

At a Glance

H.R. 4248, Surface Mining Control and Reclamation Act Amendments of 2019

As ordered reported by the House Committee on Natural Resources on January 15, 2020

By Fiscal Year, Millions of Dollars	2020	2020-2025	2020-2030
Direct Spending (Outlays)	143	236	385
Revenues	0	360	780
Increase or Decrease (-) in the Deficit	143	-124	-395
Spending Subject to Appropriation (Outlays)	*	10	not estimated
Statutory pay-as-you-go procedures apply?	Yes	Mandate Effects	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2031?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

* = between zero and \$500,000.

The bill would

- Extend the obligation of coal producers to pay reclamation fees through 2036
- Reauthorize annual payments, without further appropriation, to states and Indian tribes under the Abandoned Mine Lands program
- Direct the Office of Surface Mining Reclamation and Enforcement to disburse previously sequestered amounts
- Increase the minimum payment that certain states receive from the Abandoned Mine Reclamation Fund

Estimated budgetary effects would primarily stem from

- Collection of coal reclamation fees
- Reauthorizing annual payments to states and tribes and increasing minimum payments
- Disbursing previously sequestered amounts

Areas of significant uncertainty include

- Predicting the amount of coal reclamation fees that would be collected under the bill

Detailed estimate begins on the next page.



Bill Summary

H.R. 4248 would extend the collection of coal reclamation fees through 2036. The bill would reauthorize annual payments to states and Indian tribes under the Abandoned Mine Lands (AML) program, which would be made without further appropriation. Under the bill, the Office of Surface Mining Reclamation and Enforcement (OSMRE) would be required to disburse previously sequestered amounts to states and tribes. The bill also would exempt future payments from sequestration. Finally, H.R. 4248 would increase the minimum annual payment that some states receive from \$3 million to \$5 million.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4248 is shown in Table 1. The costs of the legislation fall within budget functions 300 (natural resources and environment) and 800 (general government).

Table 1.
Estimated Budgetary Effects of H.R. 4248

	By Fiscal Year, Millions of Dollars											2020-2025	2020-2030
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Increases in Direct Spending													
Estimated Budget Authority	160	35	34	21	21	22	24	27	31	35	32	293	441
Estimated Outlays	143	27	31	1	13	20	27	27	30	34	31	236	385
Increases in Revenues													
Estimated Revenues	0	0	94	91	89	85	85	85	84	83	83	360	780
Net Increase or Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	143	27	-63	-90	-76	-65	-58	-58	-54	-49	-51	-124	-395
Increases in Spending Subject to Appropriation													
Estimated Authorization	*	2	2	2	2	2	n.e.	n.e.	n.e.	n.e.	n.e.	10	n.e.
Estimated Outlays	*	2	2	2	2	2	n.e.	n.e.	n.e.	n.e.	n.e.	10	n.e.

Components may not sum to totals because of rounding; n.e. = not estimated, * = between zero and \$500,000.



Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted in 2020; thus, any additional payments under the bill would take effect in 2020. Estimated outlays are based on historical spending patterns for the affected programs.

Background

Under current law, the federal government collects revenues from coal producers and makes payments to states and Indian tribes and to multiemployer health and pension plans.

Coal Reclamation Fees. Under the AML program, coal producers pay reclamation fees to the Department of the Interior based on annual production. The authority to collect those fees, which are recorded in the budget as revenues and deposited into the Abandoned Mine Reclamation Fund, expires on September 30, 2021. In its March 2020 baseline, CBO projects that the department will collect \$285 million in fees over the 2020-2021 period.

Payments to Health Plans, Pension Plans, and to Certified States and Tribes. The Surface Mining Control and Reclamation Act of 1977 (SMCRA) authorizes OSMRE to make annual payments, without further appropriation, from the general fund of the Treasury to multiemployer plans that provide health and pension benefits to certain retirees in the coal industry. OSMRE also awards grants to states and tribes once their completion of outstanding coal reclamation projects is certified. Payments from the general fund of the Treasury for those activities are subject to a combined annual cap of \$750 million. The United Mine Workers of America (UMWA) health and retirement funds are multiemployer plans that receive federal subsidy payments under SMCRA for retiree benefits.

