



OFFICE OF SURFACE MINING RECLAMATION AND ENFORCEMENT

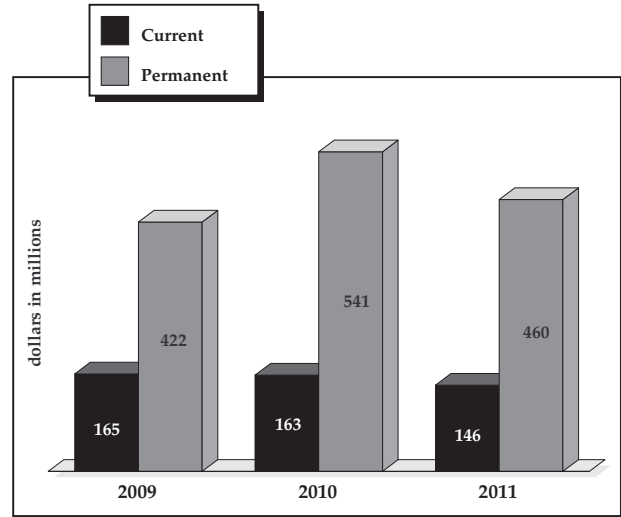
Mission –The mission of the Office of Surface Mining Reclamation and Enforcement is to ensure that through a nationwide regulatory program, coal mining is conducted in a manner that protects citizens and the environment during mining, restores the land to beneficial use following mining, and mitigates the effects of past mining by aggressively pursuing reclamation of abandoned mine lands.

Background – The OSM was established by 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.

Program Overview – The SMCRA created a cooperative federalist approach to the regulation of coal mining, whereby OSM serves as the regulatory entity or delegates that authority to States or Tribes that choose to accept it, known as primacy States. The primacy States and Tribes regulate about 97 percent of the Nation’s coal production and carry out over 90 percent of the abandoned mine lands abatement work. The OSM administers regulatory programs on tribal lands and both regulatory and reclamation programs in non-primacy States. To encourage States and Tribes to take primacy, OSM provides funding, oversight, regulatory and policy framework, training, and technical assistance and tools to maintain stable regulatory and reclamation 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 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 an Abandoned Mine Lands fee based on tonnage of mined coal, which is then deposited in the

OSM Funding



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.

The Tax Relief and Health Care Act of 2006, which included the Surface Mining Control and Reclamation Act of 2006 amendments, revised the fee collections and distribution of the AML payments. The 2006 amendments extended the AML fee collection authority through September 30, 2021, reduced the fee by ten percent, and changed the fee structure. The amendments also dramatically increased funding and changed the distribution of the fee receipts to States and Tribes. As of 2008, State and tribal reclamation grants are funded by permanent (or mandatory) appropriations so that, once fully phased in, approximately 83 percent of the fees collected each year will be disbursed without further appropriation. The amendments provide for payments to States and Tribes that have been certified as having completed their reclamation programs equal to what they would have received if they still had abandoned coal mines to address. Non-certified States use these funds predominately for coal mine reclamation, while certified States and Tribes

can use these funds for any purpose approved by their State legislatures or tribal governments. In addition, the amendments provide for distribution of an amount comparable to the unappropriated receipts that had accumulated in the AML fund in proportion to the States' contribution. The amendments also directed all of the interest, which accrues on the collected fees, to three United Mine Workers of America retiree benefit plans.

Budget Overview – The 2011 budget request for OSM is \$146.1 million in discretionary appropriations, \$16.7 million below the 2010 enacted level. In 2011, OSM will receive and distribute \$459.5 million in permanent appropriations. This includes \$259.5 million for high-priority coal mine reclamation and \$200.0 million in payments to three United Mine Workers of America retiree health benefit plans.

Regulation and Technology – The Regulation and Technology program implements Title V of SMCRA by providing oversight and technical support for the regulation of active mining. Title V contains the regulatory provisions which serve to protect the environment during coal mining and ensure prompt restoration of the land when mining is done. In the 24 primacy States, OSM provides oversight and technical assistance, as well as grants for up to 50 percent of the State's cost of administering the program.

The 2011 budget for Regulation and Technology is \$115.8 million, a decrease of \$11.5 million below the 2010 enacted level. State and tribal regulatory grants are funded at \$60.3 million in 2011, a decrease of \$11.0 million below 2010. States will be encouraged to offset this decrease in Federal funding by increasing user fees from the coal industry. Other energy industries, such as oil and gas producers, pay inspection or permit fees to reimburse the Federal government for the cost of regulating their industry. Increasing user fees on coal producers to contribute to the cost of coal mine regulation will treat these similar industries more comparably. The decrease is proposed in part to fulfill the United States' commitment to the Group of 20 Nations to reduce subsidies to fossil-fuel industries.

The Administration has committed to move America toward a 21st century clean energy economy in which a sustainable economy and clean environment work hand in hand. In 2009, the Department entered into an interagency agreement with the Environmental Protection Agency and the U.S. Army Corps of Engineers to stimulate clean enterprise and green jobs development, encourage better

coordination among existing Federal efforts, and support innovative new ideas and initiatives. The agreement is designed to reduce the environmental impact of surface coal mining in the Appalachian region while maintaining vibrant communities. The agreement includes a series of short term actions to which OSM will contribute that will strengthen environmental reviews; assist States with regulatory, enforcement, and permitting actions; and clarify guidance concerning the evaluation of impacts to streams from surface mining operations.

