal agencies. With USBM's closure, almost \$100 million, or 66%, of its 1995 programs ceased, and approximately 1,000 of its employees were dismissed. Certain specific health, safety, and materials programs were transferred to the Department of Energy, and certain minerals information activities moved to the U.S. Geological

Survey and the Bureau of Land Management. Closure of the Bureau of Mines, and the accompanying transfers of functions and employee layoffs were essentially complete in March of 1996.

The Bureau's Minerals Information functions are being transferred to the U.S. Geological Survey (USGS) in early 1996. The "Mineral Industry Surveys," "Mineral Commodity Summaries," and the "Minerals Yearbook" will continue to be published.

Additional legislation is pending in Congress that would terminate the Government's production of refined helium



User friendly technology is an integral part of providing timely and reliable minerals information to federal agencies, Congress, and the general public. Photo credit - U.S. Bureau of Mines.



A U.S. Bureau of Mines researcher assesses the mineral potential of Federal land. Photo credit - U.S. Bureau of Mines.

and begin the sale of crude helium.

CUSTOMER SERVICE

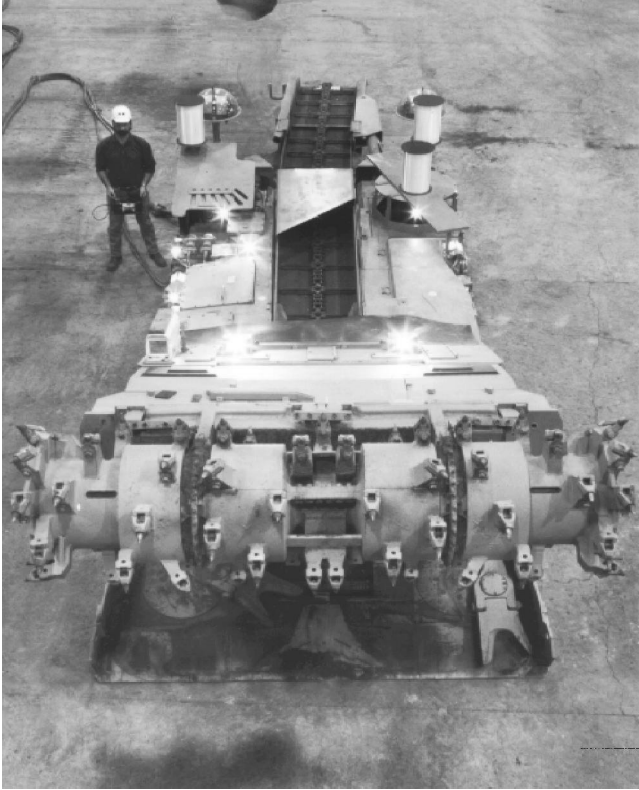
During 1995, the USBM had various customer interactions to evaluate needs, help set priorities, and guide its research and information gathering functions.

These interactions included:

- Use of written questionnaires to survey customers who use USBM publications.
- Use of focus group meetings to help address evolving issues of particular importance to customers.
- Conducted extensive benchmarking with 11 science and technology related organizations.

A LEGACY OF ACCOMPLISHMENTS

Since its founding 85 years ago, the numerous accomplishments of the Bureau of Mines have included



Helping mine workers survive underground disasters was a major part of the mission of the USBM. Photo credit - U.S. Bureau of Mines.

the identification and development of many new processes, including:

- Technologies that contributed to reduction of fatalities in mine disasters by 97 percent, from 3,000 in 1907 to 98 in 1993.
- Self-rescue equipment to allow miners to continue to breathe when caught in underground disasters.
- Low-cost methods to extract radium for cancer treatment.
- Production processes for titanium, which is critical for aerospace and automobile manufacturing, and zirconium, which is essential to nuclear naval vessels.

- Techniques to recover strategic and critical minerals, such as cobalt and chromium, to reduce U.S. vulnerability to import blockages in international crises, especially during the Cold War.
- Construction of manmade wetlands to limit pollution of waterways by acid mine drainage from nearby mining and mineral-processing operations.
- Methods to minimize damage from subsidence, the sinking of the surface of the earth above underground mines.
- Improved recycling of metals, plastic and paper from municipal wastes, including a technology, now used around the world, to recycle municipal solid wastes.
- Non-intrusive ways to recover minerals without disturbing the surface of the land.
- Use of bacteria to remove arsenic and cyanide from waste waters on public and private lands.
- Uncovering the world's largest deposits of lead and zinc at Alaska's Red Dog Creek, leading to hundreds of millions of dollars in capital investments for mine development.

These and other USBM accomplishments during the past century help ensure that, while the Bureau may have closed its doors, it leaves a valuable legacy.



BUREAU OF INDIAN AFFAIRS

The Bureau of Indian Affairs (BIA) is charged with primary responsibility for working with the 554 Federally-recognized American Indian tribes and Alaska Native villages, providing services directly, or through contract, grant, and compact agreements with tribes, to over 1.2 million Indian, Eskimo, and Aleut residents in 31 states.

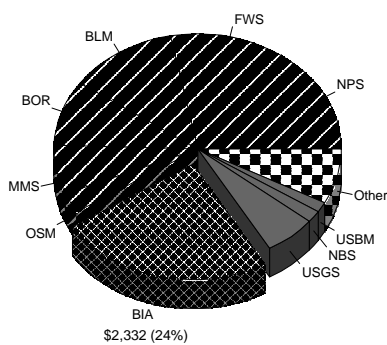
The scope of BIA programs is extensive, covering virtually the entire range of State and local government services: education, social services, law enforcement, judicial courts, community fire protection, land and heirship records, and economic development. Other bureau programs assist in the management and development of Indian forests, agriculture, range lands, water resources, wildlife and parks. Through BIA, Federal investments are also used for the construction of



Alaskan Eskimo child. Photo credit - David Marshall.

Figure 26

1995 Bureau of Indian Affairs Budget Authority
(\$ in millions)



Total DOI Budget Authority - \$9,744 million

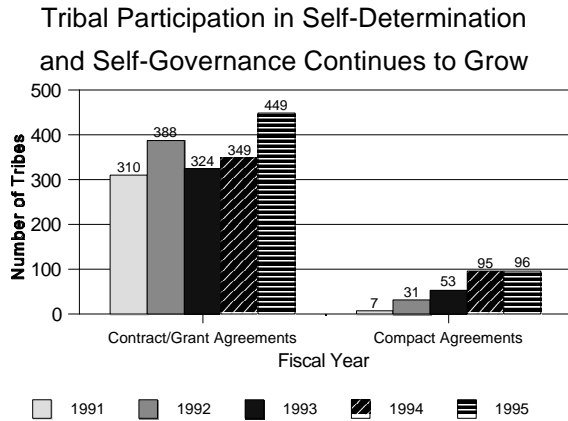
physical assets and infrastructure on Indian reservations, including highways and roads, housing, schools, adult and juvenile detention facilities, and irrigation and power systems.

INDIAN SELF-DETERMINATION AND SELF-GOVERNANCE

While other Federal agencies, such as the U.S. Departments of Health and Human Services, Education, and Agriculture, deal with Indians or Alaska Natives as members of an ethnic group or as individuals, the BIA deals directly with the tribal governing bodies in a government-to-government relationship.

Indian self-determination is the cornerstone of the Federal

Figure 27



relationship with sovereign tribal governments. Self-determination contracts, grants, cooperative agreements and self-governance compact agreements are authorized by the Indian Self-Determination and Education Assistance Act of 1974. These agreements between the Federal Government and Indian tribes and tribal organizations allow the tribes, rather than Federal employees, to operate the Federal programs. The self-determination agreements generally cover individual programs or sets of interrelated programs. The self-governance agreements cover a wider range of Federal programs and the tribes have more flexibility to redesign the programs and adjust funding to meet changing needs without amending the compact agreement.

The Tribal Self-Governance Program, first initiated as a demonstration project in 1991, has led to a rapid expansion of tribal self-determination (see Figure 27). Tribes with mature contracts (contracts in operation for at least three years with no material audit weaknesses) may choose to enter into the broader and more flexible compact agreements. The self-governance tribes may combine all component programs within a single compact agreement with the Department of the Interior and a single annual funding agreement with each Interior bureau. In 1995,

BIA obligated over \$1 billion to tribes and tribal organizations under self-determination contracts, grants, and compacts, accounting for 45.5 percent of all BIA obligations.

The Department's Office of the Inspector General released an audit report on the Self-Governance Compact Program in March, 1995. The Inspector General found that the tribes had more flexibility to establish program priorities in response to tribal needs rather than following Federal program objectives. Tribes were able to expand, consolidate, and create new programs to improve services to their tribal members. Tribal employment was increased through the transfer of funds that were previously used by the BIA to administer its agency, area, and headquarters offices. Tribal councils were more involved in budget allocation decisions and in overseeing program expenditures and accomplishments.

During 1995, the BIA also worked with tribal organizations on negotiated rules to implement the *Indian Self-Determination Act Amendments of 1994 (Public Law 103-104)*. This Act establishes a model self-determination contract or grant agreement and authorizes up to 20 new tribes to enter into self-governance compact agreements each year. Other provisions address eligible contract costs, indirect costs, payments to contractors, and construction contracts and grant agreements.

EDUCATION

Nearly one-third of the BIA's annual operating budget supports Indian students not served by public or private schools. During the 1994-95 academic year, the BIA school system served 46,500 students attending 171 elementary and secondary schools and 14 dormitories. In addition, the BIA operated two post-secondary schools and provided financial support for special pre-school programs, operating grants to Tribally Controlled

Figure 28

BIA Education Funding

1994-95 Academic Year
(\$ in millions)

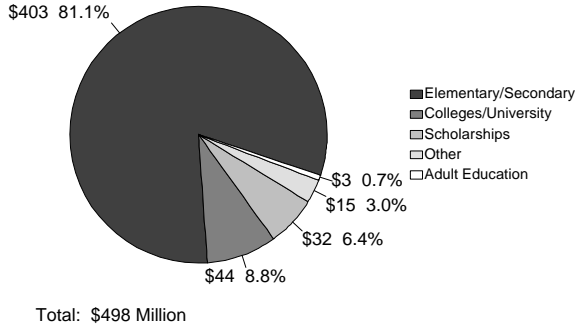
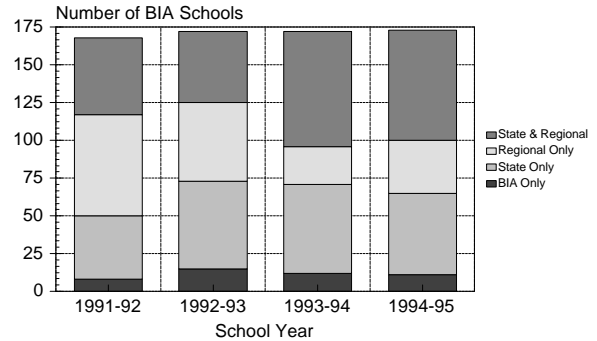


Figure 29

School Accreditation



Community Colleges, scholarships to Indian students pursuing undergraduate and graduate degrees, and tribal adult education programs.

Elementary and secondary schools, whether operated by the BIA or by tribes under self-determination contracts or grants, may be accredited by state and/or regional education associations and must comply with BIA's academic and residential standards. Most schools now have State and regional accreditation, which usually exceeds the academic standards that BIA has established as minimum criteria for its funded schools. Compliance with the BIA's 17 minimum criteria has consistently increased in recent years.

trust by the Federal Government. The Federal trust responsibilities include the management of forest lands, development of agricultural and range lands, leasing mineral rights, protecting water and land rights, and maintaining land ownership and lease income records. In addition, the Department of the Interior has fiduciary responsibilities for approximately \$2.5 billion of funds held in trust for Indian tribes and individuals. Approximately \$2.1 billion of the funds are held in tribal funds for nearly 300 tribes. The balance of approximately

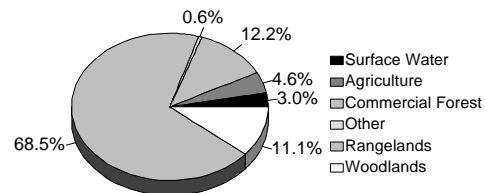
TRUST LANDS AND NATURAL RESOURCES

The BIA administers more than 54 million acres of land owned by Indian tribes and individuals that are held in

Figure 30

Uses of Indian Lands

(54 million acres)



Note: Woodlands include productive range acreage.



