



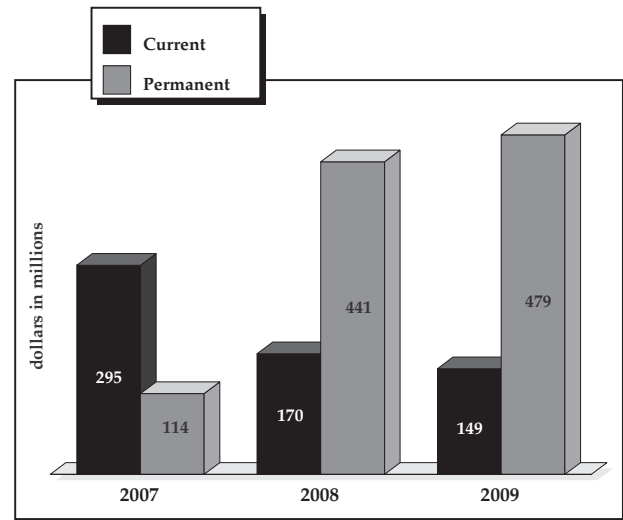
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

Mission—The Office of Surface Mining Reclamation and Enforcement was established by mandate of the Surface Mining Control and Reclamation Act of 1977 to address environmental and public safety concerns associated with coal mining. Coal has played a central role in the development of the Nation's industrial and economic strength. Today, coal remains the Nation's leading source of domestic energy production and provides over half of the Nation's electricity. The OSM mission is to ensure that, through a nationwide regulatory program, the coal mining essential to the Nation's well being is conducted in a manner that protects citizens and the environment during mining and restores the land to beneficial use following mining, and to mitigate the effects of past mining by aggressively pursuing reclamation of abandoned mine lands.

Program Overview — The SMCRA contemplates both the regulatory and Abandoned Mine Land programs being administered by States and Tribes through delegated authority from the Secretary. About 97 percent of the Nation's coal production is regulated by States, while States and Tribes carry out over 90 percent of the abandoned mine lands abatement work. The OSM also administers regulatory programs on tribal lands and both programs in "non-primacy" States. The task for OSM is to assure the States and Tribes succeed by providing the grant funding, oversight, regulatory and policy framework, assistance, training, and technical tools to have stable regulatory and AML programs of high quality. The OSM works closely with States and Tribes to implement its results-oriented regulatory oversight system and provides technical information and tools to help States and tribal partners to develop sufficient knowledge, expertise, and capability to meet their responsibilities under SMCRA.

The SMCRA established the Abandoned Mine Reclamation Fund to finance the restoration of land mined and abandoned prior to August 1977. Section 402(a) of SMCRA established a per tonnage fee for mined coal, and these fees are placed in the Abandoned Mine Reclamation Fund. Interest accrues on the collected fees and is transferred, as necessary, to the United Mine Workers of America health benefit plans for unassigned beneficiaries.

OSM Funding



Surface Mining Control and Reclamation Act Amendments of 2006 — The Tax Relief and Health Care Act of 2006, which included the Surface Mining Control and Reclamation Amendments Act of 2006, revised the fee collections and distribution of the mine reclamation fees.

The 2006 Amendments extended the mine reclamation fee collection authority through September 30, 2021, and reduced the fee by ten percent. The Amendments also changed the fee structure. Beginning in 2008, the fees include 31.5 cents per ton of surface mined coal, 13.5 cents per ton of coal mined underground, and nine cents per ton of lignite, or ten percent of the value of the coal at the mine, paid by operators of active mines. Further fee reductions occur in 2012.

The Amendments changed the distribution of the fee and the method by which State and tribal reclamation grants are funded. Beginning in 2008, State and tribal reclamation grants are funded by permanent (or mandatory) appropriations. Once fully phased in, approximately 83 percent of the fees collected each year will be disbursed to States and Tribes the following year without appropriation. The Amendments also provide Treasury funds, prorated over seven years, in lieu of State and Tribal share

unappropriated balances and in lieu of future State and Tribal share collections for those States and Tribes that have certified completion of their coal AML problems. Most importantly, the Amendments provide dramatically increased funding from \$132.0 million in discretionary funding in 2007 to mandatory grants of \$274.3 million in 2008 and \$298.4 million in 2009.

