

**Statement of
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House Committee on Natural Resources**

Oversight Hearing

“Obama Administration Oversight: GAO Report - Interior Hiring and Retention Challenges”

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Thank you for the opportunity to discuss how bureaus of the Department of the Interior (Department) are addressing human capital challenges in the management of Federal oil and gas resources. Recent Government Accountability Office (GAO) reports made recommendations for the Bureau of Ocean Energy Management (BOEM), the Bureau of Safety and Environmental Enforcement (BSEE), the Bureau of Land Management (BLM), and the Department to address hiring and retention issues associated with workforce competition from private industry.

The bureaus have made significant progress in workforce planning, hiring, and retention. They continue to implement practical measures that will improve their ability to conduct the important oversight, safety, and enforcement responsibilities assigned to them. Their improvement is particularly noteworthy in light of the budgetary climate affecting Federal agencies. The reality of budget reductions and uncertainty is that bureaus must quickly develop creative approaches to short- and long-term staffing challenges. The BLM, BOEM, and BSEE have all successfully reallocated staff geographically and functionally to cover needs that have appeared suddenly, such as in the new oil fields in North Dakota that include some Federal and tribal lands. In some cases, as with BSEE in the Gulf of Mexico, there have been literally scores of new hires and the use of various pay flexibilities to reflect demands identified in the aftermath of the Deepwater Horizon disaster.

Other successes include the BLM’s moving petroleum technicians top pay grade up to GS-11, offering and requiring cross-training so that other employees can conduct some oil and gas oversight activities, and requiring some recruits to agree that they will pay back the costs of their training if they decide to leave government employment within a certain timeframe.

These are all commendable efforts in light of the differential between Federal and industry pay scales and hiring mobility. All the same, owing to the fact that industry can generally move more quickly than the Federal government – whether in pharmaceuticals oversight or software engineering or in oil and gas management, to give some examples – there will likely remain a gap between what we can offer, and how fast, and what a prospective employee can expect outside government. Given this reality, it is remarkable that BSEE’s retention rates are now only fractionally different from national retention rates, as indicated in the GAO report released last week.

The Department appreciates and commends the Congress for assisting with budgets for oil and gas oversight in recent years. These have been particularly important for our offshore bureaus.

However, to make permanent new hires and to raise salaries is a long-term budgetary commitment by the bureaus. For instance, even when bureaus have been provided new authorities to offer pay incentives, the bureaus have not uniformly received budget increases to fund them. In some cases the bureaus have understandably been careful not to overcommit to hiring new, more expensive staff because the funding situation is unpredictable. This is one reason why the Administration has proposed allowing the BLM to charge fees for inspections and other oversight activities rather than rely on increasingly constrained discretionary appropriations.

The Department and our bureaus agree with and are implementing the recommendations made by the GAO, and are working diligently to address recruitment and retention issues more broadly. We appreciate the GAO's analysis of the issues that create challenges for these important oil and gas programs. The GAO and the Office of Personnel Management (OPM) have provided valuable assistance as we revise and build up our oil and gas human capital programs. Without their expertise and advice, our efforts would be significantly less focused and effective.

By way of example, the Bakken oil shale development, mostly in North Dakota, has created a significant boom in new production. With OPM's assistance, we are working to gather staffing and market pay data to determine the extent to which higher pay rates in the area are warranted. Local labor market conditions have posed a challenge for the BLM to attract and retain appropriate oil and gas oversight staff. The bureau has responded creatively and as expeditiously as possible with short-term solutions such as moving in staff from other offices to address permitting spikes and is working cooperatively with OPM to develop longer-term solutions.

The Department shares the interest of the Congress and the GAO in improving management of human capital within the Department, and looks forward to continuing the dialogue to enhance our ability to provide for the orderly, efficient, and environmentally responsible development of our Nation's energy resources.

Energy Development on Federal Lands & Waters

The Department's activities provide energy for our Nation and reduce our reliance on oil imports, all while protecting our public resources. The Department contributes substantially to the Administration's efforts to achieve a more secure energy future by harnessing rapidly advancing technologies and smart policies, and embracing a diverse energy portfolio. As part of this mission and in accordance with the President's all-of-the-above energy strategy, the Department is pursuing science-based, environmentally-sound development of both renewable and conventional energy resources on Federal lands and waters.

