

Investing in Coal Communities, Workers, and Technology: The POWER+ Plan

This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

The United States is undergoing a rapid energy transformation, particularly in the power sector. Booming natural gas production, declining costs for renewable energy, increases in energy efficiency, flattening electricity demand, and updated clean air standards are changing the way electricity is generated and used across the country. These trends are producing cleaner air and healthier communities, and spurring new jobs and industries. At the same time, they are impacting workers and communities who have relied on the coal industry as a source of good jobs and economic prosperity, particularly in Appalachia, where competition with other coal basins provides additional pressure.

To help these communities adapt to the changing energy landscape and build a better future the President's FY 2016 Budget is proposing the **POWER Plus (POWER+) Plan**. The **POWER+ Plan** invests in workers and jobs, addresses important legacy costs in coal country, and drives development of coal technology:

- The Plan provides dedicated new resources for economic diversification, job creation, job training and other employment services for workers and communities impacted by layoffs at coal mines and coal-fired power plants.
- The Plan includes unprecedented investments in the health and retirement security of mineworkers and their families and the accelerated clean-up of hazardous coal abandoned mine lands, because a better future must rest on a

foundation that addresses the legacy costs of coal mining on lands and on coal miners, who have helped keep the lights on in this nation for generations.

- And because coal will continue to be a critical part of the energy mix in this country and around the world, the Plan provides new tax incentives to support continued technology development and deployment of carbon capture, utilization and sequestration technologies.

SUPPORTING ECONOMIC DIVERSIFICATION AND JOB CREATION

The Budget provides over **\$55 million** for the implementation of targeted economic and workforce development strategies across a number of federal programs. These funds will be aligned and leveraged through the POWER (Partnerships for Opportunity and Workforce and Economic Revitalization) initiative that will begin in FY2015 and be expanded in FY2016, utilizing the federal resources summarized below, to target assistance through competitively awarded grants to partnerships anchored in communities impacted by changes in the power sector and coal industry. These funds will help communities to: diversify their economies; create good jobs in existing or new industries; attract new sources of job-creating investment; and provide reemployment services and job training to dislocated workers in order to connect them to high-quality, in-demand jobs. These investments include:

- Department of Labor (DOL), Dislocated Workers National Reserve: Using National Reserve funds, DOL provides grants to states that have recently experienced a significant dislocation event, such as a mass layoff or plant closing. These funds supplement job training formula grants to temporarily expand the capacity of states and local communities to provide reemployment services, job training, subsidized employment, and supportive services to help unemployed workers get back on the job.

The Budget provides **\$20 million** specifically to support workers dislocated from coal mines and coal-fired power plants. Along with funding already provided through the National Reserve, this will allow states and local areas to provide reemployment, training, and supportive services to these transitioning coal economy workers to help them get back to work in good jobs and careers.

- Appalachian Regional Commission (ARC): The ARC is a regional development agency created to assist economic growth in Appalachian communities. Funds are awarded through a cooperative process with the governors of the 13 states that make up Appalachia.

The Budget provides **\$25 million for the ARC** which will be directed specifically to those Appalachian communities most affected by coal economy transition and will support a range of economic development planning and implementation activities, including developing entrepreneurial ecosystems, facilitating access to

capital investments and new markets, and addressing barriers related to adequate water, sewer, and telecommunication infrastructure.

- Department of Commerce, Economic Development Assistance Programs (EDAP): The Economic Development Administration (EDA) leads the federal economic development agenda by promoting regional and national innovation, collaboration and competitiveness. EDA disburses grants to assist economically distressed communities by fostering an environment conducive to job creation and economic growth.

The Budget increases funding for EDA operations support in FY 2016 by more than \$8 million over FY 2015, including **\$6 million** targeted to advancing and coordinating the federal government’s place-based regional innovation efforts. In addition to serving in a coordinating capacity for federal economic development funds government-wide, the agency will take a leadership role in the POWER initiative by providing planning and coordination to communities and federal agencies.

- Environmental Protection Agency (EPA) Brownfields Program: EPA provides grants to communities to assess and cleanup brownfield sites. EPA awards grants for Area-Wide Planning (AWP) when a comprehensive strategy – that may involve developing market studies, analyzing approaches for securing implementation resources, defining viable new end uses, prioritizing sites, and engaging a range of community stakeholders – is needed to address multiple brownfield sites in a single community.

The Budget includes increased funding for the Brownfields Program, of which **\$5 million** is designated exclusively for AWP grants targeted to communities affected by the retirement of coal-fired power plants.

