



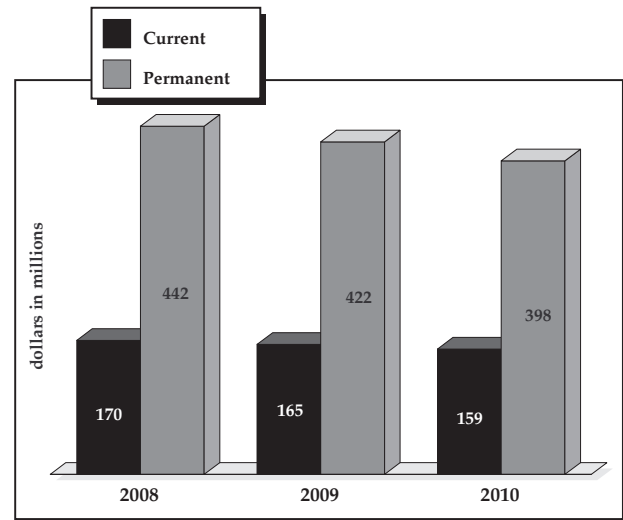
OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

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 surface 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, coal mining is conducted in a manner that protects citizens and the environment during mining, restores the land to beneficial use following mining, and mitigates 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. The States regulate about 97 percent of the Nation’s coal, 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, which is the term used to describe States that do not have approved programs. 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 maintain 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 Tribes develop sufficient knowledge, expertise, and capability to meet their responsibilities under SMCRA.

The Surface Mining Control and Reclamation Act 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 fee based on tonnage of mined coal, which is then deposited in the Abandoned Mine Reclamation Fund. Interest accrues on the collected fees and is transferred, as necessary,

OSM Funding



to the United Mine Workers of America health benefit plans for unassigned beneficiaries.

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, whichever is less. Operators of active mines pay fees. 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 provide Treasury funds, pro-rated over seven years, to replace State and tribal share balances previously unappropriated and in lieu of the 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 estimated mandatory grants of \$232.4 million in 2010. The Department is working with the Administration to propose legislation to ensure that funding is provided only to States with remaining coal problems as outlined in the President's 2010 Budget Blueprint.

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 (retired coal miners for whom no coal company was deemed responsible for paying health benefits). The Amendments eliminate the ten percent allocation for the Rural Abandoned Mine Program and use funds existing in RAMP at the time the Amendments passed to supplement the UMWA plan needs.

Budget Overview — The 2010 budget request for OSM is \$159.4 million in discretionary appropriations, \$5.3 million below the 2009 enacted level, and reflects OSM's commitment to implement the SMCRA Amendments effectively and maintain State and tribal regulatory grants as a high budget priority. In 2010, OSM will also begin a phased transition of responsibility for emergency projects to the States.

In 2010, OSM will receive and distribute \$398.3 million in permanent appropriations. This includes \$232.4 million in State share balance payments to States and Tribes and \$165.9 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. Title V contains the regulatory provisions to form the basis for protecting the environment during coal mining and ensuring prompt restoration of the land when mining is done.

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, referred to as primacy, 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 primacy States for up to 50 percent of the State's cost of administering the program.

The 2010 budget for Regulation and Technology is \$127.3 million, an increase of \$7.0 million above the 2009 enacted level. State and tribal regulatory grants are funded at \$71.3 million in 2010, an increase of \$5.8 million above 2009. The 2010 State and tribal grant program builds on the increase Congress provided in 2009. The 2010 level is increased by \$5.8 million and will allow the States and Tribes to prevent 88 percent of active mine sites from causing off site impacts, thereby releasing 80,000 acres from phase one and two performance bonds.

Abandoned Mine Reclamation Fund — The total discretionary funding requested for current appropriations is \$32.1 million, a decrease of \$12.4 million below 2009. The 2006 SMCRA Amendments transferred AML reclamation grants to mandatory funding and provided for higher payments to States and Tribes than previously appropriated. The 2010 AML mandatory grant payments will total an estimated \$232.4 million compared to an appropriation of \$132.0 million in 2007. The increase in mandatory funding available to the States will allow OSM to begin phasing out Federal responsibility for AML emergency programs; however carryover funding continues to be available to ease the transition to the States. The 2010 budget eliminates discretionary funding for State and tribal emergency grants and reduces Federally managed emergency projects as part of a larger goal to shift responsibility for abandoned mine land emergencies to the States and Tribes. The 2010 budget includes a net reduction of \$6.3 million for State emergency grants and \$5.2 million for Federally managed emergencies. Reclamation program operations are reduced by \$1.5 million reflecting savings in the overall staff management of these projects. The OSM will continue to maintain responsibility for emergencies in States without AML programs.