Abandoned Mine Reclamation Fund – The total discretionary funding requested for current appropriations is \$30.4 million, a decrease of \$5.2 million below the 2010 enacted level. The 2011 AML mandatory grant payments will total an estimated \$259.5 million, which includes \$249.5 million for non-certified States and \$10.0 million for Federal High-Priority Projects to address high-priority coal mine reclamation. The increased mandatory funding available to the States allows each State to take responsibility for its AML emergencies. The 2011 budget includes a decrease of \$4.5 million of discretionary funding for State and tribal emergency grants and federally managed emergency projects. The budget also proposes a reduction of \$500,000 for coal export and auditing activities that are no longer required.

The Administration is proposing to focus all AML payments toward high-priority coal mine reclamation by eliminating unrestricted payments to certified States and Tribes. As a modification from the 2010 budget, this proposal will set aside \$10.0 million for federally managed high-priority projects to include any high-priority coal problems that develop or are discovered after certification, and will require all non-certified States to use their AML funding for priority coal reclamation projects only.

Fixed Costs and Related Changes – Fixed costs of \$1.5 million are absorbed. There is a fixed cost adjustment of \$33,000 for a reduced Departmental Working Capital Fund bill.

Management Efficiencies – The request includes reductions that are proposed Interior-wide based on SAVE Award nominations reflecting anticipated efficiency savings of \$418,000 from travel and relocation, \$151,000 from information technology, and \$119,000 from strategic sourcing. Reductions unique to the OSM totaling \$49,000 are proposed reflecting efficiencies from energy savings and the disposal of surplus assets, such as e-mail servers, and from the elimination of funding that supported competitive sourcing.

SUMMARY OF BUREAU APPROPRIATIONS

(all dollar amounts in thousands)

Comparison of 2011 Request with 2010 Enacted:

	2010 Enacted		2011 Request		Change from 2010	
	FTE	Amount	FTE	Amount	FTE	Amount
Appropriations						
Regulation and Technology	341	127,280	341	115,785	0	-11,495
Abandoned Mine Reclamation Fund	174	35,588	174	30,350	0	-5,238
Subtotal, Appropriations	515	162,868	515	146,135	0	-16,733
Permanent Appropriations						
Payments to UMWA Health Plans (AML)	0	63,926		71,944	0	+8,018
Payments to UMWA Health Plans (Treasury Funds)	0	108,286		128,056	0	+19,770
Payments to States in Lieu of						
Coal Fee Receipts (Treasury Funds)*	0	227,200		95,400	0	-131,800
Mandatory Grants to States and Tribes (AML)	0	141,914		164,100	0	+22,186
Subtotal, Permanent Appropriations	0	541,326	0	459,500	0	-81,826
TOTAL, OFFICE OF SURFACE MINING	515	704,194	515	605,635	0	-98,559

* The 2010 budget amount assumes enactment of a legislative proposal to eliminate payments to certified States and Tribes.

HIGHLIGHTS OF BUDGET CHANGES

By Appropriation Activity/Subactivity

APPROPRIATION: Regulation and Technology

	2009 Actual	2010 Enacted	2011 Request	Change from 2010
Environmental Restoration	384	260	260	0
Environmental Protection	88,425	94,771	83,679	-11,092
Technology Development and Transfer	15,386	15,663	15,440	-223
Financial Management	510	516	514	-2
Executive Direction/ Administration	15,676	16,070	15,892	-178
TOTAL APPROPRIATION	120,382	127,280	115,785	-11,495

Highlights of Budget Changes

Fixed costs

Fixed costs totaling \$964 are absorbed. There is a fixed cost adjustment of \$22 for a reduced Departmental Working Capital Fund bill.

Environmental Protection

A reduction of \$10,991 is proposed in this request for State regulatory grants. Reductions in travel (-\$73) and strategic sourcing (-\$28) are also included.

Technology Development and Transfer

Reductions in travel (-\$188) and strategic sourcing (-\$35) are included.

Financial Management

A reduction in travel (-\$2) is included.

Executive Direction

Reductions in travel (-\$18), information technology (-\$98), strategic sourcing (-\$9), and e-mail system efficiencies (-\$32) are included. A reduction for the Departmental Working Capital Fund (-\$22) is included.

APPROPRIATION: Abandoned Mine Reclamation Fund

	2009 Actual	2010 Enacted	2011 Request	Change from 2010
Environmental Restoration.....	34,123	16,364	11,829	-4,535
Technology Development and Transfer...	3,970	4,032	3,952	-80
Financial Management	6,836	6,961	6,435	-526
Executive Direction/ Administration	8,017	8,231	8,134	-97
TOTAL APPROPRIATION <i>(w/o cancellation)</i>	52,946	35,588	30,350	-5,238
Cancellation of Prior Year BA.....	-8,500	0	0	0
TOTAL APPROPRIATION <i>(w/ cancellation)</i>	44,446	35,588	30,350	-5,238

Highlights of Budget Changes**Fixed Costs**

Fixed costs totaling \$514 are absorbed. There is a fixed cost adjustment of \$11 for a reduced Departmental Working Capital Fund bill.

Environmental Restoration

Reductions are proposed for State Emergency Grants (-\$1,500), Federal Emergency Projects (-\$2,000), and Federal High-Priority Projects (-\$972). In addition, reductions in travel (-\$37) and strategic sourcing (-\$26) are included.

Technology Development and Transfer

Reductions in travel (-\$70) and strategic sourcing (-\$10) are included.

Financial Management

A reduction of \$500 is proposed for the coal audit and export program. Reductions in travel (-\$20) and strategic sourcing (-\$6) are also included.

Executive Direction

Reductions in travel (-\$10), information technology (-\$53), strategic sourcing (-\$5), and e-mail system efficiencies (-\$17) are included. A reduction for the Working Capital Fund (-\$11) is included.