

Department of the Interior Proposed Spending Cuts

by Chris Edwards

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The Department of the Interior oversees more than 500 million acres of land through the Bureau of Land Management, the National Park Service, the Fish and Wildlife Service, the Bureau of Indian Affairs, and the Bureau of Reclamation. Much of this land is productive, rich in natural resources, and popular with recreational visitors.

Yet rather than generate a net return for taxpayers, the department consumes billions of dollars a year in subsidies. Part of the problem is that Interior's management is costly and ineffective. More importantly, the government has pursued inefficient policies with respect to its resources, such as selling timber at a loss, losing money on grazing lands, and distributing irrigation water at heavily subsidized prices. These sorts of practices are harmful to taxpayers, the economy, and the environment.

Interior spent about \$21 billion in fiscal year 2011, but it offset that cost by raising about \$8 billion in offsetting receipts for the use of its lands and resources. That left net spending of about \$13 billion, as reported in the federal budget. However, the department also collected about \$5 billion from charges on Outer Continental Shelf energy activities. If those revenues are included in the tally, the net taxpayer burden from Interior activities was about \$8 billion, as shown in the table.

Department of the Interior	
Target for Proposed Savings, 2011	
Spending and Revenue Items	\$ million
Gross Interior outlays	\$20,519
Less offsetting receipts	(\$7,528)
Net Interior outlays, per the federal budget	\$12,990
Less Outer Continental Shelf revenues	(\$5,200)
Net taxpayer cost of Interior activities, which is also the proposed target for savings	\$7,790

Source: Estimated fiscal year outlays and receipts from the *Budget of the U.S. Government, FY2012*.

The goal of Interior reforms should be to decentralize the ownership and management of federal lands and resources, which would improve economic and environmental stewardship. Such reforms would also reduce taxpayer costs. A good goal would be to reduce Interior's taxpayer costs to zero over time, and the table indicates that savings of about \$8 billion a year would be needed.

To generate savings, federal policymakers should begin shrinking Interior's land holdings. Some lands should be sold to individuals, businesses, and nonprofit conservation groups. Other lands should be transferred to state and local governments. Another option would be to transfer some lands to fiduciary trust organizations, [as Randal O'Toole has proposed](#).

For lands that remain under Interior control, policymakers should adjust fees and charges so that they better reflect market-based valuations of resources. For example, the Bureau of Reclamation should reduce irrigation subsidies and expand opportunities for water trading in the West. Such reforms would not only reduce taxpayer costs, but also improve economic efficiency and promote conservation.

Different sorts of reforms are appropriate for different Interior agencies. Most of the vast land acreage of the Bureau of Land Management (BLM) should be transferred to state governments. Many western leaders have supported land devolution in the past, however the users of BLM lands have expressed concerns that would need to be addressed. For example, policymakers would need to accommodate long-standing cattle grazing rights in pursuing BLM land transfers.

Many national parks and wildlife refuges should be transferred to state governments, particularly those that are mainly visited by in-state residents. Many less-significant historical sites and monuments should be handed over to state and local governments or nonprofit groups. One advantage of nonprofit groups is that they often rely on volunteers and voluntary funding.

Most Americans would likely favor keeping the most impressive national parks, such as Yellowstone, in federal hands. Nonetheless, these national jewels could be better managed. [Randal O'Toole has suggested](#) that some federal parks and refuges be established as fiduciary trust organizations, which would be self-funding and would be run at an arms-length from the federal bureaucracy.

Most of the water and hydropower infrastructure of the Bureau of Reclamation should be transferred to state and local governments or the private sector. The bureau's original mission of building dams and reclaiming arid lands in the West has long been complete. Today, water policy would be better handled by state governments owning their own infrastructure and solving their own unique—and other contentious—supply and demand problems. For example, the Central Valley Project—which is Reclamation's largest project—should be transferred to the State of California.

The Bureau of Indian Affairs (BIA) is another Interior agency that should be cut. The BIA has long been one of the worst-run bureaucracies in the government, and its many subsidies and regulations have not created prosperity on Indian reservations. BIA subsidies should be phased out over time, and Indians should be given full control over their lands and resources. In addition, federal and tribal policymakers should examine ways to promote market-based prosperity on reservations with reforms to property rights and legal and political institutions.

During the nation's first century, the federal government's goal was to transfer the lands it acquired to state governments, businesses, and individuals. Federal policies changed with the rise of Progressive politicians, who believed that Washington would be an efficient manager of lands and resources in the West. It hasn't been, and scholars such as **Robert Nelson** and those at **PERC** have documented the many failed and misguided policies of agencies in the Department of the Interior.

A key problem with federal control is that when policymakers make a mistake—such as underpricing water—they impose the mistake across many states or the entire nation. We would get better policy outcomes if we revived federalism and decentralized decisionmaking for lands and resources outside of Washington. Congress should begin exploring the various alternatives for downsizing the overgrown and underperforming Department of the Interior.

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