A Bureau of Indian Affairs teacher at work. Photo credit - Bureau of Indian Affairs..

\$450 million is held on behalf of individual Indians in over 387,000 accounts. About 14 percent of BIA's annual operating budget supports the trust lands, natural resources and financial trust management activities.

Almost 85 percent of the Indian trust lands are in active production. During 1995, over 700 million board feet of timber were harvested with a total value of \$180 million. Indian agricultural lands were estimated to generate another \$550 million in production. Tribes have also received approximately \$150 million in mineral royalties each year since 1990.

In 1995, the BIA and the Department continued to work with the tribes on improving the management of trust resources and the underlying land ownership records. Under the President's Forest Plan for the Pacific Northwest and Northern California, Indian Tribes received \$12 million in 1995 from harvesting an additional 40 million board feet of timber. Over 100 additional jobs were created on or near Indian reservations. The BIA also continued work on developing an automated system for the processing, storage, and management of Federal land titles, land ownership records, and over 90,000 land lease records. Other automated systems under development help tribes to inventory, map, and monitor changes in conditions of their lands and resources.

TRUST FUND MANAGEMENT

One of the Department's highest priorities is the management of Indian trust assets, with the goal of bringing trust resource management, accounting, investment and related systems up to industry standards. In recent years, a number of actions have been taken to address core issues underlying Trust Fund management, including contracts with public accounting firms for the reconciliation of Trust Fund accounts and audit of Trust Fund activity.

CUSTOMER SERVICE

The Bureau of Indian Affairs made substantial progress in achieving its Customer Service Standards, initially published in September 1994 as part of its Customer Service Plan. BIA's progress is primarily evidenced by the increased number of area-wide consultation meetings and customer service conferences held throughout 1995 (a total of 43). These meetings allowed the BIA to discuss the status of issues, claims and inquiries and matters of concerns with its customers. While the BIA was unable to measure the number of written inquiries received or the number of days it took to respond to a request, the increased emphasis on face-to-face meetings with customers during 1995 resulted in better communication and a reduced number of written inquiries from Tribes.

Other Departmental Programs

OFFICE OF INSULAR AFFAIRS

The mission of the Office of Insular Affairs is to promote the economic, social, and political development of the insular areas. Throughout most of 1995, the functions and responsibilities of the Secretary of the Interior for U.S. affiliated insular areas were delegated to the Assistant Secretary Territorial and International Affairs. These insular areas include the U.S. Virgin Islands, Guam, American Samoa, the Commonwealth of the Northern Mariana Islands (CNMI), the Republic of Palau, the Republic of the Marshall Islands, and the Federated States of Micronesia.

On August 4, 1995, Secretary Babbitt signed an order eliminating the Office of the Assistant Secretary - Territorial and International Affairs and transferring delegations and responsibilities for the insular areas to a new Office of Insular Affairs. The new office is significantly streamlined from the previous organization, with the number of positions reduced from 45 to 25.



An Office of Insular Affairs grant provided \$2 million to renovate the Myrah Keating Smith Health Center on St. John, Virgin Islands. Photo credit - Office of Insular Affairs.

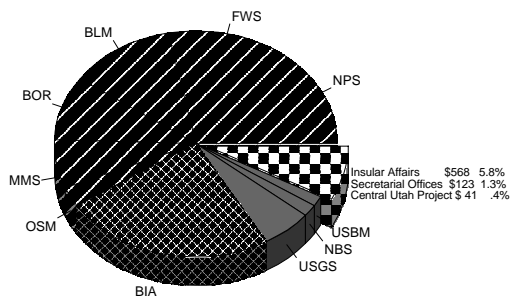
Technical assistance is provided to insular areas and covers all aspects of government operations. Program and policy coordination is carried out with Congress and virtually every Federal department and agencies. Insular issues are often complex and politically sensitive.

Grants are provided to the insular areas to promote the goals of the Office of Insular Affairs. The grants range from small technical assistance projects to major construction projects and require continuous management and monitoring. Specific examples of grants provided include: grants for construction of hospitals, sewer systems, water systems, power systems, roads, ports, airports, and school systems; grants for anti-drug activities and crime control; grants to enhance health care and public safety; grants to improve education; and grants to assist the governments in becoming self-sufficient.

In terms of performance, the Office of Insular Affairs is very proud of the small percentage of its total budget which is devoted to administrative costs. In 1995, the ratio

Figure 31

1995 Other Program Budget Authority
(\$ in millions)



Total DOI Budget Authority - \$9,744 million

was less than one percent. This rate is expected to continue in fiscal year 1996.

OFFICE OF THE SOLICITOR

The Office of the Solicitor provides legal advice and counsel to the various offices and bureaus within the Department. The Solicitor advises, represents, and assists the Secretary, his staff, and the bureaus and offices in accomplishing their statutory obligations and the goals of the Administration. Specific services include representing the Department in administrative and judicial litigation, preparation of legal opinions, legal review of legislation, regulations, contracts and other documents, and provision of informal legal counsel.

The Solicitor's Office is headquartered in Washington and is organized into divisions which are structured to serve specific program areas. Legal support for field activities is provided throughout the United States by the Solicitor's regional and field offices.

Accomplishments during 1995 reflect advice and counsel on Secretarial priorities including Indian self-determination and self-governance, rangeland reform, National Park Service concessions reform, and the implementation of the Endangered Species Act. In addition, the Solicitor's Office played a key role in negotiating a number of important settlements, including a 54-year old tribal claim relating to the construction of the Grand Coulee Dam on the Colville reservation and the multimillion dollar claims of several major oil companies growing out of Congressional moratoria on development of their oil and gas leases for the Outer Continental Shelf. The Office also helped win several significant court cases, including a landmark Endangered Species Act case in the Supreme Court, a successful defense of the reintroduction of wolves into Yellowstone and Idaho, and several cases involving mineral royalty recovery, mining law patent



Wetland planning. Photo credit - Fish and Wildlife Service.

processing, and coal surface mining regulation. Also during 1995, the Office made significant management improvements, including a dramatic reduction in internal regulations, restructuring four regions and two divisions to streamline operations, and installing computer networks linking all employees nationwide.

OFFICE OF THE INSPECTOR GENERAL

The Office of the Inspector General provides policy direction and conducts, supervises, and coordinates all audits, investigations, and other activities in the Department designed to promote economy and efficiency or to prevent and detect fraud and abuse of public lands.

The mandate to detect and prevent fraud, waste, and abuse and to promote economy, efficiency, and effectiveness in the operations and activities of government agencies is a broad and extremely challenging one. It is also a particularly important mandate, especially in view of the public's current demands for greater accountability, economy, efficiency and effectiveness in the operations of government. As "agents of positive change" whose mission is to promote precisely the type of government that the public is demanding, the Office of the Inspector General, through audit and investigative activities, has the

potential to play a critical role in responding to the public's demands and in reinventing and improving operations.

In the insular areas of Guam, American Samoa, the Virgin Islands, and the Commonwealth of Northern Mariana Islands, the Office of the Inspector General performs the functions of government comptroller through audits of revenues and receipts and expenditure of funds and property pursuant to the Insular Areas Act of 1982.

The Office of the Inspector General also reviews existing and proposed legislation and regulations, and makes recommendations to the Secretary and Congress regarding the impact such initiatives will have on the economy and efficiency of the Department's programs and operations and the prevention and detection of fraud and abuse in such programs; keeps the Secretary and the Congress fully informed about fraud, abuses, and deficiencies in Department programs and operations and other serious problems; and recommends corrective action and reports on the progress made in correcting problems.

OFFICE OF THE SECRETARY

The Office of the Secretary provides executive level leadership and direction, coordinated policy development, and oversight and guidance to the diverse programs and bureaus that comprise the Department. In so doing, the Office attempts to ensure that the missions of its constituent bureaus are addressed in a coordinated manner. In addition, guidance and support are provided to program and bureau operations to reduce redundancy of effort throughout the Department, thereby reducing costs and contributing to the efficiency and effectiveness of the bureaus in meeting their program objectives.

Selected 1995 accomplishments of the Office of the



Family fun at Great Sand Dunes National Park. Photo credit - Gary Halvorson.

Secretary include:

- Maximizing use of the Office's aircraft to support wildfire suppression, natural resource management, law enforcement, seismic monitoring, and emergency search and rescue operations;
- Improving the effectiveness of Indian programs, such as those related to economic development on reservations, education, social services and self-governance by assisting in the development of policy;
- Commencing use of the Micro-Computer Assisted Rating System, which cuts job application and review processes from weeks to days with dollar savings of almost \$6 million a year;
- Coordinating Departmental efforts to reduce the number of Departmental positions by over four thousand; and
- Instituting a Departmental Environmental Achievement Award to recognize and promote exceptional achievement and contributions by bureaus, offices, employees and contractors in pollution prevention, recycling, waste reduction and

acquisition of environmentally preferred products and services.

POLICY, MANAGEMENT AND BUDGET

The Assistant Secretary for Policy, Management and Budget is the Chief Financial Officer of the Department of the Interior. The responsibilities of the Chief Financial Officer include providing detailed and objective advice on program planning, budget, and policy matters; overseeing compliance with environmental statutes and standards; developing and maintaining internal administrative policy, standards, objectives, and procedures for use throughout the Department; overseeing the administrative appeals process; and undertaking special analytical and administrative support services for the Office of the Secretary. Selected highlights for several components of the office are provided below.

Office of Financial Management

The Office of Financial Management (PFM) has taken a proactive approach to providing high quality financial and performance information to the public and maintaining the financial integrity of Department operations. The focus of the Department's financial management is four-fold:

1. Develop a forward-looking strategic plan to enable the Department to successfully meet the current and future financial management challenges and improve coordination with the bureaus.
2. Meet the requirements of the Chief Financial Officers (CFO) Act and Government Management Reform Act (GMRA) to ensure the publication of timely and useful financial and operating performance information.
3. Streamline financial operations through improved financial management systems and processes for greater efficiency and cost savings while improving accountability.
4. Improve management controls and audit follow-up activities to promote and encourage excellence in program results and support requirements of the CFO Act and Government Performance and Results Act.

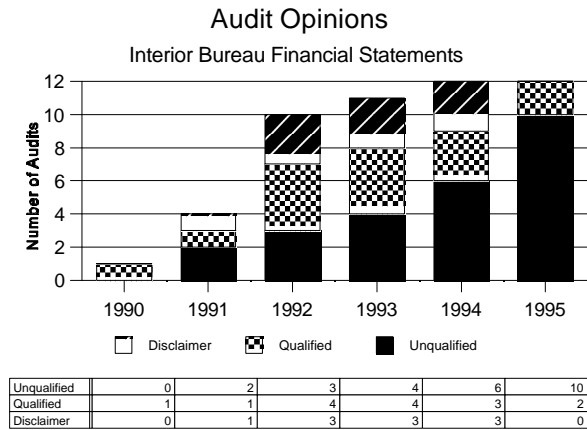
Selected 1995 accomplishments of the Office of Financial Management include:

- Worked with Interior bureaus and offices to expand electronic commerce in procurement and payment functions.
 - Worked with Interior bureaus and offices to generate cash management savings by using state of the art techniques such as electronic funds transfers, plastic card technology for travel, purchase cards for goods and services, and third party drafts.
 - Worked with Interior bureaus and offices to expand use of Automated Teller Machines for official travel which reduced outstanding travel advance balances by 25 percent.
 - Worked with Interior bureaus and offices to reduce unemployment compensation claims by over \$2 million in 1995 through the use of a contractor to monitor claims.
 - Worked with Interior bureaus and offices to improve debt management by using the Internal Revenue Service program to offset business tax refunds against delinquent debts.
 - Worked with Interior bureaus and offices to reduce the number of reported material weaknesses by 25
-

percent leaving an ending balance of 21 material weaknesses.

