

**STATEMENT OF  
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U.S. DEPARTMENT OF THE INTERIOR**

**BEFORE THE**

**COMMITTEE ON RESOURCES  
SUBCOMMITTEE ON ENERGY AND MINERAL RESOURCES  
U.S. HOUSE OF REPRESENTATIVES**

**ON THE  
FISCAL YEAR 2008 BUDGET REQUEST**

**FEBRUARY 27, 2007**

Mr. Chairman and Distinguished Members of the Subcommittee, I am pleased to present to you the Fiscal Year (FY) 2008 budget request of the Office of Surface Mining Reclamation and Enforcement (OSM).

In August, OSM will mark the 30<sup>th</sup> year since its creation. OSM was established with the passage of the Surface Mining Control and Reclamation Act of 1977 (SMCRA). Since then, working closely with the States and Tribes, OSM has been responsible for assuring that coal mines are operated in a manner that protects citizens and the environment and that the land is restored to beneficial use following mining. Additionally, we are responsible for reclaiming and restoring lands and water degraded by past mining operations.

Coal is an important energy source for the nation. It provides over one-half of the nation's electricity. Balancing coal production and the protection of the public and environment during operations to produce coal is a challenge faced by OSM and its State and Tribal partners on a daily basis.

Currently, 24 States have regulatory primacy programs in place. Twenty-three States and three Tribes administer approved abandoned mine land reclamation programs. The primacy States are successfully implementing their approved regulatory and reclamation programs. OSM's role has evolved to establishing policy direction and guidance, providing grants to primacy States and Tribes, conducting oversight activities in accordance with SMCRA, and administering and operating programs on Federal and Tribal lands and in States that have not assumed primacy.

Since enactment of SMCRA, OSM has provided about \$1 billion in regulatory grants to the States and Tribes to assist in funding the regulation of active coal mines. Also, since that time, OSM has provided about \$3 billion in grants to States and Tribes to clean up mine sites abandoned before passage of SMCRA. In the course of addressing health, safety and environmental hazards, more than 215,000 acres of Priority 1 and 2 abandoned coal mine sites have been reclaimed under OSM's Abandoned Mine Land (AML) Program.

The authority to collect the mine reclamation fee and distribution of the fee was revised by the Tax Relief and Health Care Act of 2006, which included the Surface Mining Control and Reclamation Act Amendments of 2006 (Public Law 109-432). Among other things, these amendments extended the authority for fee collection through September 30, 2021, and changed the way State and Tribal reclamation grants are to be funded, beginning in FY 2008. State and Tribal grants, except for grants under the emergency program, are now mandatory spending derived from the AML Fund and the general fund of the U.S. Treasury. OSM continues to review the new law, which was signed on December 20, 2006, and discuss the changes with its State and Tribal partners. Appropriate rulemaking will occur during FY 2007 to implement the many changes contained in the law. OSM will also be revising policy directives and operational systems to accommodate these changes.

In order to maximize the effectiveness of our program, OSM must also take advantage of the tools modern science and technology have to offer. We will continue our efforts in several areas to increase the technical capacity of our staff and State and Tribal partners, apply current

technology to mining issues, and pursue new ways to solve technical issues.

### **Fiscal Year 2008 Budget Request**

To address some of the issues I have just outlined, I would like to present some highlights of our FY 2008 budget proposal. With enactment of the FY 2007 Joint Resolution, we now have a full year appropriation of \$294.2 million not including additional funds that will be provided for at 50 percent of the January 2007 pay raise. Based on direction in the Joint Resolution, we are preparing a detailed operating plan for FY 2007. We are not at liberty to disclose the details of the operating plans until they are approved and submitted to Congress on March 17. At that time, we will be able to provide comparisons at the program level with the 2008 budget request.