SMCRA also authorizes annual payments (which are not subject to the \$750 million cap) to the UMWA multiemployer health plans that equal the amount of interest credited each year to the Abandoned Mine Reclamation Fund. If a payment is insufficient to cover expected health costs in a given year, supplemental payments from the Treasury's general fund are made to cover the remaining costs, subject to the annual cap.

Under current law, certified states and tribes receive payments that are equal to 50 percent of the coal reclamation fees collected in those jurisdictions in the prior year. Those payments will terminate at the end of 2022 because the authority to collect the reclamation fees expires at the end of 2021. That reduction in payments to states is exactly offset by an increase in payments to the UMWA retirement plans after 2022. Payments to certified states also are subject to sequestration over the 2020-2022 period, reducing budget authority for those payments by \$3 million annually over that same period. (Sequestration is a cancellation of budgetary resources; under current law, many direct spending accounts have a part of their budget authority sequestered every year.)



In its March 2020 baseline, CBO projects that the annual statutory cap of \$750 million will limit payments to the UMWA health and retirement funds and to certified states and tribes. Thus, the combined budget authority for those programs will total \$747 million annually through 2022, after accounting for the \$3 million that will be sequestered, and \$750 million each year from 2023 through 2030.

Payments to Noncertified States. For noncertified states—the states that have not completed all of their outstanding reclamation projects—OSMRE is authorized to spend, without further appropriation, 80 percent of the coal reclamation fees collected in the prior year for reclamation grants, plus whatever amounts are necessary to ensure that those states receive an annual minimum payment of \$3 million. Those amounts are disbursed directly from the Abandoned Mine Reclamation Fund. Beginning in 2023, OSMRE will distribute annual payments to those states equal to the amounts disbursed in 2022 until the remaining balances in the fund are spent, which CBO projects will occur after 2030. In its March 2020 baseline, CBO projects that OSMRE will distribute, on average, \$94 million annually in such grants over the 2020-2030 period, net of sequestration.

Revenues

H.R. 4248 would extend collection of coal reclamation fees through 2036. Based on national coal production forecasts produced by the Energy Information Administration, CBO estimates that revenues from the reclamation fees would increase by \$110 million to \$125 million annually over the 2022-2030 period. However, because collecting those fees would reduce the base for income and payroll taxes, those revenues would be partially offset by lower income and payroll taxes. On net, CBO estimates, enacting H.R. 4248 would increase revenues by \$780 million over the 2022-2030 period.

Direct Spending

CBO estimates that enacting H.R. 4248 would increase net direct spending by \$385 million over the 2020-2030 period (see Table 2).

**Table 2.
Changes in Direct Spending Under H.R. 4248**

	By Fiscal Year, Millions of Dollars											2020-2025	2020-2030
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
Increases or Decreases (-) in Direct Spending													
Base Payments to Noncertified States													
Estimated Budget Authority	8	8	8	-4	-7	-8	-9	-9	-9	-9	-15	5	-46
Estimated Outlays	8	8	7	4	-1	-5	-8	-9	-9	-9	-15	21	-29
Minimum Payments													
Estimated Budget Authority	24	24	24	24	24	24	24	24	24	24	24	144	264
Estimated Outlays	7	16	21	24	24	24	24	24	24	24	24	116	236
Previously Sequestered Amounts													
Estimated Budget Authority	125	0	0	0	0	0	0	0	0	0	0	125	125
Estimated Outlays	125	0	0	0	0	0	0	0	0	0	0	125	125
Cap Effects													
Estimated Budget Authority	3	3	3	1	3	6	9	12	16	20	22	19	98
Estimated Outlays	3	3	3	-27	-10	1	11	12	15	19	22	-26	53
Total Changes													
Estimated Budget Authority	160	35	34	21	21	22	24	27	31	35	32	293	441
Estimated Outlays	143	27	31	1	13	20	27	27	30	34	31	236	385

Components may not sum to totals because of rounding.

Base Payments to Noncertified States. Beginning in 2023, the bill would change the formula for payments to noncertified states so that payments would be based on the fees collected in prior years. CBO estimates that such payments would average \$85 million annually over the 2023-2030 period. Because that change would reduce payments to those states relative to current law, CBO estimates that enacting this provision would reduce direct spending by \$29 million over the 2020-2030 period. (Those payments also would be exempt from sequestration.)