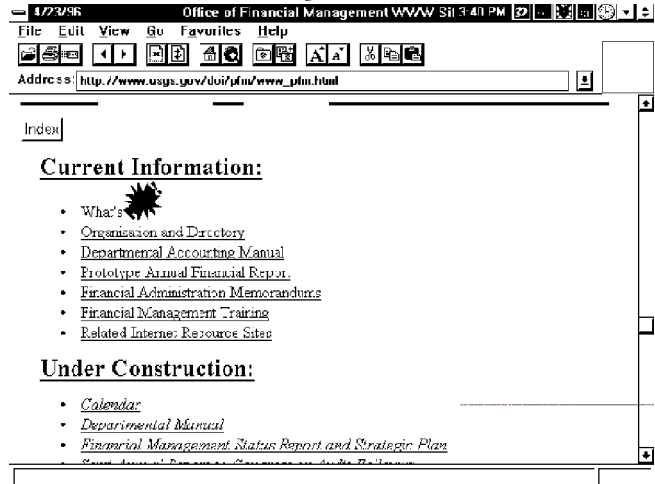
- Worked with Interior bureaus and offices to improve Financial Statement Preparation and Audit results. In 1995, the Department received 10 unqualified opinions and 2 qualifications for financial statements prepared by Interior entities. In fiscal year 1994, the Department received 6 unqualified opinions, 3 qualifications and 3 disclaimers. Figure 32 displays the number and types of financial statement audit opinions received by Interior since fiscal year 1990.

Figure 32



- Established a collaborative working relationship with bureau financial and program managers. Examples of this effort include the Department's Chief Financial Officer Council and the Finance Officers Partnership.
- Worked with Interior bureaus and offices to improve the collection and offset of disallowed costs. The Department closed 27 of the 40 audits with disallowed costs in tracking, or 68 percent. The 27 audits closed had total disallowed costs of \$5.4 million, of which \$5 million was collected or offset.

Figure 33



- Used electronic technology to disseminate information to internal and external customers. The PFM Home Page on the Internet (Figure 33) can be accessed at URL http://www.usgs.gov/doi/pfm/www_pfm.html.

Information Resources Management

The Office of Information Resources Management promotes the use of appropriate information technology in support of the Department's missions and administrative management. The office assists the bureaus in acquiring and implementing effective information systems, ensuring that bureau Information Resource Management investments are consistent with Administration policies, within budget, and on schedule. These efforts are performed in partnership with the Department's bureaus and offices to plan, guide, and evaluate Information Resource Management investments.

During 1995, the office achieved progress on the following projects:

- Implemented a Department-wide data communications network (DOINET) to replace costly parallel communications circuits. Connectivity is

provided to the Departmental administrative systems, Internet, geographic information systems, and e-mail.

- Provided management and technical assistance to system developers in implementing major information systems, such as the Bureau of Land Management's Automated Land and Mineral Record System and the Interior Department's Electronic Acquisition System (IDEAS).
- Reduced the costs of acquiring and maintaining information technology by extensively promoting the use of existing contracts and negotiating Department-wide software licensing contracts.
- Improved communications and reduced costs associated with paper processes through the installation of an electronic mail capability throughout the Department. Approximately 50,000 Interior employees are currently using e-mail and several thousand more will be using it by the end of 1996.
- Delegated authority to the bureaus by eliminating regulations and reducing reporting requirements.
- Implemented the Department's Government Information Locator System that identifies the Department's automated information systems and information dissemination products and facilitates access for our public and private sector customers.
- Developed, in partnership with the Minerals Management Service, a Department-wide contract for encryption products to ensure appropriate security for DOINET customers.

Office of Acquisition and Property Management

The Office of Acquisition and Property Management provides Department-wide leadership through activities that streamline procedures, promote greater efficiencies, incorporate innovative automation improvement, and strengthen workforce resources in the areas of acquisition, property management, grants, and energy management. During 1995, the office devoted significant resources to developing regulatory changes for the procurement system as part of implementing the Federal Acquisition Streamlining Act of 1994. Specific 1995 accomplishments include:

- Implemented electronic commerce and the IDEAS small purchase module in six additional locations, for a total of eleven in five bureaus.
- Became the first agency to certify its Federal Acquisition Computer Network (FACNET) capability.
- Doubled the number of purchase cards to 9,800 and increased the total dollars expended with purchase cards by 140 percent to \$68 million.
- Increased the personal property accountability level from \$300 to \$5,000, thus eliminating labor-intensive and costly inventory requirements.
- Reduced property management and energy management regulations by over 50 percent and eliminated several annual reports to the General Services Administration.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

JUL 25 1996

Memorandum

To: Assistant Secretary - Policy, Management and Budget and Chief Financial Officer, Department of the Interior

From: Judy Harrison *Judy Harrison*
Assistant Inspector General for Audits

Subject: Report on Department of the Interior Consolidated Financial Statements for Fiscal Year 1995

In accordance with the Chief Financial Officers Act of 1990, we audited the Department of the Interior's consolidated financial statements for the fiscal year ended September 30, 1995, as contained in the accompanying Department's "Annual Report - Fiscal Year 1995." These consolidated financial statements are the responsibility of the Department of the Interior, and our responsibility is to express an opinion, based on our audit, on these consolidated financial statements. We did not, however, audit \$12.9 billion, or approximately one half of the amount, reported for property, plant, and equipment. Management's assertions about the reasonableness of these amounts were examined by other auditors, whose reports were provided to us, and our opinion as it relates to the reasonableness of the reported balances for property, plant, and equipment is based solely on the reports of the other auditors. In addition, as discussed in Note 1 to the financial statements, the accompanying consolidated financial statements do not include certain conservation trust funds with assets of approximately \$13 billion that are held by the U.S. Treasury and the financial statements of the Indian Trust Funds. The Indian Trust Funds are administered, accounted for, and maintained by the Bureau of Indian Affairs on behalf of Native American tribes and individuals. The financial statements are being audited by a private accounting firm and will be issued separately.

Our audit, which was completed on July 2, 1996, was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and Office of Management and Budget Bulletin 93-06, "Audit Requirements for Federal Financial Statements." These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and notes. An audit also includes assessing the accounting principles used and significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

The Office of Inspector General is not independent with respect to amounts relating to its financial operations that are included in the consolidated financial statements. However, the Office of Inspector General's financial operations represent less than one tenth of one percent of the Department's consolidated assets, liabilities, financing sources, and operating expenses.

We found that except for the amounts reported for property, plant, and equipment and the cumulative results of operations, as discussed below, the financial statements and accompanying notes present fairly the Department's assets, liabilities, and net position; expenses and revenues; collections and disposition of collections; and changes in net position. We also found that these financial statements are presented in conformity with the accounting standards and policies described in the notes to the financial statements. The fiscal year 1994 consolidated financial statements, as contained in the accompanying Department's "Annual Report - Fiscal Year 1995," were not audited by us. Accordingly, we do not express an opinion on them.

We were unable to audit the amounts reported for property, plant, and equipment and the effect that this property has on the cumulative results of operations because the information and records were not available to support and substantiate \$3.5 billion of the \$25 billion reported for property, plant, and equipment. In addition, the material differences between the amounts reported in the subsidiary records and the related general ledger accounts were not reconciled.

As part of our audit, we evaluated the internal control structures of the 12 operating entities that make up the Department and tested their compliance with selected provisions of laws and regulations, and we reviewed the financial information presented in the Department's overview. We also reviewed the most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluation of the internal control structure. However, because of inherent limitations in any system of internal controls, losses, noncompliance, or misstatements may occur and not be detected. We also caution that projecting our evaluations to future periods is subject to the risk that controls or the degree of compliance with the controls may diminish.

Except as discussed below, we found that the internal control structure in effect on September 30, 1995, was sufficient to safeguard assets against loss from unauthorized use or disposition; ensure that transactions were properly recorded, processed, and summarized; and provide reasonable assurance that any losses, noncompliance, or misstatements that are material to the financial statements would be detected. In addition, except as discussed below, we found that there were no material instances of noncompliance with selected provisions of laws and regulations that we tested, and nothing came to our attention in the course of our other audit work to indicate that material noncompliance with such provisions occurred. Further, we found that the financial information in the overview relating to the financial statements is consistent with the information presented in the financial statements.

During our audit, we noted that: (1) certain internal controls were not sufficient to ensure that the differences between the amounts reported in the subsidiary records and the related general ledger accounts for property, plant, and equipment were reconciled and that necessary adjustments were made; (2) controls had not been established to ensure that intrabureau transactions were identified and adjusted to prevent the duplicate reporting of the transactions in the financial statements; and (3) a working capital fund's policies and procedures were not adequate to enable management to properly monitor the financial performance of the various activities in order to control and ensure compliance with the requirements regarding cost recovery, capital investment plans, rate setting, and the use of funds that are overrecovered. Since our reports on the individual bureaus' financial statements included recommendations to correct these deficiencies, we are not making any additional recommendations to the Department.

Except as mentioned in the previous paragraph, our review of prior Office of Inspector General and General Accounting Office audit reports disclosed that there were no significant unresolved recommendations that affected the Department's consolidated financial statements.

U.S. Department of the Interior
Consolidated Statement of Financial Position
as of September 30, 1995 and 1994
(dollars in thousands)

	1995	1994
		<i>(Unaudited)</i>
ASSETS		
Current Assets		
Fund Balance with Treasury (Note 2)	\$ 4,230,481	\$ 4,873,092
Cash and Other Monetary Assets	236,190	12,853
Investments: (Note 3)		
Treasury Securities	1,866,096	1,285,232
Public Securities	27,944	25,343
Accounts Receivable: (Note 4)		
Public, Net of Allowance for Doubtful Accounts	211,647	315,936
Due from Federal Agencies	196,251	191,444
Operating Materials and Supplies	6,636	22,024
Inventory (Note 5)	98,857	112,610
Total Current Assets	6,874,102	6,838,534
Property, Plant and Equipment, Net of Depreciation (Note 6)		
Buildings, Structures and Facilities	23,882,013	25,800,894
Equipment, Vehicles and Aircraft	766,682	1,177,790
Other Property, Plant and Equipment	404,144	936,667
Total Property, Plant and Equipment	25,052,839	27,915,351
Stewardship Land (Note 7)		
Other Assets		
Loans and Interest Receivable, Net of Allowance for Doubtful Accounts (Note 8)	248,438	257,880
Available from Contract Authority (Note 1M)	220,631	231,101
Non-Current and Unmatured Receivables (Note 4)	3,333,814	3,168,895
Power Rights (Note 9)	259,380	301,375
Stockpile Inventory - Helium (Note 5)	367,370	370,361
Unmatured Timber Sales Contracts (Note 1N)	55,538	54,887
General Investigation Costs (Note 1O)	505,435	559,684
Other Assets	23,979	48,491
Total Other Assets	5,014,585	4,992,674
Assets Held on Behalf of Others		
Royalty Management:		
Fund Balance with Treasury (Note 2)	124,172	373,098
Escrow Investments (Note 3)	1,406,665	1,314,064
Accounts Receivable	275,203	300,888
Non-Royalty Management:		
Funds Transferable to Treasury and Other	2,553	263,866
Total Assets Held on Behalf of Others	1,808,593	2,251,916
TOTAL ASSETS	\$ 38,750,119	\$ 41,998,475

The accompanying notes are an integral part of these financial statements.