Oil and gas development on Federal lands and waters presently account for nearly 23 percent of the Nation's energy supply. The extraction of these resources contributes not only to our energy security, but also provides revenue and employment opportunities vital to the economy. In 2012 alone, production of oil, gas, coal, renewable energy, and other minerals on Federal lands contributed an estimated \$255 billion to the U.S. economy.

In many states, energy production and other activities are a critical component of the local economy. For example, the Department estimates that oil, gas, coal, and non-metallic mineral

activities on the Federal mineral estate directly and indirectly support nearly 10 percent of jobs in New Mexico and over 40 percent of jobs in Wyoming.

Human Capital Management Challenges

Because of increases in oil and gas production, exploration activities, and employment opportunities that are available because of the reserves on Federal lands and waters, the primary agencies within the Department tasked with managing and mobilizing these resources continue to face challenges in recruiting and retaining the workforce necessary to meet industry demands while protecting the public's interest. In particular, in FY 2013, the Department and its bureaus were forced to operate with substantial funding uncertainty, including continuing resolutions and the sequester of five percent of program funds. This uncertainty adversely impacted plans for addressing bureau staffing challenges. Additionally, the government shutdown last October exacerbated these challenges. Difficult budget realities required a hiring freeze, affecting the bureaus' ability both to keep on track with hiring and retention and with their oversight functions.

Despite constrained budgets and competition with the private sector, the Department is taking advantage of available hiring and retention incentives to the extent that they can be applied within each bureau's budget.

The bureaus have also begun a more systematic collection and analysis of hiring data to identify causes for hiring delays, thereby enabling them to expedite the hiring process. Furthermore, the Department has taken significant steps to identify skill gaps and conduct a workload and workforce analysis. For example, BSEE continues to refine its approach to training personnel to implement a consistent, comprehensive technical training program for offshore inspectors, engineers, and scientists, thereby providing a clear path forward for continued technical improvement over the careers of these technical employees. BOEM is also participating in a pilot program to implement the Department's Strategic Workforce Management Plan, which engages the bureau in detailed workforce planning using a standardized model. For the remainder of my testimony, I would like to point out specific actions each bureau has taken to enhance its management of human capital.

BOEM Human Capital Management

The BOEM faces many challenges in competing with private industry for oil and gas management staff in order to promote energy security, environmental protection, and economic development through responsible, science-based management of offshore conventional and renewable energy resources. To address long-term hiring and retention challenges, BOEM has taken a number of actions.

BOEM continues to compete with the oil industry for the best qualified geologists, geophysicists, and petroleum engineers. Because the private sector is not bound by the same recruitment, retention, and salary limitations as the public sector, the Bureau has faced many challenges with recruitment and retention of employees in these particular positions. BOEM's ability to compete with the private sector is a particular challenge in the Gulf of Mexico Region (GOMR), because the GOMR is the most important single source of new and existing offshore U.S. oil and gas

production. The ability to hire and retain these highly specialized and skilled workers in the GOMR is critical to the economy and energy security of the United States.

During Fiscal Years 2012 and 2013, BOEM offered a special salary rate to geologists, geophysicists, and petroleum engineers in the GOMR to attract and retain key oil and gas oversight staff. The special pay rate of 25 percent in addition to the current General Schedule base rate of pay for geologists, geophysicists, and petroleum engineers was authorized as a result of Public Law 112-74, enacted December 23, 2011. In the recent 2014 Omnibus appropriations bill, the special salary rate was extended for the current fiscal year and for FY 2015. This increase has been helpful in retaining current staff and attracting recent college graduates.

Since the authority was provided in the GOMR, it has been used to hire 14 new employees. However, due to sequestration, 15 funded vacancies and 10 unfunded vacancies still remain. The Bureau plans to fill these positions during fiscal years 2014 and 2015, depending on the availability of funds. The special pay rate has been especially effective as a retention tool. As of February 20, there are a total of 124 geologists, geophysicists, and engineers in the BOEM, GOMR Office of Resource Evaluation. Of those, 46 (37 percent) are currently eligible to retire, and another 17 (14 percent) will be eligible to retire over the next five years. Most of these employees, although eligible to retire, decided to remain in their positions specifically because of this special salary authority. To date, only four employees have retired since the special pay rate was authorized.

