



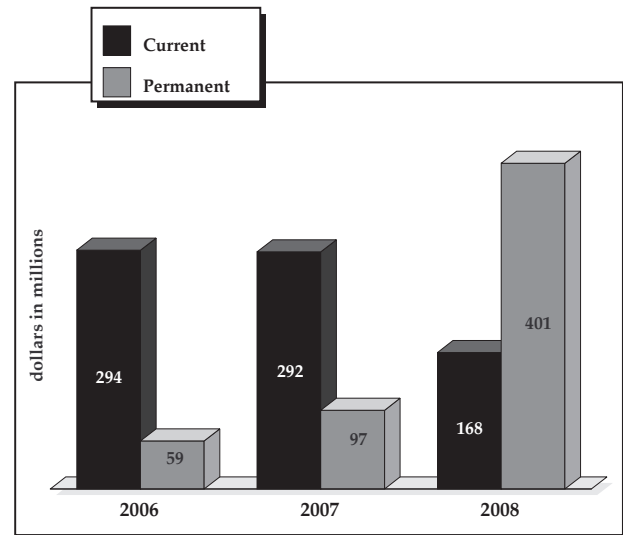
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

Mission — The Office of Surface Mining Reclamation and Enforcement was established in 1977 to carry out the requirements of the Surface Mining Control and Reclamation Act in cooperation with States and Indian Tribes. The OSM's primary objectives are to ensure that coal mining activities are conducted in a manner that protects citizens and the environment during mining, to ensure that the land is restored to beneficial use following mining, and to mitigate the effects of past mining by aggressively pursuing reclamation of abandoned coal mines.

Program Overview — The OSM carries out its mandates by providing grants to primacy States and Tribes to carry out their own regulatory and reclamation programs consistent with OSM standards. The OSM also administers regulatory and reclamation programs on Federal and tribal lands and in "non-primacy" States. 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. In the last few years, OSM has focused on innovative approaches to implementing SMCRA, shifting from direct oversight and review of State programs to measuring on-the-ground results. To maximize reclamation from available funding, OSM will continue to implement creative approaches and incentives to encourage reclamation of abandoned mine sites.

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. Although substantial progress has been made, approximately \$3.0 billion of priority 1 and 2 problems—threatening public health and safety—remain unreclaimed. Today, certified States and Tribes have completed reclamation on all of their abandoned coal mine sites or are working on non-coal sites, while non-certified States and Tribes

OSM Funding



are still decades away from completing the most critical high priority sites.

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 Act also changed the method by which State and tribal reclamation grants are funded. Beginning in 2008, State and tribal reclamation grants are funded by permanent appropriations. High-priority Federal reclamation programs, State and Federal emergency programs, and OSM operations continue to be funded through discretionary appropriations.

The 2006 **Amendments** extended the mine reclamation fee collection authority through September 30, 2021, and reduced the fee ten percent below current levels. The **Amendments** changed the fee structure beginning in 2008, to: 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** also changed the distribution of the fee and the method by which State and tribal reclamation grants are funded. 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** repay State share balances prorated over seven years; provides reclamation grants to non-certified States and Tribes; and phases in payments to certified and non-certified States and Tribes from the Treasury, in lieu of coal fee receipts.

The Surface Mining Control and Reclamation Act Amendments 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.

With the completion of the 2006 Program Assessment Rating Tool of the Federal Regulatory and Abandoned Mine Land program, all of OSM's major programs have been reviewed under the PART process. For the 2008 budget, re-evaluations for two programs were conducted. These reviews incorporated work completed on the development of appropriate performance measures for the regulatory and reclamation programs and resulted in ratings of "Effective" for those programs. The OSM continues to implement the measures developed under the PART process.

The 2008 budget includes a program increase of \$133,000 for implementation of the Financial and Business Management System, through the Department's Working Capital Fund.

Budget Overview — The 2008 budget request for OSM is \$168.3 million in discretionary appropriations, \$123.5 million below the 2007 continuing resolution and \$129.9 million below the 2007 President's budget. The request includes a \$6.4 million increase to restore the priorities of the 2007 President's budget that are not included in the 2007 continuing resolution level, including fixed costs

and other program enhancements in the 2007 President's budget. The budget includes \$115.5 million for Regulation and Technology. This program is not impacted by the reauthorization. The 2008 request for Abandoned Mine Reclamation Fund is \$52.8 million.

The Surface Mining Control and Reclamation Act Amendments of 2006 result in the shift of the State and tribal AML grants to mandatory funding, a decrease of \$134.2 million. In 2008, OSM will receive and distribute \$401.4 million in permanent appropriations. This includes \$194.1 million in State share balance payments to certified and non-certified States and Tribes; \$94.3 million in reclamation grants to non-certified States and Tribes; and \$113.0 million in payments to three United Mine Workers of America retiree health benefit plans.

Abandoned Mine Reclamation Fund — The total discretionary funding requested for current appropriations is \$52.8 million, a decrease of \$130.0 million below 2007. Beginning in 2008, this funding will cover discretionary spending for the following activities: approved State emergency programs; State program evaluations; Federal reclamation program operations; emergency and high-priority coal projects under the Federal reclamation program in States and Tribes without approved AML programs; watershed cooperative agreements administered by OSM; and program development and maintenance.