U.S. Department of the Interior
Consolidated Statement of Financial Position
as of September 30, 1995 and 1994
(dollars in thousands)

	1995	1994
		<i>(Unaudited)</i>
LIABILITIES AND NET POSITION		
Liabilities		
Liabilities Covered by Budgetary Resources		
Liabilities to the Public:		
Accounts Payable to the Public	\$ 230,068	\$ 355,831
Accrued Payroll and Benefits (Note 1Q)	150,383	138,955
Advances and Deferred Credits	236,602	235,669
Deferred Revenue (Note 10)	3,374,218	3,328,639
Undistributed Royalty Collections (Note 1S)	1,806,040	1,988,050
Other Liabilities to the Public	53,799	36,224
Total Liabilities to the Public	5,851,110	6,083,368
Liabilities to Federal Agencies:		
Accounts Payable	48,052	45,941
Receipts Transferable to Treasury	2,553	84,387
Other Amounts Payable to Treasury	101,601	100,667
Notes Payable to Treasury (Note 11)	1,418,232	1,339,724
Undistributed Special Receipt Fund Collections (Note 1T)	111,609	86,913
Deferred Revenue and Other	126,183	84,135
Total Liabilities to Federal Agencies	1,808,230	1,741,767
Total Liabilities Covered by Budgetary Resources	7,659,340	7,825,135
Liabilities Not Covered by Budgetary Resources		
Liabilities to the Public:		
Unfunded payroll costs (Note 1Q)	262,663	234,317
Other unfunded liabilities	71,409	86,917
Total Liabilities to the Public	334,072	321,234
Contingent Liabilities (Note 12)		
Total Liabilities Not Covered by Budgetary Resources	334,072	321,234
Total Liabilities	7,993,412	8,146,369
Net Position		
Unexpended Appropriations	4,507,642	4,691,109
Cumulative Results of Operations (Note 15)	26,249,065	29,160,997
Total Net Position	30,756,707	33,852,106
TOTAL LIABILITIES AND NET POSITION	\$ 38,750,119	\$ 41,998,475

The accompanying notes are an integral part of these financial statements.

U.S. Department of the Interior
Consolidated Statement of Net Cost
for the years ended September 30, 1995 and 1994
(dollars in thousands)

	1995	1994
		<i>(Unaudited)</i>
Expenses		
Operating Expenses (Note 13)		
Natural Resources	\$ 5,339,283	\$ 5,038,071
Indian Affairs	2,003,199	1,959,988
Science	1,261,535	1,238,046
Other	533,774	387,165
Total Operating Expenses	9,137,791	8,623,270
Other Expenses		
Depreciation and Amortization	98,466	96,909
Bad Debt Expense	2,977	83,239
Interest on Borrowing from Treasury (Note 11)	75,924	44,273
Other Interest Expense	21,978	1,807
Other Expenses	-	8,816
Total Other Expenses	199,345	235,044
Total Expenses	9,337,136	8,858,314
Revenues		
Sales of Goods and Services to the Public		
Bureau of Reclamation	666,955	704,113
Bureau of Indian Affairs	154,296	178,066
U.S. Geological Survey	114,556	146,075
Bureau of Land Management	100,620	115,566
National Park Service	66,711	60,288
Other Bureaus and Offices	35,265	29,646
Total Sales of Goods and Services to the Public	1,138,403	1,233,754
Other Revenues		
Sales of Goods and Services to Federal Agencies	1,002,624	634,363
Interest -- Federal	103,148	55,127
Interest, Penalties and Insurance Guarantee Premiums	82,962	45,848
Other Revenues (Note 14)	189,859	140,192
Total Other Revenues	1,378,593	875,530
Total Revenues	2,516,996	2,109,284
NET COST OF OPERATIONS	\$ 6,820,140	\$ 6,749,030

The accompanying notes are an integral part of these financial statements.

U.S. Department of the Interior
Consolidated Statement of Custodial Activity
for the years ended September 30, 1995 and 1994
(dollars in thousands)

	1995	1994
		<i>(Unaudited)</i>
Collections on Behalf of the Federal Government		
Mineral Lease Collections		
Rents and Royalties	\$ 3,254,586	\$ 3,867,021
Offshore Lease Sales	371,731	374,539
Other	3,304	40,260
Total Mineral Lease Collections	3,629,621	4,281,820
Earnings on Escrow Investments		
Interest Earned - Federal Investments	32,196	34,766
Amortized Discount on Federal Investments (Note 3)	44,563	22,307
Total Earnings on Escrow Investments	76,759	57,073
Total Collections on Behalf of the Federal Government	\$ 3,706,380	\$ 4,338,893
Disposition of Collections		
Transferred to Others		
Department of the Treasury	\$ 1,792,725	\$ 2,137,321
National Park Service	1,046,987	1,046,990
States	552,249	605,835
Bureau of Reclamation	367,284	410,751
Indian Tribes and Agencies	32,538	39,283
Other Federal Agencies	22,754	17,554
Other Transfers	48,168	22,669
Total Transferred to Others	3,862,705	4,280,403
Increase (Decrease) in Collections Pending Transfer	(156,325)	58,490
Total Disposition of Collections	\$ 3,706,380	\$ 4,338,893

The accompanying notes are an integral part of these financial statements.

U.S. Department of the Interior
Statement of Changes in Net Position
for the years ended September 30, 1995 and 1994
(dollars in thousands)

	1995	1994
		<i>(Unaudited)</i>
Change in Net Position		
Net Change from Operations		
Net Cost of Operations	\$ (6,820,140)	\$ (6,749,030)
Financing Sources:		
Appropriations Expensed	8,049,149	7,387,541
Collections for Custodial Activities	3,706,380	4,338,894
Abandoned Mine Fees Collected	256,385	249,135
Net Loss on Disposition of Assets	(4,854)	-
Transfers to Others	(4,077,484)	(5,484,131)
Net Results of Operations	1,109,436	(257,591)
Prior Period Adjustments	(195,097)	443,353
Net Change from Operations	914,339	185,762
Other Changes in Net Position		
Increase (Decrease) in Appropriated Capital	(183,467)	162,955
Increase (Decrease) in Invested Capital	(3,770,516)	423,408
Decrease in Other Equity Accounts	(55,755)	(4,191)
Other Changes in Net Position	(4,009,738)	582,172
Net Change in Net Position	(3,095,399)	767,934
Net Position - Beginning of Year	33,852,106	33,084,172
Net Position - End of Year	\$ 30,756,707	\$ 33,852,106

The accompanying notes are an integral part of these financial statements.

STEWARDSHIP ASSETS

The Stewardship Assets cared for by the Department of the Interior are as varied and diverse as the nation itself. These assets range from huge expanses of National Park Land to small artifacts from ancient civilizations.

STEWARDSHIP LAND

The Department of the Interior oversees 445 million acres of public lands. These lands encompass a wide range of resources, including energy and minerals, timber, forage, wild horse and burro populations, fish and wildlife habitat, recreational areas, wilderness areas, and archeological and historical sites.

The majority of Public Lands managed by the Department are “public domain” lands, that is large areas of territory acquired by the nation between 1781 and 1867. All areas of the nation other than the lands belonging to the original 13 colonies and the state of Texas were acquired as public domain. During this time, the Federal Government acquired land equal to 79.4 percent of the current total acreage of the United States, spending a total of only \$85.1 million.

Figure 1
U.S. Land Management

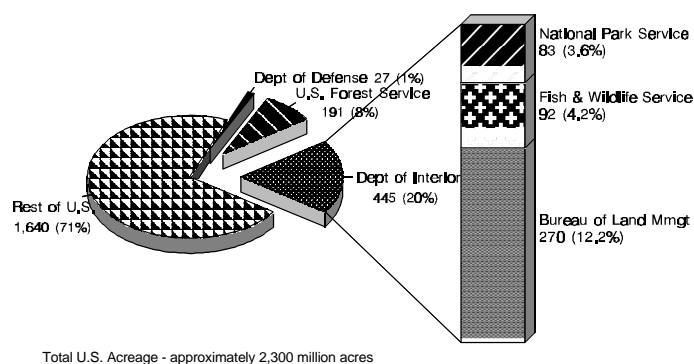
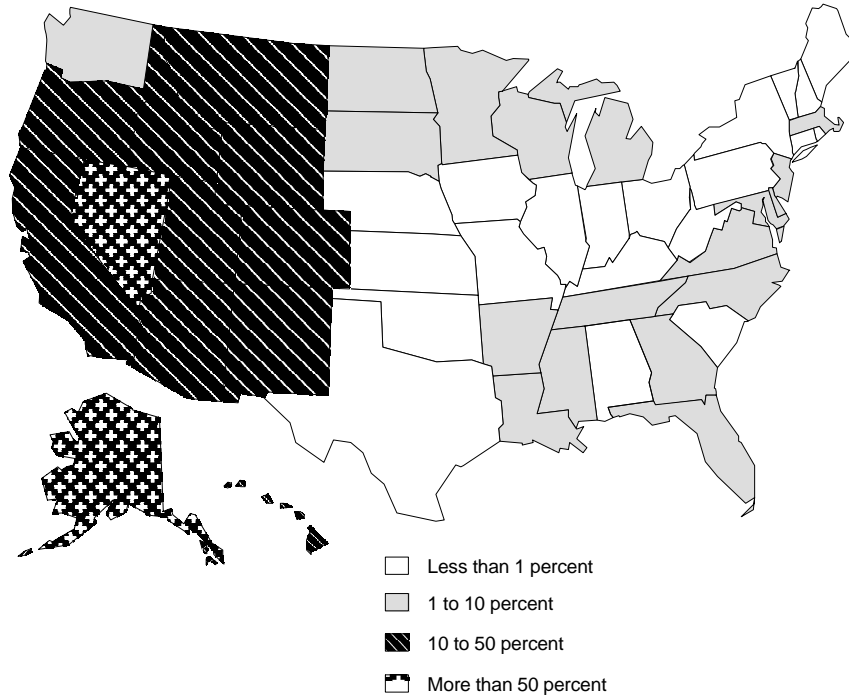


Table 1
Acquisition of the Public Domain of the United States
1781 through 1867

Source	Acquisition Date(s)	Cost (\$ millions)	Land Acres Acquired (in millions)	Percent of Current U.S. Land Mass
Ceded from Original	1781-1802	\$ 6.2	233.5	10.2%
Louisiana Purchase	1803	23.2	523.4	22.9%
Red River Basin	1782-1817	-	29.1	1.3%
Ceded from Spain	1819	6.7	43.3	2.0%
Oregon Compromise	1846	-	180.6	7.9%
Ceded from Mexico	1848	16.3	334.5	14.6%
Purchased from Texas	1850	15.5	78.8	3.4%
Gadsden Purchase	1853	10.0	19.0	0.8%
Alaska Purchase	1867	7.2	365.3	16.3%
Total		\$ 85.1	1,807.5	79.4%

Figure 2

Percentage of Each State's Acreage Managed by Interior
(as of September 30, 1994)



Over the course of the last 200 years, the nation has disposed of a total of 1.14 billion acres of the 1.81 billion acres acquired. Dispositions include territory granted to states (328 million acres), land granted or sold to homesteaders (287 million), and lands sold or granted to individuals and corporations under various laws for various purposes. Land has also been transferred to the Department of Defense and to the Department of Agriculture's U.S. Forest Service. Land retained by the Department of the Interior is devoted to National Parks and Wildlife Refuges or to other purposes under the management of the Bureau of Land Management.

Table 2

Predominate Use of Land Managed by the Department of the Interior

(acres in millions)	Total Acres	Bureau of Land Management	Fish & Wildlife Service	National Park Service
Grazing	165	165	-	-
Commercial Forest Land	90	90	-	-
Recreation & Wildlife	122	10	72	40
Wilderness	68	5	20	43
Total	445	270	92	83

Wilderness is an area where humans are visitors who do not remain. These areas are generally greater than 5,000 acres which have retained their primeval character. All Fish and Wildlife Service and Park Service Lands not classified as “wilderness” are included here as “recreation and wildlife.”