The Amendments also direct all of the interest which accrues on the collected fees to three United Mine Workers of America retiree benefit plans. The interest finances health benefits for unassigned beneficiaries. The Act eliminates the ten percent allocation for the Rural Abandoned Mine Program, and uses funds existing in RAMP at the time the Act passed to supplement the UMWA plan needs.

Management Excellence — The OSM continues to follow the President's management agenda for improving management and performance of the Federal government and practicing the Secretary's vision for citizen-centered management excellence. The OSM programs have worked extensively to integrate from the goals in Interior's unified strategic plan.

To date, all of OSM's major programs have been reviewed under the Program Assessment Rating Tool. For the 2009 budget, a re-evaluation of the State managed AML Reclamation program found that the program is moderately effective. The assessment resulted in recommendations that OSM work with the States and Tribes to implement the Amendments.

Over the last year, OSM has examined ways to most effectively and efficiently implement the Amendments. The OSM has developed a plan to ensure sufficient resources are in place to manage the distribution of the mandatory grants and to continue a strong partnership with the States and Tribes in the AML program.

The 2009 budget request includes a reduction of \$400,000 in travel and relocation expenses and a decrease of \$87,000 for savings resulting from converting contracts to performance-based contracts. These reductions enable the direction of resources to higher priority programs and activities.

Budget Overview — The 2009 budget request for OSM is \$149.3 million in discretionary appropriations, \$21.1 million below the 2008 enacted level, and reflects OSM's commitment to effectively implement the Amendments and maintain State and Tribal Regulatory Grants as a high budget priority. In 2009, OSM will also begin a phased transition of responsibility for emergency projects to the States.

In 2009, OSM will receive and distribute \$479.1 million in permanent appropriations. This includes \$207.0 million in State share balance payments to certified and non-certified States and Tribes; \$91.4 million in reclamation grants to non-certified States and Tribes; and \$180.7 million in payments to three United Mine Workers of America retiree health benefit plans.

Regulation and Technology — The goal of the Regulation and Technology program is to implement Title V of SMCRA by providing oversight and technical support for the regulation of active mining.

The SMCRA provides that States should have the primary responsibility for regulating surface coal mining and reclamation operations on non-Indian lands within their borders. Twenty-four States have approved permanent regulatory programs for the regulation of coal mining activities. The program is cost-effective because States are able to implement the program at a significantly lower cost than OSM. To encourage States to assume this responsibility, SMCRA authorizes the annual award of grants to States with approved regulatory programs, for up to 50 percent of the State's cost of administering the program.

The 2009 budget for Regulation and Technology is \$118.5 million, level with the 2008 enacted level. State and Tribal Regulatory Grants are funded at \$63.7 million in 2009, a decrease of \$836,000 below 2008. The 2009 State and Tribal Grant program maintains most of the robust funding Congress provided in 2008; the 2009 level is increased by \$7.3 million, or 13 percent above 2007, and will allow the States and Tribes to prevent 93 percent of active mine sites from causing off site impacts and thereby releasing 80,000 acres from phase one and two performance bonds.

The SMCRA Amendments authorized tribal primacy which gives Indian Tribes the authority to regulate surface coal mining and reclamation operations on reservation land. The Regulation and Technology budget anticipates providing \$500,000 in 2009 to support tribal primacy.

Abandoned Mine Reclamation Fund — The total discretionary funding requested for current appropriations is \$30.8 million, a decrease of \$21.1 million below 2008. The 2006 SMCRA Amendments transferred AML reclamation grants to mandatory funding and provided for higher payments to States than previously appropriated. The 2009 AML mandatory grant payments will total an estimated \$298.4 million compared to \$132.0 million in 2007. The increase in funding available to the States will allow OSM to begin phasing out Federal responsibility for AML emergency programs; however carryover funding

will be available to ease the transition to the States. The 2009 budget includes a reduction of \$11.0 million for State emergency grants and \$9.0 million for Federally-managed emergencies. Reclamation program operations is reduced by \$1.4 million reflecting savings in the overall staff management of these projects; however, OSM will continue to maintain responsibility for emergencies in States without AML programs.

The budget includes an increase of \$500,000 for the fee compliance program so that audits of coal operators are

maintained at the current level while OSM supports Department of Justice litigation on the constitutionality of assessing abandoned coal mine reclamation fees on coal sold for export.