About 79 percent of BOEM geoscientists and 84 percent of BOEM engineers have either 10 years or less experience or over 30 years of experience. The bimodal distribution of experience levels amongst BOEM geologists, geophysicists, and engineers explicitly demonstrates the importance of retaining current staff for long term careers. A quick decline in the GOMR geoscience and engineering staff would seriously increase workload for a potentially inexperienced staff or a staff close to retirement, possibly jeopardizing existing and future offshore energy production, fair market value determinations, oil and gas reserve and resource estimation and assessment, regulatory decisions stemming from industry development requests and other related analyses, including renewable energy.

To provide BOEM with the ability to obtain and retain the petroleum engineers, geologists, and geophysicists required to provide oversight of the highly technical offshore petroleum industry, while maintaining the experience to regulate the industry, requires paying special attention to recruiting incentives, retention options, awards, and salaries. The authorization and implementation of the special pay rate has been very helpful; however, to truly make sure we are able to attract experienced professionals, the full range of incentive options needs to be evaluated.

BOEM has also focused on recruiting and hiring veterans. During FY 2013, 10 of BOEM's new hires had Veterans Preference. BOEM encourages hiring officials to use additional targeted recruitment through various veteran organizations, military communities, and Department partnerships such as the Army Reserve and Army National Guard Employer Partnership. All recruitment actions received in the DEU are first sent to the Employer Partnership for a database search of current veterans who may meet the minimum qualification requirements of the position

through one of the veteran direct hiring authorities (i.e. 30 percent disabled veterans or the Veterans Recruitment Appointment Authority).

In advance of a comprehensive strategic workforce plan, the bureau initiated a Workforce Management Action Plan pilot project in the Office of Strategic Resources (OSR). The plan focuses on knowledge management, employee development, and the recruitment and retention of staff in mission critical occupations. The specific outcomes of the pilot program include the need to develop knowledge transfer plans, individual development plans, and succession strategies that include developing career ladders at different levels of the organization. BOEM leadership will continue to monitor the status of the action plan to ensure its completion and will stay abreast of changes in policy, legislation, and funding. An assessment of how any of these changes may impact current actions will be conducted and leadership will then modify or augment the workforce management plan as necessary to account for these alterations.

Through efforts such as these, BOEM is making progress to use the tools Congress has provided. Also, in light of GAO's publishing of the final report "*Oil and Gas-Interior Has Begun to Address Hiring and Retention Challenges but Needs to Do More*", BOEM will continue to develop more detailed strategies and comprehensive methods to implement the recommendations included in the report.

BSEE Human Capital Management

The Bureau of Safety and Environmental Enforcement (BSEE) has also taken a number of actions to address the long-term hiring and retention challenges. BSEE is committed to hiring and retaining a highly skilled, qualified and diverse workforce dedicated to accomplishing BSEE's mission to promote safety, protect the environment, and conserve resources offshore through vigorous regulatory oversight and enforcement.

BSEE has taken numerous steps to address the hiring challenges it faces. To date, the Bureau has been very effective in recruiting to obtain its full staffing levels. In 2012, BSEE hired 166 total staff for a net FTE gain of 49; of these hires, 79 were from scientific or inspector job series. In 2013, BSEE hired 178 total staff for a net FTE gain of 94; likewise, 67 of these hires were from scientific or inspector job series. Thus far in 2014, BSEE has hired 18 staff, of which 11 are from the scientific and inspector job series.

BSEE has deployed numerous tools to meet its hiring challenges. The Bureau has used student loan repayments, recruitment incentives, and relocation incentives in preparing packages that best provide incentives for each new hire. Since 2012, the Bureau has extended student loan repayments to 60 new hires, repaying \$286,000 in student loans to attract highly qualified individuals. Similarly, the Bureau has extended approximately \$26,000 in recruitment incentives, \$15,000 in relocation incentives, and \$45,000 in retention incentives. Each of these programs has been crucial in the Bureau's efforts to attract and retain highly qualified staff.