One of the primary goals of land management in the Department is to preserve and maintain the health of the land. In achieving this objective, the Department monitors the land, identifying resources at risk and focusing resource protection and restoration efforts toward those lands. However, to better communicate the status of resources, the Bureau of Land Management, in collaboration with other federal land management agencies, is presently developing measurement indicators. These indicators will focus upon factors such as key indicator species, riparian areas and quality of water that in total may be used to assess the health and condition of federal lands.

HERITAGE ASSETS

Heritage Assets in the care of the Department of the Interior encompass many of the nation’s most precious natural and cultural assets. From the Grand Canyon to the Liberty Bell, from the USS Arizona Memorial at Pearl Harbor to the artifacts of ancient civilizations, the assets managed by the Department reflect the depth and breadth of our Nation’s culture and history.

Museum collections: Museum collections of the Department were generated by exploration, research and resource management activities throughout the Department’s history. The 66.5 million museum objects are comprised of art, history, ethnography and archeological artifacts ranging from Native American art, to the Derringer used to assassinate Abraham Lincoln to specimens of endangered species. These collections, plus over 12 thousand linear feet of historic and scientific documents, support the interpretation of resources and significant events associated with the nation’s land and history. Museum collections are housed and displayed at over 700 Interior locations as well as several hundred non-federal institutions.

Figure 3

Types of Interior Museum Collections

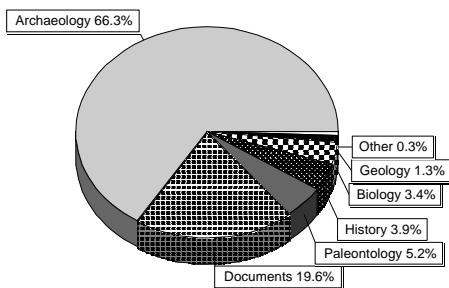
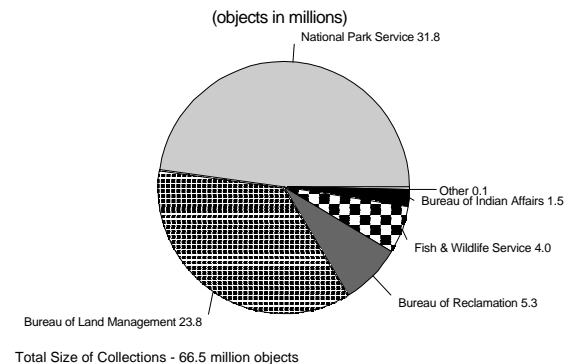


Figure 4

Total Size of Interior Museum Collections

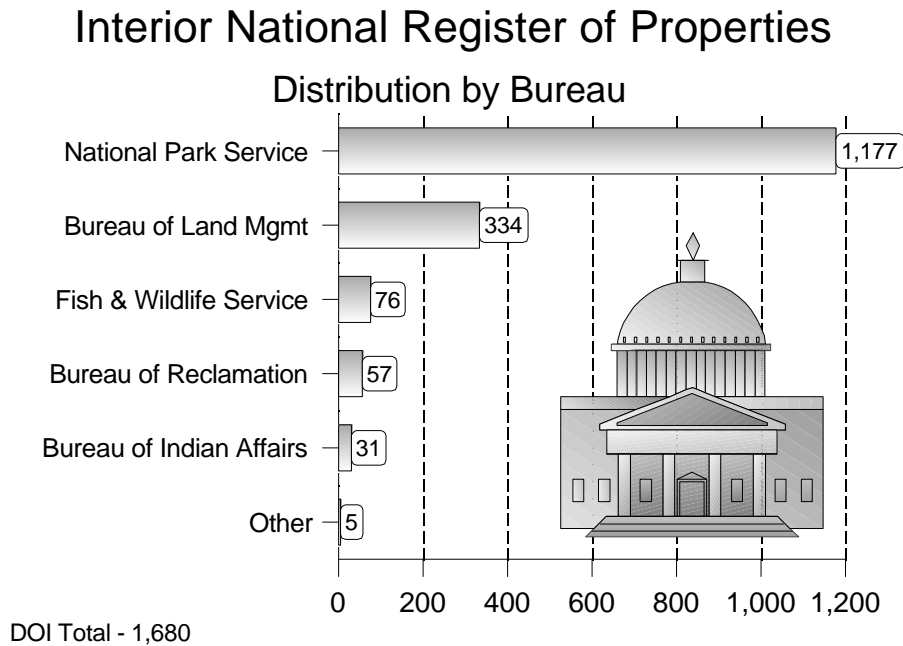


Historic Structures: The Department is custodian of over 23 thousand historic structures located in the 369 parks of the National Park System and throughout the Department. These structures include our nation’s most significant buildings, forts, monuments and statuary. In total, these structures commemorate the great people and events of our nation.

Historic structures are often exposed to harsh environments and high levels of visitation and use, with the major forces of decay being weather, age and erosion. The goal of Department’s preservation effort is to save the very fabric and fiber of these important structures. To meet this goal, the National Park Service regularly inventories and assesses the condition of historic structures under its management, with 70 percent of historic structures inventoried in the past three years. In total, approximately 45 percent of historic structures are rated at moderate to high risk of deterioration. In spite of this, over 85 percent of all structures are in good or fair condition. Unfunded costs associated with the treatments that have been approved for inventoried structures total \$936 million.

The National Register of Historic Places is the official list of the nation’s cultural resources worthy of preservation. Interior’s National Register properties are distributed as follows:

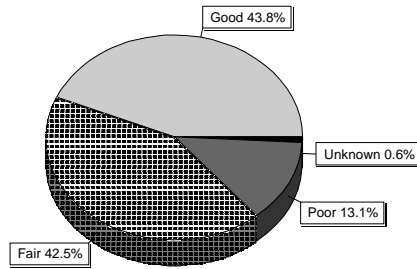
Figure 5



(Note: This information reflects properties at the time of nomination to the National Register. Subsequent transfers of ownership are not recorded.)

Figure 6

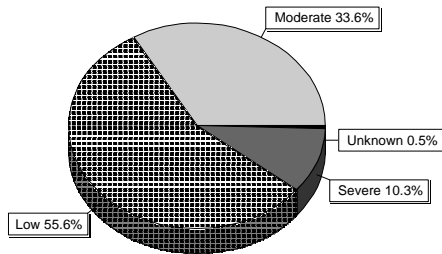
Condition of Historic Structures



Total of 15,923 Structures

Figure 7

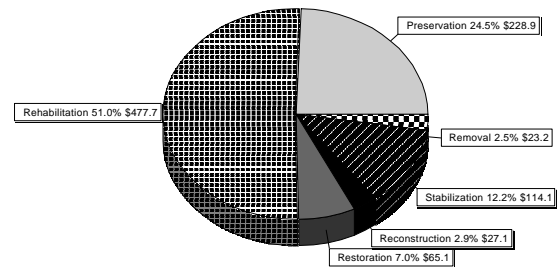
Levels of Impacts on Historic Structures



Total of 15,923 Structures

Figure 8

Treatment Costs for Historic Structures



Total Number of Structures - 15,923
Estimated Treatment Cost - \$936.1 million

National Parks: The National Park System encompasses resources of national significance which possess exceptional quality in illustrating the natural or cultural themes of our nation's heritage and which offer superlative opportunities for recreation, public use and enjoyment, or scientific study. The units of the National Park System can be loosely categorized into natural resources including National Parks, National Monuments and National Reserves; cultural sites including Memorials, Battlefields, and Historic Parks and Sites; and recreational areas including National Seashores, Wild and Scenic Rivers and National Recreation Areas.

Table 3

National Park System and National Wildlife Refuge System
Units as of September 30, 1995

	Parks Monuments & Reserves	Historic Parks & Sites	Memorials & Battlefields	Recreation Areas	Other Park Units	Total National Park Units	National Wildlife Refuges
Alabama	2	1	1	-	-	4	8
Alaska	20	2	-	1	-	23	21
Arizona	15	3	1	-	-	19	10
Arkansas	1	1	2	1	-	5	9
California	15	5	-	4	-	24	33
Colorado	9	1	-	1	-	11	6
Connecticut	-	1	-	-	-	1	1
Delaware	-	-	-	-	-	-	2
District of Columbia	-	4	7	-	5	16	-
Florida	7	-	2	2	-	11	27
Georgia	3	3	2	2	-	10	11
Hawaii	2	4	1	-	-	7	10
Idaho	2	1	-	1	-	4	7
Illinois	-	1	-	-	-	1	11
Indiana	-	1	1	1	-	3	2
Iowa	1	1	-	-	-	2	7
Kansas	-	3	-	-	-	3	3
Kentucky	1	2	-	-	-	3	1
Louisiana	1	2	-	-	-	3	16
Maine	1	1	-	-	-	2	8
Maryland	1	4	2	1	4	12	5
Massachusetts	-	11	-	3	-	14	9
Michigan	1	1	-	-	-	2	6
Minnesota	3	-	-	1	-	4	17
Mississippi	-	1	3	1	-	5	12
Missouri	1	2	2	1	-	6	8
Montana	2	2	1	1	-	6	25
Nebraska	4	-	-	2	-	6	7
Nevada	1	-	-	1	-	2	9
New Hampshire	-	1	-	-	-	1	4
New Jersey	-	2	-	1	-	3	7
New Mexico	10	3	-	-	-	13	7
New York	3	10	3	3	-	19	10
North Carolina	-	2	3	3	-	8	11
North Dakota	1	1	-	-	-	2	24
Ohio	-	4	1	1	-	6	3
Oklahoma	-	-	-	1	-	1	10
Oregon	3	-	1	-	-	4	25
Pennsylvania	-	8	4	2	-	14	3
Rhode Island	-	-	1	-	-	1	6
South Carolina	2	2	2	-	-	6	6
South Dakota	3	-	1	-	-	4	8
Tennessee	1	1	3	2	-	7	7
Texas	4	4	1	4	-	13	15
Utah	9	1	-	1	-	11	3
Vermont	-	1	-	-	-	1	1
Virginia	3	3	5	1	2	14	13
Washington	3	3	-	4	-	10	25
West Virginia	-	1	-	3	-	4	2
Wisconsin	-	-	-	2	-	2	9
Wyoming	4	1	-	1	-	6	5
Multi state	-	-	-	3	-	3	-
PR & Virgin Islands	2	3	-	-	-	5	7
Pacific Islands	1	1	-	-	-	2	6
	142	110	50	56	11	369	508

Note: In many cases, Parks and Refuges cross state boundaries. To avoid double counting, park and refuge units have been tallied in one state only. Certain National Trails that cross a large number of states, with no one stated being predominant, have been classified as "multi-state."

U.S. Department of the Interior
Notes to Financial Statements
as of September 30, 1995 and 1994

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The U.S. Department of the Interior ("Interior" or "the Department") is a Cabinet agency of the Executive Branch of the United States Government. Created in 1849 by Congress as the Nation's principal conservation agency, the Department has responsibility for most of the nationally owned public lands and natural resources. The Department's mission is (a) to encourage and provide for the appropriate management, preservation and operation of the Nation's public lands and natural resources for use and enjoyment both now and in the future; (b) to carry out related scientific research and investigations in support of these objectives; (c) to develop and use resources in an environmentally sound manner and provide equitable return on these resources to the American taxpayer; and (d) to carry out the trust responsibilities of the U.S. Government with respect to American Indians and Alaska Natives.

The accompanying financial statements include the accounts of all Federal funds under Interior control, with the exception of certain conservation trust funds. These funds, the Land and Water Conservation Fund, the Historic Preservation Fund and the Reclamation Fund, in total, have assets of approximately \$13 billion which are maintained by the U.S. Department of the Treasury. In addition, the financial statements do not include trust funds, trust related deposit funds or other related accounts which are administered, accounted for and maintained by the Bureau of Indian Affairs on behalf of Native American Tribes and individuals. The Department issues financial statements for Indian Trust Funds under separate cover. The financial statements included herein do not include the effects of centrally administered assets and liabilities related to the Federal government as a whole, such as public borrowing or tax revenue, which may in part be attributable to the Department.