Fixed Costs — Fixed costs total \$1.5 million, of which \$1.2 million are budgeted and \$317,000 are absorbed. The request funds most pay costs and fully funds health care costs and costs paid to other agencies and the Department's Working Capital Fund.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2009 Request with 2008 Enacted:

	2008 Enacted		2009 Request		Change from 2008	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Regulation and Technology	343	118,460	343	118,452	0	-8
Abandoned Mine Reclamation Fund	185	51,951	180	30,811	-5	-21,140
Subtotal, Appropriations.....	528	170,411	523	149,263	-5	-21,148
Permanent Appropriations						
Payments to States in Lieu of						
Coal Fee Receipts (Treasury Funds)	0	187,000	0	207,000	0	+20,000
Payments to UMWA Health Plans (AML).....	0	100,000	0	114,000	0	+14,000
Payments to UMWA Health Plans (Treasury Funds)	0	66,700	0	66,700	0	0
Mandatory Grants to States and Tribes (AML)	0	87,300	0	91,400	0	+4,100
Subtotal, Permanent Appropriations	0	441,000	0	479,100	0	+38,100
TOTAL, OFFICE OF SURFACE MINING	528	611,411	523	628,363	-5	+16,952

HIGHLIGHTS OF BUDGET CHANGES

By Appropriation Activity/Subactivity

APPROPRIATION: Regulation and Technology

	2007 Actual	2008 Enacted	2009 Request	Change from 2008
Environmental Restoration.....	157	158	159	+1
Environmental Protection.....	78,700	87,425	86,862	-563
Technology Development and Transfer...	14,976	15,176	15,266	+90
Financial Management	483	483	489	+6
Executive Direction and Administration.	14,783	15,120	15,576	+456
Civil Penalties	162	98	100	+2
TOTAL APPROPRIATION	109,261	118,460	118,452	-8

Highlights of Budget Changes

Fixed Costs

Fixed costs for this appropriation total \$940 of which \$753 are budgeted and \$187 are absorbed.

Environmental Protection

A net decrease of \$563 is proposed in this budget activity, which includes a reduction in State and Tribal Regulatory Grants (-\$836), including an increase for Tribal Primacy, a reduction in travel (-\$150), and fixed costs increases (+\$423).

Technology Development and Transfer

An increase of \$90 is proposed in this budget activity, which includes a reduction in travel (-\$120) and fixed costs increases (+\$210).

Executive Direction

An increase of \$456 is proposed in this request, which includes funding to cover increased services acquired through the Working Capital Fund (+\$363), a reduction in travel (-\$20), and fixed costs increases (+\$113).

Civil Penalties

An increase of \$2 is proposed in this request for additional authority.

APPROPRIATION: Abandoned Mine Reclamation Fund

	2007 Actual	2008 Enacted	2009 Request	Change from 2008
Environmental Restoration.....	167,730	33,945	12,018	-21,927
Technology Development and Transfer...	3,881	3,921	3,940	+19
Financial Management	6,197	6,308	6,836	+528
Executive Direction and Administration.	7,585	7,777	8,017	+240
TOTAL APPROPRIATION	185,393	51,951	30,811	-21,140

Highlights of Budget Changes**Fixed Costs**

Fixed costs for this appropriation total \$538 of which \$408 are budgeted and \$130 are absorbed.

Environmental Restoration

A net decrease of \$21,927 is proposed in this request, which includes reductions in State Emergency Grants (-\$11,003), Federal High-Priority Projects (-\$700), Federal Emergency Projects (-\$9,000), and Federal Reclamation Program Operations (-\$1,412). Also included is a reduction in travel (-\$70), additional funding for SMCRA amendments support (+\$80), and fixed cost increases (+\$178).

Technology Development and Transfer

An increase of \$19 is proposed in this request, which includes fixed costs (+\$49) and a reduction in travel (-\$30).

Financial Management

A net increase of \$528 is proposed, which includes an increase for Fee Compliance Audits (+\$500), a reduction due to performance contracting (-\$87), and fixed cost increases (+\$115).

Executive Direction

An increase of \$240 is proposed in this request, which includes fixed cost increases (+\$66), a reduction in travel (-\$10), and funds to cover increased services acquired through the Working Capital Fund (+\$184).