The Administration is also proposing to eliminate mandatory funding to States and Tribes that have been certified as completing their abandoned coal mine reclamation programs. These payments from the general Treasury can be used for any purpose approved by the State legislatures or tribal governments, and therefore do not fulfill the intended purpose of the AML program, which is to reclaim abandoned coal mines.

Together, these two proposals to reduce discretionary funding for Federally operated emergency funding and to eliminate mandatory payments to certified States and Tribes will focus involvement on the highest priority abandoned coal mine lands. These changes will make the

AML program more consistent with other OSM programs, allowing States to manage these issues themselves just as the States and Tribes manage their own AML reclamation programs and coal mining regulations under Titles IV and V of SMCRA.

Fixed Costs — The request includes full funding for fixed costs of \$1.9 million. The request funds all pay and health care costs, costs paid to other agencies, and the Department's Working Capital Fund.

SUMMARY OF BUREAU APPROPRIATIONS
(all dollar amounts in thousands)

Comparison of 2010 Request with 2009 Enacted:

	2009 Enacted		2010 Request		Change from 2009	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Regulation and Technology	341	120,256	341	127,280	0	+7,024
Abandoned Mine Reclamation Fund	184	44,446	174	32,088	-10	-12,358
Subtotal, Appropriations	525	164,702	515	159,368	-10	-5,334
Permanent Appropriations						
Payments to UMWA Health Plans (AML)	0	61,224	0	102,100	0	+40,876
Payments to UMWA Health Plans (Treasury Funds)	0	62,825	0	63,800	0	+975
Payments to States in Lieu of						
Coal Fee Receipts (Treasury Funds)*	0	208,041	0	85,400	0	-122,641
Mandatory Grants to States and Tribes (AML)	0	90,031	0	147,000	0	+56,969
Subtotal, Permanent Appropriations	0	422,121	0	398,300	0	-23,821
TOTAL, OFFICE OF SURFACE MINING	525	586,823	515	557,668	-10	-29,155

**NOTE: The 2010 budget amount assumes enactment of a legislative proposal to eliminate payments to certified States and Tribes by an estimated \$141.5 million.*

HIGHLIGHTS OF BUDGET CHANGES

By Appropriation Activity/Subactivity

APPROPRIATION: Regulation and Technology

	2008 Actual	2009 Enacted	2010 Request	Change from 2009
Environmental Restoration.....	156	159	160	+1
Environmental Protection.....	87,425	88,425	94,771	+6,346
Technology Development and Transfer...	15,176	15,386	15,663	+277
Financial Management	483	510	516	+6
Executive Direction/ Administration	15,120	15,676	16,070	+394
Civil Penalties	111	100	100	0
TOTAL APPROPRIATION	118,471	120,256	127,280	+7,024

Highlights of Budget Changes

Fixed Costs

Fixed costs for this appropriation total \$1,246 and are fully funded.

Environmental Protection

An increase of \$6,346 is proposed, which includes State regulatory grants (+\$5,778) and fixed costs (+\$568).

APPROPRIATION: Abandoned Mine Reclamation Fund

	2008 Actual	2009 Enacted	2010 Request	Change from 2009
Environmental Restoration.....	33,945	25,623	12,864	-12,759
Technology Development and Transfer...	3,921	3,970	4,032	+62
Financial Management	6,308	6,836	6,961	+125
Executive Direction/ Administration	7,777	8,017	8,231	+214
TOTAL APPROPRIATION	51,951	44,446	32,088	-12,358

Highlights of Budget Changes

Fixed Costs

Fixed costs for this appropriation total \$642 and are fully funded.

Environmental Restoration

A net decrease of \$12,759 is proposed in this request, which includes reductions in State Emergency Grants (-\$6,333), Federal Emergency Projects (-\$5,170), and Federal Reclamation Program Operations (-\$1,497). Also included are fixed cost increases (+\$241).