- USDA Rural Development (RD): RD offers technical assistance and grants and loans to rural communities for essential public facilities and services. Within RD, the Rural Economic Development (RED) Loan and Grant program supports projects through rural utilities that will create and retain employment in rural areas and capitalizes revolving loan funds toward that end.

The Budget provides \$12 million for RED grants and \$85 million in loans. The programs will provide targeted funding for job creating projects in rural areas where changes in the coal industry are causing economic distress.

ENSURING THE HEALTH AND RETIREMENT OF COAL MINERS AND THEIR FAMILIES

The Budget includes legislative reforms to strengthen the health care and pension plans that provide for the health and retirement security of over 100,000 retired coal miners and their families. Currently, the Department of Interior’s Office of Surface Mining

Reclamation and Enforcement (OSMRE) makes annual transfers to three health plans administered by the United Mine Workers of America (UMWA) Health and Retirement Funds to provide benefits for retired coal miners and their families whose employers no longer contribute to their plans.

The Budget revises the formula for transfers of funds to the UMWA 1993 Health Benefit Plan by taking into account all beneficiaries enrolled in that health care plan as of this proposal's enactment. The Budget further accounts for those retirees whose health benefits were denied or reduced as the result of a bituminous coal industry bankruptcy proceeding commenced in 2012. Additionally, the Budget would transfer funds to the Pension Benefit Guaranty Corporation (PBGC) for the purpose of protecting the long-term solvency of the 1974 UMWA Pension Plan and Trust (1974 Pension Plan). The 1974 Pension Plan is significantly underfunded and approaching insolvency. Transfers would continue until that Plan is fully funded. The 1974 Pension Plan covers approximately 100,000 mineworkers and their families. The UMWA Health and Retirement Funds collectively pay about \$1 billion per year in health and retirement benefits to health care providers and families in all 50 states, with the majority of benefits flowing to Appalachian states where coal mining job loss has been most severe.

BUILDING NEW DEVELOPMENT OPPORTUNITIES AND NEW JOBS IN ABANDONED MINE LAND COMMUNITIES

In order to address the continuing legacy of coal abandoned mine lands (AML) on the health, safety, environment and economic development potential of communities, the Budget makes available to States and Tribes **\$1 billion**, over 5 years, from the unappropriated balance of the Abandoned Mine Reclamation Fund, administered by OSMRE. The AML funding would be used for the reclamation of abandoned coal mine land sites and associated polluted waters in a manner that promotes sustainable redevelopment in economically distressed coal country communities. The majority of un-reclaimed coal mine lands are concentrated in Appalachian states that have experienced coal mining job loss. The proposal will provide \$200 million per year for five years to States and Tribes based on economic factors, such as the unemployment rate of coal mining regions, and remaining abandoned coal mine land and water problems where reclamation linked to job-creating economic development strategies would help revitalize impacted communities. OSMRE will seek input from States, Tribes and other stakeholders as it finalizes details of this proposal.

DEPLOYING CARBON CAPTURE, UTILIZATION, AND SEQUESTRATION TECHNOLOGIES

The Budget provides two new tax incentives that will complement each other in driving the deployment of carbon capture, utilization and sequestration (CCUS) technologies, which will enable additional technology improvements and drive down the costs of follow-on CCUS deployment.

The Budget provides **\$2 billion** in refundable investment tax credits to new and retrofitted electric generating units (EGUs) that deploy carbon capture technology. New plants must capture more than 75 percent of their carbon dioxide (CO₂) emissions, and retrofits must capture more than 75 percent of the CO₂ emissions from the set of units to which the eligible investment is applied. Retrofits to existing plants must apply to units that have capacities greater than 250 megawatts and that capture and store more than 1 million metric tons of CO₂ per year. In order to incent the deployment of different kinds of technology, no more than 60 percent of the total credits may go to either new or retrofit projects, and no more than 40 percent may flow to any single technology sub-category (e.g., liquid solvents, gas-separation membranes). A minimum of 70 percent of the credits must go to projects fueled by greater than 75 percent coal. The credits would be available for 30 percent of the installed cost of eligible property, which would include CO₂ transportation and storage infrastructure in addition to EGUs.

The Budget also provides a refundable sequestration tax credit of (1) \$50 per metric ton of CO₂ permanently sequestered and not beneficially reused (e.g., for enhanced oil recovery); or (2) \$10 per metric ton for CO₂ that is permanently sequestered and beneficially reused. The credit would be allowed for a maximum of 20 years of production.