The OSM will continue to support the Watershed Cooperative Agreement program through discretionary funds in 2008. The budget request includes \$1.6 million for this program, \$500,000 above the 2007 President's request. This program supports construction of acid mine drainage treatment facilities, and leverages significant additional funding and in-kind donations.

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. Total funding requested for the regulatory program is \$115.5 million, \$6.6 million above 2007.

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 2008 budget includes an increase of \$2.2 million above 2007 for State regulatory grants, to provide program and fixed cost increases for the States' regulatory programs. Should a State relinquish primacy, the cost to the Federal government increases significantly. Regulatory grants 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.

Fixed Costs — The 2008 budget request includes an increase of \$1.5 million to fully fund fixed cost increases anticipated for the upcoming fiscal year.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2008 Request with 2007 Continuing Resolution:

	2007 CR		2008 Request		Change from 2007	
	FTE	Amount	FTE	Amount	FTE	Amount
Current Appropriations						
Regulation and Technology	354	108,910	354	115,460	0	+6,550
Abandoned Mine Reclamation Fund	190	182,838	190	52,835	0	-130,003
Subtotal, Appropriations.....	544	291,748	544	168,295	0	-123,453
Permanent Appropriations						
Payments to States in Lieu of						
Coal Fee Receipts (Treasury Funds)	0	0	0	194,100	0	+194,100
Payments to UMWA Health Plans* (AML)	0	97,000	0	113,000	0	+16,000
Payments to UMWA Health Plans (Treasury Funds)	0	0	0	0	0	0
Mandatory Grants to States and Tribes (AML)	0	0	0	94,300	0	+94,300
Subtotal, Permanent Appropriations	0	97,000	0	401,400	0	+304,400
TOTAL, OFFICE OF SURFACE MINING	544	388,748	544	569,695	0	+180,947

* In 2007, the payment is for the Combined Benefit plan only; in 2008 it is for three plans.

HIGHLIGHTS OF BUDGET CHANGES

By Appropriation Activity/Subactivity

APPROPRIATION: Regulation and Technology

	2006 Actual	2007 CR	2008 Request	Change from 2007
Environmental Restoration.....	326	257	260	+3
Impact of the CR		[-5]		
Environmental Protection.....	78,395	80,965	83,810	+2,845
Impact of the CR		[-2,383]		
Technology Development and Transfer...	14,903	15,101	15,416	+315
Impact of the CR		[-444]		
Financial Management.....	481	485	491	+6
Impact of the CR.....		[-14]		
Executive Direction and Administration.	14,875	15,401	15,483	+82
Impact of the CR		[-453]		
Subtotal (<i>without CR</i>).....	108,980	112,209	115,460	+3,251
Impact of the Continuing Resolution...		-3,299		+3,299
TOTAL APPROPRIATION (<i>with CR</i>).....	108,980	108,910	115,460	+6,550

Highlights of Budget Changes

	<u>Amount</u>
Fixed Costs	[+975]
Impact of the Continuing Resolution.	+3,299
Environmental Protection	+2,845
A \$2,194 increase is requested for State regulatory grants. Fixed costs total \$651 which are fully funded in the request.	
Executive Direction	+82
A net increase of \$82 for FBMS implementation is requested.	

APPROPRIATION: Abandoned Mine Reclamation Fund

	2006 Actual	2007 CR	2008 Request	Change from 2007
Environmental Restoration.....	167,609	167,855	34,483	-133,372
Impact of the CR		[-2,797]		
Technology Development and Transfer...	3,864	3,910	3,983	+73
Impact of the CR		[-65]		
Financial Management.....	6,142	6,253	6,408	+155
Impact of the CR		[-104]		
Executive Direction & Administration.....	7,633	7,918	7,961	+43
Impact of the CR		[-132]		
Subtotal (<i>without CR</i>).....	185,248	185,936	52,835	-133,101
Impact of the Continuing Resolution...		-3,098		+3,098
TOTAL APPROPRIATION (<i>with CR</i>).....	185,248	182,838	52,835	-130,003

Highlights of Budget Changes

	<u>Amount</u>
Fixed Costs	[+523]
Impact of the Continuing Resolution.	+3,098
Environmental Restoration	-133,372
<p>A net decrease of \$133,372 includes a program change of \$134,175 reflecting the provisions of the SMCRA Amendments Act of 2006. Action by the Congress to appropriate funds for State and tribal abandoned mine land programs is no longer necessary. The Act shifted costs for abandoned mine land reclamation and other related activities to permanent appropriations beginning in 2008. The overall decrease of \$133,372 also reflects a \$500 increase for Watershed Cooperative Agreements and fixed costs of \$303, which are fully funded in the request.</p>	
Executive Direction	+43
<p>A net increase of \$43 reflects a decrease of \$8 in fixed costs and a program change of \$51 for FBMS implementation.</p>	