Minimum Payments. In addition to the changes in the formula for base payments, H.R. 4248 would increase the minimum annual payment to noncertified states from \$3 million to \$5 million. Based on recent years' payments, CBO estimates that beginning in 2020, 12 states would receive the new minimum payment (at an annual cost of about \$24 million) and the resulting spending would total \$236 million over the 2020-2030 period.

Previously Sequestered Amounts. The bill would direct OSMRE to disburse amounts that were previously sequestered. Using information from OSMRE, CBO estimates that enacting the provision would increase direct spending by \$125 million over the 2020-2030 period; of that amount, \$85 million would be paid from the Abandoned Mine Reclamation Fund and \$40 million would be paid from the general fund of the Treasury.

Cap Effects. Combining the effects of the additional revenues from the reauthorized coal reclamation fees, higher minimum payments, disbursement of previously sequestered amounts, and the changes in payments to noncertified states, CBO expects that enacting H.R. 4248 would lead to more interest being credited to the Abandoned Mine Reclamation Fund. Using interest rates underlying its March 2020 baseline, CBO estimates that payments to the UMWA multiemployer health plans would increase by a total of \$89 million over the 2020-2030 period. Net spending by the health plans would be unaffected by the bill but less money would be paid from the general fund of the Treasury for the health plans.

Accordingly, payments to the UMWA multiemployer pension plans and to certified states and tribes would increase because payments from the Abandoned Mine Reclamation Fund do not count against the \$750 million annual limit.

Under H.R. 4248, payments to certified states would be exempt from sequestration and would resume in 2023. Thus, an additional \$9 million would be paid to certified states from amounts that will be sequestered under current law over the 2020-2022 period. In total, CBO estimates that enacting H.R. 4248 would increase budget authority by \$98 million over the 2020-2030 period—the sum of \$89 million that would be paid to the UMWA health plans and \$9 million that would come from sequestered amounts. Based on historical spending patterns for those programs, CBO estimates that direct spending would increase by \$53 million over the 2020-2030 period.

Spending Subject to Appropriation

Section 3 would authorize OSMRE to reimburse states and tribes for certain emergency reclamation projects. Based on previous allocations for such projects, CBO estimates that implementing section 3 would cost less than \$500,000 in 2020 and \$2 million annually thereafter; such spending would be subject to the availability of appropriated funds. We estimate that implementing other provisions of the bill would have no significant effect on spending subject to appropriation.



Uncertainty

The amount of coal reclamation fees the federal government would collect under the bill is uncertain and could be higher or lower than CBO estimates. CBO cannot forecast with certainty future coal prices or the volume of production, which would affect the amount of fees collected. The resulting direct spending also could differ from CBO's estimate.

Pay-As-You-Go Considerations

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in Table 3.

Table 3.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4248, the Surface Mining Control and Reclamation Act Amendments of 2019, as Ordered Reported by the House Committee on Natural Resources on January 15, 2020

	By Fiscal Year, Millions of Dollars											2020-2025	2020-2030
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	Net Increase or Decrease (-) in the Deficit												
Pay-As-You-Go Effect	143	27	-63	-90	-76	-65	-58	-58	-54	-49	-51	-124	-395
Memorandum:													
Changes in Outlays	143	27	31	1	13	20	27	27	30	34	31	236	385
Changes in Revenues	0	0	94	91	89	85	85	85	84	83	83	360	780

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 4248 would not increase on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2031.

Mandates

H.R. 4248 would impose a private-sector mandate as defined by the Unfunded Mandates Reform Act (UMRA) by extending the obligation of coal miners to pay a reclamation fee that is set to expire under current law in 2021. CBO estimates that the cost of the mandate would average about \$115 million annually, falling below the annual private-sector threshold established by UMRA (\$168 million, adjusted annually for inflation).

H.R. 4248 contains no intergovernmental mandates as defined in UMRA.



Estimate Prepared By

Federal Costs: Julia Christensen (UMWA multiemployer health plans)
Noah Meyerson (UMWA multiemployer pension plans)
Janani Shankaran (AML program, Abandoned Mine Reclamation Fund)

Revenues: Nathaniel Frentz

Mandates: Lilia Ledezma

Estimate Reviewed By

Susan Willie
Chief, Public and Private Mandates Unit

Joshua Shakin
Chief, Revenue Estimating Unit

H. Samuel Papenfuss
Deputy Director of Budget Analysis

Theresa Gullo
Director of Budget Analysis