B. Organization and Structure of the Department

During fiscal years 1995 and 1994, the Department of the Interior was comprised of eleven individual operating entities and the Office of the Secretary ("Bureaus"). For purposes of presentation, the bureaus and activities of the Department have been broadly classified into the following categories:

<u>Natural Resources:</u>	National Park Service U.S. Fish and Wildlife Service Bureau of Land Management Bureau of Reclamation The Office of Surface Mining Reclamation and Enforcement Minerals Management Service
<u>Science:</u>	U.S. Geological Survey National Biological Service * U.S. Bureau of Mines *
<u>Indian Affairs:</u>	Bureau of Indian Affairs
<u>Other:</u>	Office of Territorial and International Affairs Office of the Secretary

* These two Bureaus have been closed during fiscal year 1996. The operations of the National Biological Service and certain programs of the Bureau of Mines have been transferred to the U.S. Geological Survey. The remaining programs and functions of the Bureau of Mines have been transferred to other agencies or eliminated.

(1994 information is unaudited.)

The specific responsibilities and accomplishments of the Bureaus are discussed in the Overview to the Department in this report.

C. Basis of Presentation

These consolidated financial statements have been prepared to report the financial position, the net cost of operations, the custodial activities, and the changes in net position of the Department of the Interior as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of the Department in accordance with guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget.

The accounting structure of Federal Government agencies is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

The accounting principles and standards applied in preparing the financial statements and described in this note are in accordance with the following hierarchy of accounting principles:

- Statements of Federal Financial Accounting Standards (SFFAS). These statements reflect the accounting principles, standards, and requirements recommended by the Federal Accounting Standards Advisory Board and approved by the Comptroller General of the United States, the Director of the Office of Management and Budget (“OMB”) and the Secretary of the Treasury.
- Form and content requirements for financial statements, as presented in OMB Bulletin No. 94-01 (Form and Content of Agency Financial Statements); and
- The accounting principles and standards contained in Departmental and bureau accounting policy and procedures manuals, and/or related guidance

D. Elimination of Intra-Department Transactions

All identified inter-Bureau transactions have been eliminated from the Department’s consolidated financial statements. However, the effects of certain intra-bureau transactions have not been eliminated.

E. Revenues and Financing Sources

The United States Constitution prescribes that funds must be made available by Congressional appropriation before they may be expended by a Federal agency. Most of the Department’s operating funds are in the form of Congressional appropriations. Additional funds are obtained through reimbursements for services performed for other Federal agencies and the public, reimbursements for the cost of construction of capital assets and for the costs of operating and maintaining irrigation and water facilities, Abandoned Mine Land fees, land management program receipts, fish and wildlife program receipts, as well as fees and miscellaneous receipts derived from other Departmental programs.

The Department’s Royalty Management Program, administered by the Minerals Management Service, collects bonuses, rents, royalties, and other receipts from Federal and Indian Leases, and distributes all proceeds to the U.S. Treasury, other Federal agencies, States, Indian Tribes, and Indian Allottees, in accordance with legislated allocation formulas. The amounts collected and transferred are disclosed in the Statement of Custodial Activities and are not considered to be revenue of the Department or of the Minerals Management Service.

F. Fund Balance with Treasury and Cash

The Department maintains all cash accounts with the U.S. Treasury, except for imprest fund accounts. The account, "Fund Balance with Treasury," primarily represents appropriated, revolving, and trust funds available to pay current liabilities and finance authorized purchase commitments. Cash receipts and disbursements are processed by Treasury. The Department's records are reconciled with those of the U.S. Treasury on a regular basis. Note 2 provides additional information concerning Fund Balances with Treasury.

G. Investments

The Department invests certain funds in U.S. Government and public securities on behalf of various Interior programs and for amounts held as custodian. Note 3 provides additional information concerning investments.

H. Accounts Receivable

Accounts receivable consist of amounts owed to the Department by other Federal agencies and the public. An allowance for doubtful accounts is established for reporting purposes based on past experience in the collection of accounts receivable and analysis of outstanding balances. Note 4 provides additional information concerning accounts receivable.

I. Inventory

The Department has an inventory of various types, including maps for sale, resource management inventory, helium for sale, and helium stockpile inventory. See Note 5 for information concerning inventory valuation and accounting methods.

J. Property, Plant and Equipment

This category consists of land (used in operations); structures, facilities and improvements for power, irrigation, municipal and industrial water management, fish and wildlife enhancement, recreation, and flood control; automated data processing software; equipment and vehicles; bridges, trails and roads (Bureau of Indian Affairs); and construction in progress. In general, bureau policies state that equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold is generally \$5,000.

Certain bureaus made significant changes to their property accounting and capitalization policies during fiscal year 1995 in order to implement new standards issued by the Federal Accounting Standards Advisory Board (FASAB). Note 6 provides additional information concerning the Department's property, plant and equipment.

K. Land

The Department assigns no value to the public land it administers since recording such lands at cost provides little meaningful information. The vast majority of public lands were acquired prior to 1867, for a total cost of \$85 million, and in certain instances, public domain and other lands were acquired without recorded cost. FASAB's Exposure Draft for Recommended Accounting Standards for Property, Plant, and Equipment recommends that historical cost not be provided for stewardship land. Instead, FASAB's Exposure Draft recommends that acreage and usage of public lands be provided. The Stewardship Asset Report and Note 7 provide additional information concerning land.

L. Loans and Interest Receivable

Loans are accounted for as receivables after the funds have been disbursed. For loans obligated prior to October 1, 1991, principal, interest and penalties receivable are presented net of an allowance for estimated uncollectible amounts. The allowance is based on past experience, present market conditions, an analysis of outstanding balances and other direct knowledge relating to specific loans. For loans obligated on or after October 1, 1991, loans receivable are reduced by an allowance for estimated uncollectible amounts which is equal to the present value of the subsidy costs (using the interest rate differential between loans receivable and Treasury borrowings), estimated delinquencies and defaults net of recoveries, the offset from fees, and other estimated cash flows associated with these loans. Note 8 has additional information concerning loans receivable.

M. Available from Contract Authority

These amounts represent the funds obligated by the Department of Transportation for the use of the Bureau of Indian Affairs in its road construction program.

N. Unmatured Timber Sales Contracts

Unmatured Timber Sales Contracts represent the obligation and the right of contractors to cut specific quantities of timber within a defined time period at a set price. These contracts between contractors and the Bureau of Land Management represent future revenue to the U.S. Government that will materialize in future accounting periods as contracts are fulfilled.

O. General Investigation Costs

General Investigation Costs comprise reimbursable and non-reimbursable investigation and development costs incurred by the Bureau of Reclamation for water management projects that are not yet under construction. These costs are accumulated until the project is either authorized for construction or the decision is made not to undertake the project. When a project is authorized, the costs are moved to the construction in progress account, and upon project completion, to a completed asset account. Costs related to projects which will not be undertaken are written off.

P. Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid by the Department as the result of a transaction or event that has already occurred. The financial statements should be read with the realization that they are for a component of a sovereign entity, and that no liability can be paid by the Department absent an appropriation of funds by Congress and the payment of all liabilities other than for contracts can be abrogated by the sovereign entity. Liabilities for which an appropriation has not been enacted are, therefore, classified as "liabilities not covered by budgetary resources," and there is no certainty that the appropriations will be enacted.

Q. Personnel Compensation and Benefits

Annual leave is accrued as it is earned by employees and is included in personnel compensation and benefits costs. An unfunded liability is recognized for earned but unused annual leave, since from a budgetary standpoint, annual leave is funded from current appropriations when used by employees. Sick leave and other types of leave are expensed when used.

Office of Worker's Compensation Program Chargeback and unemployment compensation insurance are funded from current appropriations when paid. An unfunded liability is recognized for amounts to be paid in the future for current worker's compensation and unemployment compensation insurance.

Department of the Interior employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1987. Most Department employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

The Department makes matching contributions to CSRS on behalf of CSRS employees. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS.

For FERS employees, the Department contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay. FERS employees can contribute 10 percent of their gross earnings to the plan. CSRS employees are limited to a contribution of five percent of their gross earnings and receive no matching contribution from the Department.

The Office of Personnel Management is responsible for reporting assets, accumulated plan benefits and unfunded liabilities, if any, applicable to CSRS participants and FERS employees governmentwide, including Department employees.

R. Federal Government Transactions

The Department's financial activities interact with and are dependent upon the financial activities of the centralized management functions of the Federal Government. These activities include public debt and cash management activities and employee retirement, life insurance and health benefit programs. The financial statements of the Department do not contain the results of centralized financial decisions and activities performed for the benefit of the entire Government.

S. Undistributed Royalty Collections

These amounts represent the custodial liability of Minerals Management Service to royalty recipients for cash, accounts receivable and investments held pending distribution.

T. Undistributed Special Receipt Fund Collections

The Bureau of Land Management's undistributed special receipt fund collections are not available for use except by appropriation or other statutory authority. These receipts are earmarked by law for a specific purpose, but are not generated from a continuing cycle of operations. They typically arise from sales of public lands, sales of timber, fees and commissions and other charges for services provided to users of public lands. They will be distributed as specified by law.

U. Contingent Liabilities

Contingent liabilities are recorded in the accounting records when the event potentially leading to the recognition of a liability is probable, and a reliable estimate of the scope of the potential liability is available. See Note 12 for additional information regarding contingent liabilities.

V. Income Taxes

As an agency of the U.S. government, the Department is exempt from all income taxes imposed by any governing body, whether it be a Federal, State, Commonwealth of the United States, local or foreign government.

W. Comparative Data

Unaudited comparative statements for fiscal year 1994 have been presented in order to provide an understanding of changes in financial position and operations of the Department. Entries to eliminate the effects of fiscal year 1994 intra-departmental transactions were based on estimates.

Note 2. Fund Balance with Treasury

A. Current Assets

The U.S. Department of the Treasury performs cash management activities for all government agencies. The Fund Balance with Treasury under Current Assets represents the right of the Department to draw on the U.S. Treasury for allowable expenditures.

Fund Balance with Treasury

(dollars in thousands)	1995	1994
Natural Resources		
National Park Service	\$ 943,897	\$ 1,107,357
U.S. Fish and Wildlife Service	637,863	1,285,479
Bureau of Reclamation	561,869	504,490
Bureau of Land Management	444,550	339,288
Minerals Management Service	79,533	71,882
Office of Surface Mining	55,679	64,186
Total Natural Resources	2,723,391	3,372,682
Science	204,061	198,398
Indian Affairs	933,315	998,931
Other Programs	369,714	303,081
Total Fund Balance with Treasury	\$ 4,230,481	\$ 4,873,092

B. Assets Held on Behalf of Others

The Fund Balance with Treasury under Assets Held on Behalf of Others represents royalty collections received by Minerals Management Service, and held by it as custodian, until disbursed to recipients.

Note 3. Investments

A. Current Assets

Funds are invested by the Office of Surface Mining, the Fish and Wildlife Service, the Bureau of Indian Affairs, the Office of the Secretary and the National Park Service on behalf of various Department of the Interior programs.

Office of Surface Mining: Effective October 1, 1991, the Office of Surface Mining was authorized to invest available Abandoned Mine Land (AML) trust funds in non-marketable federal securities. The Bureau of Public Debt is the sole issuer of authorized non-marketable federal securities which are available for purchase through the U.S. Treasury. Surface Mining has authority to invest AML trust funds in U.S. Treasury bills, notes, bonds, par value special issues, and one-day certificates.