The comparisons in our 2008 budget are with the third 2007 continuing resolution, which was in effect through February 15. Throughout this testimony, the comparisons will be on that basis. OSM's FY 2008 budget request totals \$168.3 million in discretionary spending (or current appropriations) and 544 full-time employees. Compared with the 2007 continuing resolution level of \$291.7 million, this represents a total decrease of \$123.5 million. This change is comprised of a shift of \$134.2 million in State and Tribal grant funding that is mandatory and no longer subject to appropriation. The balance of the change from the 2007 level reflects an increase of \$1.5 million for fixed costs and net program increases of \$9.2 million.

OSM's budget also contains an estimated \$ 401.4 million in mandatory spending (or permanent appropriations). Mandatory spending includes \$ 288.4 million for reclamation payments to States and Tribes and \$113.0 million for payments to the United Mine Workers of America for

specified health benefits plans. Mandatory spending comes from both the AML and Treasury Funds. These estimates, as contained in our budget submission, are very preliminary and subject to change as we refine our understanding of the SMCRA Amendments of 2006.

### ***Current Appropriations***

The FY 2008 request will enable OSM to provide sufficient financial support for 24 State regulatory programs, and for State AML emergency programs implemented by 14 States. It will also enable OSM to continue to administer Federal regulatory and reclamation programs in States that do not operate their own programs and on Federal and Tribal lands.

A portion of the funding appropriated to OSM is passed on to the States and Tribes in the form of regulatory and reclamation grants. For FY 2008, our request includes \$11.2 million in reclamation grants to States for the emergency program, and \$60.6 million for regulatory grants.

These grants, along with Federal emergency and high priority project funding, and watershed cooperative agreement funding, account for 50 percent of OSM's budget. The remaining portion of the budget provides funding for OSM's internal operations, including the operation of Federal programs, technical training, and other technical assistance to the States and Tribes.

OSM's overall FY 2008 request includes \$115.5 million for the Regulation and Technology (R&T) appropriation and \$52.8 million for the AML appropriation. This request represents an increase of \$6.6 million for the R&T program and a decrease of \$130.0 million for the AML program, thus accounting for a total decrease of \$123.5 million from the FY 2007 continuing resolution level.

Our FY 2008 budget request contains an increase in regulatory grants for a total of \$60.6 million in funding. This level of funding is important to support continued operational increases at the State level (e.g., salaries, benefits, rents and utilities) that constitute by far the largest proportion of State regulatory program expenditures. States must have sufficient staff to complete permitting and inspection and enforcement actions needed to protect citizens of the coal fields. If a State were to relinquish primacy, OSM would have to hire sufficient numbers and types of Federal employees to implement the program. The cost to the Federal government would be significantly higher than the current matching grant amount.

Additional increases include \$0.5 million for Watershed Cooperative Agreements, \$0.1 million for the Working Capital Fund to support implementation of the Department-wide Financial and Business Management System that will result in improved effectiveness and efficiency, and fixed costs for increases in FY 2008 for OSM of \$1.5 million.

The major decrease is \$134.2 million in AML grants to States and Tribes as a result of the SMCRA Amendments of 2006. That funding is now accounted for under mandatory spending.

Our FY 2008 budget is a fiscally responsible proposal that enables OSM to implement its mission goals effectively and efficiently.

### **Government-wide Management Reforms**

This budget supports the Administration's Government-wide management reforms by integrating budget and performance measures; improving capital asset planning and control; improving strategic management of human capital; improving financial performance; and expanding electronic government. OSM's budget proposals have integrated strategic goals and associated measures with OSM's budget structure for the past several fiscal years. Our 2008 proposal continues this integration and incorporates the Department's Strategic Plan for FY 2007-2012.

OSM is also implementing a new financial system, the Financial Business and Management System (FBMS). Furthermore, OSM continues to refine its workforce plan to help strategically manage its human resources. Finally, because of OSM's expanded electronic government initiatives, greater opportunities exist for citizens to access OSM provided information.

I thank the Subcommittee for providing this opportunity to present OSM's FY 2008 budget request, and I look forward to answering your questions.