Like BOEM, during Fiscal Years 2012 and 2013, BSEE offered a special salary rate of 25 percent of the General Schedule base rate of pay (not to include locality pay) to geologists, geophysicists, and petroleum engineers across the Bureau to attract and retain key oil and gas

oversight staff. Based on the best information available to the Department, some salaries still fall below comparable positions in industry.

Since the authority was provided in the GOMR, it has been used to hire 46 new employees, and 109 individuals were grandfathered into the rate when it was implemented. The special pay rate has been especially effective as a retention tool as indicated by the fact that since the rate has been implemented, the Bureau has only lost three individuals qualifying for the rate.

In 2013, BSEE released its Human Capital Strategic Plan. The plan addresses anticipated workforce changes and gaps in critical skills and competencies. It defines several goals and strategies BSEE needs to implement in order to address its most immediate human capital priorities which are to recruit, hire, train, and deploy the very best people to accomplish the mission of the bureau.

In order to meet these goals, BSEE is pursuing a number of strategies. These strategies include:

- Publishing general and job-specific ads in local newspapers, University newspapers, and various diversity magazines that concentrate on engineering and science.
- Developing recruitment handouts and items that brand BSEE to ensure recognition by students and applicants.
- Pursuing partnerships with industry representatives to identify opportunities to bring on senior, highly technical and skilled staff that may be interested in public service following a career in industry.
- Implementing additional hiring strategies for hard to fill locations (e.g. Alaska) such as relocation initiatives, two-year term assignments, return rights and developmental details for current employees.
- Utilizing incentives and workplace flexibilities as recruiting tools, especially for mission-critical occupations and hard to recruit locations such as Alaska.
- Offering retention incentives, if warranted (especially for mission-critical operations).
- Creating new opportunities for growth through developmental details within regions, across region lines and with Headquarters, as well as externally in order to gain experience, knowledge, and increase job satisfaction.
- Providing student loan repayment.
- Providing comprehensive, multi-tiered, professional development opportunities for BSEE inspectors and engineers through the National Offshore Training Program, which offers more than 30 courses for inspectors and 50 courses for engineers, to enhance the capabilities of these BSEE professionals to enforce safety and environmental regulations.

Despite the agency's best efforts, the disparity between the salary and incentives offered by industry and BSEE continues to be a significant challenge for recruiting and retaining engineers and inspectors. Due to the value of OCS production to their operations, the private sector continues to offer strong compensation packages to its mission-critical personnel, making it difficult for BSEE to compete based on financial compensation alone.

Recent experiences in the Gulf of Mexico and Alaska highlight the difficulty BSEE has in recruiting and retaining skilled employees in the face of private industry competition. In FY 2013:

In the Gulf of Mexico:

- six petroleum engineers and two inspectors declined job offers in favor of work in private industry;
- one student turned down a \$35,000 retention incentive in favor of a private industry job; and
- four of five engineers and one of two petroleum engineers who resigned did so to pursue jobs in the private sector.

In Alaska, the location, combined with competition from private industry, makes recruiting especially difficult:

- After over a year, only one out of seven individuals interviewed has accepted an offer;
- All offers included relocation expenses, a retention incentive, and student loan repayments; and
- Some offers included a special salary rate.

BSEE recognizes that long-term human resources challenges will continue to require the full use of the available hiring and retention incentives. To the extent that the budget allows, BSEE will continue to utilize all necessary tools to ensure it employs and retains highly skilled and talented personnel.

BLM Human Capital Management

Onshore Federal oil and gas management is a different activity from offshore, which is heavily focused in the Gulf of Mexico, where there is a high concentration of exploration activity; in the Pacific where mature operations continue to require management and oversight; and in Alaska, where there is strong interest in exploration in the Arctic Ocean. These offshore operations or proposed operations tend to be oriented to large platforms, many of which are operated by large multinational companies, particularly in the deeper waters of the Gulf or in the frontier environment of the Arctic. In contrast, the BLM oversees many more, smaller, and geographically dispersed oil and gas operations accessing subsurface oil and gas on the Federal estate whether or not the surface is managed by the BLM. Many of the activities on lands overseen by the BLM are conducted by smaller operators. Production from the Federal onshore estate is about one-fifth as voluminous – from many more wells – than Federal offshore production. Further, while BOEM and BSEE are statutorily responsible for energy management, the BLM, by contrast, manages a wide variety of different uses, resources, and values on the public estate, often from very small field offices where the staff must handle the wide variety of tasks in the BLM portfolio. Thus, the BLM faces a variety of challenges in permit processing, inspections, and enforcement that are quite different from those that affect the offshore bureaus.