Presently, all earnings from AML investments are reinvested, providing a source of continuous funding to further enhance AML trust fund equity. However, effective with fiscal year 1996, the Office of Surface Mining will be required to transfer annually up to \$70 million in interest earned from the AML trust funds to the United Mine Workers Benefit fund. These investment proceeds will then be available to provide health benefits for certain eligible retired coal miners and their dependents.

Fish and Wildlife Service: The U.S. Treasury collects, invests, and maintains on behalf of the Fish and Wildlife Service (FWS) the Aquatic Resources Trust Fund, which includes FWS's Sport Fish Restoration Account. The Appropriations Act of 1951 authorizes amounts equal to revenues credited during the year to be used in the subsequent fiscal year and recorded as "permanent appropriations to remain available until expended." The FWS investment amount does not include fiscal year 1995 collections held by Treasury for reporting in subsequent years.

Office of the Secretary: Effective with fiscal year 1994, the Office of the Secretary was delegated responsibility for investing funds contributed to the Utah Reclamation Mitigation and Conservation Account .

(1994 information is unaudited.)

Bureau of Indian Affairs: The Bureau of Indian Affairs (BIA) invests Irrigation and Power receipts in U.S. Government and public securities until the funds are required for project operations. Federal investments are purchased under the U.S. Treasury Overnighter Program and in U.S. Treasury Bills and Notes.

National Park Service: The National Park Service administers an endowment on behalf of the Lincoln Farm Association. Investment earnings from this endowment are used to provide for maintenance and upkeep of Abraham Lincoln's birthplace.

When previously issued Treasury Bills are purchased by the Department, the unamortized premium or (discount) is calculated by Treasury at the time of the purchase.

Treasury Securities as of September 30, 1995

(dollars in thousands)	Face Value	Unamortized (Discount)	Net Book Value
Office of Surface Mining	\$ 1,315,335	\$ (23,269)	\$ 1,292,066
U.S. Fish and Wildlife Service	549,475	(16,362)	533,113
Office of the Secretary	29,452	(1,494)	27,958
Bureau of Indian Affairs	12,915	(21)	12,894
<u>National Park Service</u>	<u>65</u>	<u>-</u>	<u>65</u>
Total Treasury Securities	\$ 1,907,242	\$ (41,146)	\$ 1,866,096

Treasury Securities, as of September 30, 1994

(dollars in thousands)	Face Value	Unamortized (Discount)	Net Book Value
Office of Surface Mining	\$ 1,185,795	\$ (10,411)	\$ 1,175,384
U.S. Fish and Wildlife Service	69,062	(235)	68,827
Office of the Secretary	13,680	(108)	13,572
Bureau of Indian Affairs	27,384	-	27,384
<u>National Park Service</u>	<u>65</u>	<u>-</u>	<u>65</u>
Total Treasury Securities	\$ 1,295,986	\$ (10,754)	\$ 1,285,232

Investments in Public Securities represent the net cost of the public securities held by the BIA's Power and Irrigation program as of September 30, 1995 and 1994 and are recorded at cost. The BIA's transactions in public securities are authorized under Public Law 93-146.

B. Assets Held on Behalf of Others

Pursuant to Section 7 of the Outer Continental Shelf Lands Act, the Minerals Management Service is authorized to invest receipts from Outer Continental Shelf leases having boundary disputes in government securities. The current investment amount results from an ongoing boundary dispute with the State of Alaska dating back to 1979.

Escrow Investments held by Minerals Management Service

(dollars in thousands)	1995	1994
Cost	\$ 1,362,101	\$ 1,291,757
<u>Amortized Discount</u>	<u>44,564</u>	<u>22,307</u>
Net Book Value	\$ 1,406,665	\$ 1,314,064

(1994 information is unaudited.)

Note 4. Accounts Receivable

A. Current Assets

Public, Net of Allowance for Doubtful Accounts: Accounts receivable due to the Department from the public, net of allowance for doubtful accounts, as of September 30, are distributed as follows:

Accounts Receivable -- Public, Net of Allowance for Doubtful Accounts		
(dollars in thousands)	1995	1994
Natural Resources		
Bureau of Reclamation	\$ 83,139	\$ 180,887
Office of Surface Mining	12,606	13,651
Bureau of Land Management	7,868	1,408
National Park Service	6,969	10,686
U.S. Fish and Wildlife Service	5,286	3,418
Minerals Management Service	107	102
Total Natural Resources	115,975	210,152
Science	71,508	75,309
Indian Affairs	23,919	30,020
Other Programs	245	455
Net Accounts Receivable from the Public	\$ 211,647	\$ 315,936

Accounts Receivable Due from Federal Agencies represent reimbursements earned from Federal agencies but uncollected as of year end.

B. Other Assets

Non-Current and Unmatured Receivables represent amounts due at future dates to the Bureau of Reclamation from the beneficiaries of large water and irrigation projects. The costs of building these projects are recovered from landowners and/or lessees over the estimated lives of the project. (See Note 10)

Note 5. Inventory

A. Current Assets

Inventory		
(dollars in thousands)	1995	1994
Published Maps Held for Sale	\$ 87,824	\$ 83,676
Helium Held for Sale	6,561	7,913
Resource Management Inventory	2,486	2,779
Other Inventory	1,986	18,242
Total Inventory	\$ 98,857	\$ 112,610

The majority of published maps held for sale are stored in the U.S. Geological Survey's (USGS) Rocky Mountain Mapping Center warehouse in Denver, Colorado. Although the USGS has a policy of conducting annual physical inventories, an asbestos problem at the Rocky Mountain site prevented physical inventories from being conducted during fiscal years 1995 and 1994. The problem

(1994 information is unaudited.)

has been resolved and a physical inventory is scheduled prior to the close of fiscal year 1996. The amounts presented in the financial statements for published maps are estimated.

The U.S. Bureau of Mines' helium inventory held for sale includes above-ground refined helium plus that portion of helium in underground storage estimated to be sold in the following fiscal year. The inventory balances at September 30 include estimated sales of 250,000 mcf of crude helium during fiscal year 1996, and 300,000 mcf of crude helium during fiscal year 1995.

The Bureau of Land Management maintains an inventory for use in its resource management programs.

B. Other Assets

The helium stockpile inventory is stored underground in a partially depleted natural gas reservoir. The Bureau of Mines believes that 95 percent of the stockpile is recoverable, however, the amount of helium that will eventually be recovered depends on the future price of helium and the ability to control the mixing of native gas and the stockpiled helium.

Note 6. Property, Plant and Equipment

The capitalization and depreciation policies for property, plant and equipment are determined by individual Department Bureaus. In general, equipment is capitalized at acquisition cost and is depreciated over its useful life using the straight-line method. The capitalization threshold is generally \$5,000.

(dollars in thousands)	Property, Plant and Equipment, Net of Depreciation				Total 1995	Total 1994
	Buildings Structures & Facilities	Vehicles Equipment & Aircraft	Other Plant & Equipment			
Natural Resources						
Bureau of Reclamation	\$ 18,982,513	\$ 76,968	\$ 47,279	\$ 19,106,760	\$ 18,795,170	
National Park Service	987,573	88,313	-	1,075,886	3,744,117	
U.S. Fish and Wildlife Service	658,931	115,727	-	774,658	801,166	
Bureau of Land Management	164,443	119,336	-	283,779	869,688	
Minerals Management Service	-	12,422	-	12,422	12,954	
Office of Surface Mining	-	5,609	-	5,609	7,066	
Total Natural Resources	20,793,460	418,375	47,279	21,259,114	24,230,161	
Science	89,035	159,545	-	248,580	438,628	
Indian Affairs	2,998,554	164,180	356,840	3,519,574	3,219,019	
Other Programs	964	24,582	25	25,571	27,543	
Net Property, Plant and Equipment	\$ 23,882,013	\$ 766,682	\$ 404,144	\$ 25,052,839	\$ 27,915,351	

Note 7. Stewardship Land

As a Nation, Americans once owned nearly two billion acres of public lands. In the course of national expansion and development, public lands were sold or deeded by the Federal Government to the States and their counties and municipalities, to educational institutions, to private citizens and to businesses and corporations. Other lands were set aside as national parks, forests, wildlife refuges and military installations. Currently, Federal civil and defense agencies administer about 660 million acres, or about 29 percent of the total 2.3 billion acres in the United States. Of the 660 million acres under Federal control, approximately 445 million acres are administered by the Department of Interior, principally by the Bureau of Land Management, the Fish and Wildlife Service, and the National Park Service.

The Bureau of Land Management (BLM) has exclusive jurisdiction for about 41 percent, or 270 million acres, of the Federally owned lands. Approximately one-third of this area is in the State of Alaska. Public lands under the jurisdiction of BLM are managed under

(1994 information is unaudited.)

the principles of multiple use and sustained yield for the benefit of all Americans. Public lands are leased to private companies providing vast amounts of oil, natural gas, and other valuable minerals. Leases to ranchers allow livestock, primarily sheep and cattle, to forage on more than 170 million acres of public lands. Timber products are another valuable commodity produced from public lands. Finally, most of the public lands are available for a wide variety of recreational activities, including camping, hunting, fishing, skiing, and hiking.

The Fish and Wildlife Service administers about 92 million acres, or almost 14 percent of the Federally owned lands. The majority of this land comprises more than 500 national wildlife refuges that provide habitat for migratory birds, endangered species, and other wildlife as well as wildlife oriented public recreation.

The National Park Service administers about 83 million acres, or approximately 12.5 percent of the Federally owned lands. The National Park System encompasses 369 park units in 49 States, the District of Columbia, Puerto Rico, the Virgin Islands, Guam and the Northern Mariana Islands. During fiscal year 1995, there were approximately 270 million recreational visits and nearly 17.6 million overnight stays in National Parks. During fiscal year 1994, there were approximately 265 million recreational visits and nearly 19 million overnight stays in National Park units.

For additional discussion of stewardship land, see the report on Stewardship Assets at page 69.

Note 8. Loans and Interest Receivable

The Bureau of Reclamation, the Bureau of Indian Affairs and the National Park Service administer loan programs. Loans are accounted for as receivables after the funds are disbursed.

Direct loans and loan guarantees made during and after fiscal year 1992 are accounted for in accordance with the requirements of the Credit Reform Act of 1990, and are referred to as "credit reform loans." The Act provides that the present value of the subsidy costs associated with the direct loans and loan guarantees be recognized as a cost in the year the direct or guaranteed loan is disbursed. Under credit reform, loans are comprised of two components. The first component is borrowed from the U.S. Treasury with repayment provisions. The second component is for the subsidized portion of the loan and is funded by Congressional appropriation. While this component is not subject to repayment, it receives annual appropriations to fund any increases in subsidy due to interest rate fluctuations and changes in default rate estimates.

Prior to the Credit Reform Act, funding for loans was provided by Congressional appropriation from the general or special funds. These loans, referred to as "liquidating loans," are reported net of an allowance for estimated uncollectible loans or estimated losses.

Reclamation's programs provide Federal assistance to organizations wishing to construct or improve water resources development in the West. Reclamation currently has six loans outstanding, totaling \$27,156 million. The majority of the remaining loan receivable balance (\$109,684 million) is made up of Reclamation Fund drought and principal repayment loans.

The Bureau of Indian Affairs provides direct and guaranteed loans to Indian tribes and organizations, Indian individuals, and Alaska Natives for economic development purposes. The Bureau has Credit Reform loan accounts (post 1991) for the Indian Direct Loan Program and Indian Loan Guarantee Program and a Liquidating Fund for loans made prior to 1992.

Pursuant to the Wolf Trap Farm Park Act, the Wolf Trap Foundation for the Performing Arts and the National Park Service amended their cooperative agreement to set up a repayment schedule of loan principal to the Foundation totaling \$8 million. The monies received for repayment may be retained until expended by the Secretary of the Interior in consultation with the Foundation for the maintenance of structures, facilities and equipment of the park.

Table 1

Direct and Guaranteed Loans, Net of Allowance for Doubtful Accounts

(dollars in thousands)	1995	1994
Credit Reform Loans (see tables 2 and 3)	\$ 171,020	\$ 183,923
Liquidating Loans (see table 4)	77,418	73,957
Net Loans and Interest Receivable	\$ 248,438	\$ 257,880

Table 2

Credit Reform Loans (Post 1991) as of September 30, 1995

(dollars in thousands)	Loans Receivable	Allowance for Doubtful Accounts	Loans, Net of Allowance
Bureau of Reclamation	\$ 136,840	\$ -	\$ 136,840
Bureau of Indian Affairs	39,169	(12,189)	26,980
National Park Service	7,200	-	7,200
Total Credit Reform Loans	\$ 183,209	\$ (12,189)	\$ 171,020

Table 3

Credit Reform Loans (Post 1991) as of September 30, 1994

(dollars in thousands)	Loans Receivable	Allowance for Doubtful Accounts	Loans, Net of Allowance
Bureau of Reclamation	\$ 161,283	\$ (1,433)	\$ 159,850
Bureau of Indian Affairs	32,446	(8,373)	24,073
National Park Service	-	-	-
Total Credit Reform Loans	\$ 193,729	\$ (9,806)	\$ 183,923

Table 4

Liquidating Loans (Pre-1992)

(dollars in thousands)	1995	1994
Bureau of Indian Affairs		
Direct Loans and Guaranteed Loans	\$ 128,025	\$ 113,021
Allowance for Doubtful Loans	(50,607)	(39,064)
Net Loans and Interest Receivable	\$ 77,418	\$ 73,957

Note 9. Power Rights

Power rights represent the unamortized cost of the right or privilege to use the facilities of others, or the right to future power generation or power revenues when such rights are not subject to early liquidation. The power rights associated with the Central Arizona Project (\$235 million) represent the most significant portion of this asset account.

Note 10. Deferred Revenue

Unearned revenue is recorded as deferred revenue until earned. The majority of the deferred revenue (\$3,332 million as of September 30, 1995) represents the cost of construction of capital assets reimbursable to the Bureau of Reclamation in the future, through water repayment contracts with water and other facility users. The repayments are recognized as revenue, including interest if applicable, when the annual amounts become due each year.

(1994 information is unaudited.)

Note 11. Notes Payable to Treasury

The Department's debt comprises amounts due Treasury for (1) the helium production fund and (2) borrowings to finance the Bureau of Indian Affairs loan programs established under the Indian Financing Act of 1974.

Notes Payable to Treasury		
(dollars in thousands)	1995	1994
U.S. Bureau of Mines (Helium Fund)	\$ 1,373,204	\$ 1,299,560
Bureau of Indian Affairs	27,892	25,011
<u>Bureau of Reclamation</u>	<u>17,136</u>	<u>15,153</u>
Total Notes Payable to Treasury	\$ 1,418,232	\$ 1,339,724

A. U.S. Bureau of Mines

Notes Payable to Treasury from the Helium Fund		
(dollars in thousands)	1995	1994
Principal: *		
Net Worth Debt 1/	\$ 37,343	\$ 37,343
<u>Additional Borrowing from Treasury 2/</u>	<u>251,650</u>	<u>251,650</u>
Total Principal	288,993	288,993
Interest: 3/		
Beginning Balance	1,020,567	987,694
Interest Expense	73,644	42,873
<u>Repayments</u>	<u>(10,000)</u>	<u>(10,000)</u>
Ending Balance	1,084,211	1,020,567
Total Debt	1,373,204	1,309,560
<u>Less: Amount to be Paid Currently</u>	<u>-</u>	<u>(10,000)</u>
Notes Payable to Treasury - Helium Fund	\$ 1,373,204	\$ 1,299,560

* These amounts were due 25 years from the date the funds were borrowed. These funds were borrowed at different times and are now delinquent.

1/ Net Worth Debt is the amount recorded by Treasury for the net worth capital and retained earnings of the Helium Fund established under section 164 of Chapter 10 of Title 50 of the United States Code, enacted March 3, 1925, (prior to amendments by the Helium Act Amendments of 1960), plus any monies expended thereafter by the Department of the Interior from funds provided in the Supplemental Appropriation Act of 1959 for construction of a helium plant at Keyes, Oklahoma.

2/ Additional borrowing from Treasury represent funds borrowed for the acquisition and construction of helium plants and facilities and other related purposes including the purchase of helium.

3/ Interest on borrowing is compound interest on the debts described in 1/ and 2/ above which has not been repaid to Treasury. Interest is calculated annually at rates determined by the Secretary of the Treasury taking into consideration the current average market yields of outstanding marketable obligations of the United States having maturities comparable to investments authorized. The interest rate on 1/ above was determined as of September 30, 1960, and the interest on 2/ above was determined at the time of each borrowing.

(1994 information is unaudited.)

B. Bureau of Indian Affairs

As of September 30, 1995 and 1994, the Bureau of Indian Affairs had borrowed \$27,892 thousand and \$25,011 thousand, respectively, from the U.S. Treasury to finance non-long term costs of operating the loan programs authorized under the Indian Financing Act of 1974 or the Federal Credit Reform Act of 1990.

C. Bureau of Reclamation

Notes Payable to Treasury - Bureau of Reclamation

(dollars in thousands)	Interest Rate	Date of Maturity	1995	1994
Bureau of Reclamation Project				
Eastern Municipal Water District	7.63%	2012	\$ 13,293	\$ 13,293
Ft. McDowell Indian Community	6.65%	2047	1,860	1,860
Chino Basin Desalination Project	8.21%	2032	1,013	-
Castroville Irrigation Project	8.21%	2042	691	-
Temescal Valley Project	8.21%	2037	280	-
Total Notes Payable to Treasury - Reclamation			\$ 17,137	\$ 15,153

Note 12. Contingent Liabilities

A. Hazardous Materials

The Department of the Interior is the Federal agency responsible for the Nation's National Parks, Wildlife Refuges and public domain lands, which comprises approximately one-fifth of the Nation's land mass. In this role, the Department is faced with many hazardous waste clean-up situations. The hazards include chemical hazards such as drums of toxic chemicals and soil and water contaminated by chemicals, and physical hazards such as open mine shafts.

Hazardous conditions on Department of the Interior lands for which the Department might fund clean up may result from:

- legal mining activities by others over the past two centuries and prior to current strict environmental clean up and restoration laws
- legal mining activities subject to current standards, but where the responsible party cannot be found, has declared bankruptcy, or otherwise cannot be compelled to remove the hazard
- illegal activities, including active and abandoned narcotics laboratories, hazardous materials dumping and illegal mining.

In a limited number of cases, the Department may have created or contributed to the hazard. For example, the Bureau of Mines is named as a responsible party for the clean up of certain lands where research into mining techniques was conducted. The Bureau of Indian Affairs may be responsible for the clean up of contaminated soils around dip vats used to control the outbreak of scabies mites in sheep on the Navajo Reservation.

The Department has an active program to track hazardous sites, secure the affected areas and begin clean-up of priority areas. However, the vast expanse of Department lands prevents an acre by acre review, thus the total number of sites is not determinable. Once a site has been identified, it can take several years to evaluate the site and estimate potential clean up costs. The estimated cost of cleaning up all hazardous sites, both known and unknown, is not determinable, but is very likely in the billions of dollars.

B. Indian Trust Funds

The Secretary of the Interior is entrusted with the management of the monies and lands held in trust by the U.S. Government for Indians and Indian Tribes. However, over time, many problems have plagued the management of these funds. While there is no evidence that funds have been lost or stolen, the method of record keeping over the last several decades is not sufficient to reconstruct

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all activity or to permit a complete reconciliation of the trust accounts. The Department is presently negotiating with Indian Tribes and their representatives to resolve this issue.

C. Dam Safety

The Department, through the Bureau of Reclamation and the Bureau of Indian Affairs, is responsible for the management and maintenance of several hundred dams and reservoirs. Over half of these facilities were constructed between 1900 and 1950 and the continued safe operation of this aging infrastructure is a high priority of the Department. The Department has identified those structures that would place the public at risk if they were to fail, and has embarked on a program to detect and analyze dam safety problems, install early warning systems and make the repairs needed to mitigate structural deficiencies and risks. During fiscal year 1995, funding was available to perform inspections of approximately one hundred facilities, and to continue or complete structural modifications and early warning systems at approximately two dozen locations.

In addition to the above items, the Department is party to a number of lawsuits and other actions where monetary amounts are sought from the Department. In the opinion of management, the resolution of these other matters will not have a material impact on Department operations or financial position.

Note 13. Operating Expenses

(dollars in thousands)	Operating Expenses by Object Class	
	1995	1994
Salaries and Benefits	\$ 3,455,436	\$ 3,640,991
Contractual Services	2,192,885	1,828,222
Grants, Subsidies and Contributions	2,102,877	1,826,308
Reimbursable Expenses - Federal	434,863	300,286
Rents, Communications and Utilities	335,114	342,452
Supplies and Materials	243,817	234,479
Travel and Transportation	195,506	199,635
Non-Capital Equipment	143,683	112,125
Reimbursable Expenses - Public	27,891	176,676
Printing and Reproduction	20,093	21,180
Other Expenses	282,383	219,385
Less: Intra-Departmental Expenses	(296,757)	(278,469)
Total Operating Expenses	\$ 9,137,791	\$ 8,623,270

(1994 information is unaudited.)

Operating Expenses by Bureau		
(dollars in thousands)	1995	1994
Natural Resources		
National Park Service	\$ 1,580,855	\$ 1,511,513
U.S. Fish and Wildlife Service	1,141,349	1,072,388
Bureau of Land Management	1,067,793	998,520
Bureau of Reclamation	1,041,170	950,304
Office of Surface Mining	311,505	299,663
<u>Minerals Management Service</u>	<u>196,611</u>	<u>205,683</u>
Total Natural Resources	5,339,283	5,038,071
Science	1,261,535	1,238,046
Indian Affairs	2,003,199	1,959,988
<u>Other Programs</u>	<u>830,531</u>	<u>665,634</u>
Subtotal	9,434,548	8,901,739
<u>Intra-Agency Eliminations</u>	<u>(296,757)</u>	<u>(278,469)</u>
Total Operating Expenses	\$ 9,137,791	\$ 8,623,270

Note 14. Other Revenues

Other revenues received by the Department are either non-recurring, or not directly related to the entity's mission.

Other Revenue		
(dollars in thousands)	1995	1994
Natural Resources		
U.S. Fish and Wildlife Service	\$ 147,191	\$ 77,133
Bureau of Land Management	20,328	14,217
<u>Office of Surface Mining</u>	<u>6,191</u>	<u>4,408</u>
Total Natural Resources	173,710	95,758
Science	7,905	22,818
<u>Indian Affairs</u>	<u>8,244</u>	<u>21,616</u>
Total Other Revenue	\$ 189,859	\$ 140,192

Note 15. Cumulative Results of Operations

The Cumulative Results of Operations represents the accumulations over the years by the Department from its investment in capital assets, financing sources less its expenditures, donated capital, and the liabilities that are not covered by available budgetary resources for such items as accrued leave, credit reform subsidies, and actuarial liabilities. The composition of the Cumulative Results of Operations as shown in the financial statements for fiscal years 1995 and 1994 is shown below:

Cumulative Results of Operations		
(dollars in thousands)	1995	1994
Capital Invested in Physical Assets	\$24,971,183	\$ 28,741,699
Operations and Future Funding	569,409	(344,930)
<u>Other</u>	<u>708,473</u>	<u>764,228</u>
Total Cumulative Results of Operations	\$26,249,065	\$ 29,160,997

(1994 information is unaudited.)

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“An Incident in Contemporary American Life” (Mitchell Jamison (1915 - 1976))

This mural depicts Marian Anderson singing at the steps of the Lincoln Memorial on Easter Sunday, April 9, 1939 before a diverse audience of 75,000 people. The mural, located on the lower level of the Main Interior Building, was dedicated and installed in 1942.