In coordination with the Department's Strategic Workforce Management Plan, the BLM has undertaken aggressive workforce planning strategies to facilitate efficient and responsible management of energy development on public lands.

The BLM's current human capital management efforts follow in part from recommendations made in the GAO's July 2012 report entitled *Oil and Gas Management – Interior's Reorganization Complete, but Challenges Remain in Implementing New Requirements* .

Building on the report's findings, the BLM has implemented several strategies designed to leverage existing workforce resources through retention while further increasing external recruitment efforts.

The BLM is currently implementing the Oil and Gas Inspection and Enforcement Workforce Strategy Plan and developing policy in the use of recruitment, retention, and relocation incentives. These incentives provide a crucial mechanism for maintaining the Petroleum Engineers (PEs) and PETs necessary to manage the increasing oil and gas permitting and inspection and enforcement workload. To enhance PET recruitment and retention, the BLM established internal policy guidance requiring Continuing Service Agreements for all newly hired PETs that would require a period of government service after obtaining the skills necessary to perform the duties of an inspector, and in May 2013 reclassified the full performance grade level for PETs from GS-10 to GS-11. The BLM is also currently working to implement pay increases for certain oil and gas positions as authorized in the 2014 Consolidated Appropriations Act.

To provide additional workforce training opportunities, the BLM has continued to refine its training programs for petroleum engineers by promulgating new policies that meet the changing demands and technology of the industry. For BLM leadership, all managers are currently required to complete a 20 hour on-line training course in oil and gas development. The BLM is also in the process of drafting a change to the inspector's certification handbook that will better define the steps necessary to receive an oil and gas PET certification. Through the National Training Center (NTC), the BLM also provides training opportunities for PEs in advanced cementing, logging, and well-bore integrity. The NTC recently partnered with the Society of Petroleum Engineers on additional technical training with a hydraulic fracturing class planned later this year.

The BLM is also working to expand employment opportunities for veterans. For example, the BLM has strengthened its collaboration with the Veteran's Administration in Colorado and Wyoming through the PET Veteran's Outreach Project. This joint initiative is the first of its kind and promises to provide critical opportunities for our Nation's veterans.

Alongside improvements in human capital management, the BLM's oil and gas management strategies have increased the acres of public land currently producing oil and gas. For example, the BLM instituted important reforms, in April 2012, to the oil and gas program and has begun utilizing an electronic system to streamline the processing of applications for permits to drill (APDs). Consistent with the President's Executive Order in March 2012 to improve performance of Federal permitting, further improvements in processing times are expected as the new electronic system is brought on-line during 2014. The Administration has also proposed to expand BLM's oil and gas inspections and oversight capability through new fees on industry that are similar to those now assessed for offshore inspections. Unfortunately, this proposal has not yet been enacted.

In spite of limited staffing resources, the BLM has made substantial improvements to its management of oil and gas leases. The number of pending APDs is currently at its lowest level since 1999, and average APD processing and approval times continue to fall. With Federal

onshore oil production at its highest level in over a decade, the BLM is headed in the right direction. While challenges remain in recruitment and retention amidst competition from private industry, the BLM remains committed to expanding its use of recruitment, relocation, and retention incentives, as funding will allow, to respond to the rapidly increasing and shifting demands for oil and gas resources on Federal lands.

Conclusion

The Department remains committed to effectively mobilizing its staff and increasing capacity, within the parameters of existing hiring authorities and budgets, to further the development of Federal oil and gas resources. Again, we appreciate and implement the recommendations we receive from GAO, and we believe we are making significant progress across the board in the area of oil and gas management. I look forward to the Committee's questions.