

At a Glance

H.R. 1734, Surface Mining Control and Reclamation Act Amendments of 2021

As ordered reported by the House Committee on Natural Resources on May 26, 2021

By Fiscal Year, Millions of Dollars	2021	2021-2026	2021-2031
Direct Spending (Outlays)	0	252	455
Revenues	0	474	865
Decrease (-) in the Deficit	0	-222	-410

Spending Subject to Appropriation (Outlays)	0	10	not estimated
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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 2032?	< \$5 billion	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	Yes, Under Threshold

The bill would

- Extend the obligation of coal miners 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 mainly 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. 1734 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. 1734 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. 1734 is shown in Table 1. The costs of the legislation generally fall within budget functions 300 (natural resources and environment) and 800 (general government).

Table 1.
Estimated Budgetary Effects of H.R. 1734

	By Fiscal Year, Millions of Dollars											2021-2026	2021-2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Increases in Direct Spending													
Estimated Budget Authority	0	180	43	39	34	30	32	35	39	44	41	326	517
Estimated Outlays	0	52	47	54	55	43	37	38	39	43	47	252	455
Increases in Revenues													
Estimated Revenues	0	111	103	94	84	81	79	79	79	78	77	474	865
Net Decrease (-) in the Deficit From Changes in Direct Spending and Revenues													
Effect on the Deficit	0	-59	-57	-40	-29	-38	-42	-41	-40	-36	-29	-222	-410
Increases in Spending Subject to Appropriation													
Estimated Authorization	0	2	2	2	2	2	n.e.	n.e.	n.e.	n.e.	n.e.	10	n.e.
Estimated Outlays	0	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.



Basis of Estimate

For this estimate, CBO assumes that the legislation will be enacted late in fiscal year 2021; thus, any additional payments under the bill would take effect in 2022. 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 certain multiemployer health and pension plans that provide benefits to retirees in the coal industry.

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. CBO projects that the department will collect \$129 million in fees in 2021.

Payments to Health Plans from the Abandoned Mine Reclamation Fund. The Surface Mining Control and Reclamation Act of 1977 (SMCRA) authorizes annual payments to the United Mine Workers of America (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, discussed below. CBO projects that payments to the health plans based on the credited interest will average \$23 million annually over the 2021-2031 period.

Payments to Health Plans, Retirement Plans, and to Certified States and Tribes.

SMCRA authorizes supplemental payments from the general fund of the Treasury, without further appropriation, to UMWA health plans if interest transfers are insufficient to cover expected costs. Current law also authorizes payments from the general fund to UMWA retirement plans and to certain states and tribes as discussed below. Taken together, those payments are subject to a combined annual cap of \$750 million.

OSMRE awards grants to states and tribes once they certify that their outstanding coal reclamation projects are complete. 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 fiscal year 2022 because the authority to collect the reclamation fees expires at the end of 2021. That reduction in payments to states and tribes is exactly offset by an increase in payments to the UMWA retirement plans after 2022. Payments to certified states and tribes also are subject to sequestration in 2021 and 2022, reducing budget authority for those payments by \$2 million in each year. (Sequestration is a cancellation of budgetary resources.)



CBO expects 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 \$748 million annually in 2022, after accounting for the \$2 million that will be sequestered, and \$750 million each year from 2023 through 2031.

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, roughly 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 and are not limited by the \$750 million annual statutory cap. 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 2031. CBO projects that OSMRE will distribute, on average, \$92 million annually in such grants over the 2021-2031 period, net of sequestration.

Revenues

H.R. 1734 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 between \$100 million and \$145 million annually over the 2022-2031 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. 1734 would increase revenues by \$865 million over the 2022-2031 period (see Table 1).

Direct Spending

CBO estimates that enacting H.R. 1734 would increase net direct spending by \$455 million over the 2021-2031 period (see Table 2).

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. Those payments also would be exempt from sequestration. CBO estimates that such payments under the bill would average \$90 million annually over the 2022-2031 period. Because that change would reduce payments over time to those states relative to current law, CBO estimates that enacting this provision would reduce direct spending by \$8 million over the 2021-2031 period.

Minimum Payments. In addition to the changes in the formula for base payments, H.R. 1734 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 2022, 15 states would receive additional amounts to meet the new minimum amount (at a



total annual cost of about \$28 million) and the resulting spending would total \$247 million over the 2021-2031 period. Those payments also would be exempt from sequestration.

**Table 2.
Changes in Direct Spending Under H.R. 1734**

	By Fiscal Year, Millions of Dollars											2021-2026	2021-2031
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031		
Increases or Decreases (-) in Direct Spending													
Base Payments to Noncertified States													
Estimated Budget Authority	0	6	14	8	1	-6	-7	-8	-8	-8	-15	23	-24
Estimated Outlays	0	2	6	9	7	2	-3	-6	-8	-8	-9	27	-8
Minimum Payments													
Estimated Budget Authority	0	28	28	28	28	28	28	28	28	28	28	140	280
Estimated Outlays	0	8	18	25	28	28	28	28	28	28	28	107	247
Previously Sequestered Amounts													
Estimated Budget Authority	0	143	0	0	0	0	0	0	0	0	0	143	143
Estimated Outlays	0	40	54	31	17	0	0	0	0	0	0	143	143
Cap Effects													
Estimated Budget Authority	0	3	1	3	5	8	11	15	20	24	28	19	118
Estimated Outlays	0	2	-32	-11	3	13	12	17	19	23	28	-25	73
Total Changes													
Estimated Budget Authority	0	180	43	39	34	30	32	35	39	44	41	326	517
Estimated Outlays	0	52	47	54	55	43	37	38	39	43	47	252	455

Components may not sum to totals because of rounding.

Previously Sequestered Amounts. The bill would direct OSMRE to disburse additional funds that would be equal to the amounts that were sequestered over the 2013-2021 period. Using information from OSMRE, CBO estimates that enacting the provision would increase direct spending by \$143 million over the 2021-2031 period; of that amount, \$98 million



would be paid from the Abandoned Mine Reclamation Fund and \$45 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 both base and minimum payments to noncertified states, CBO expects that enacting H.R. 1734 would lead to more interest being credited to the Abandoned Mine Reclamation Fund. CBO estimates that payments to UMWA health plans based on the amount of credited interest would increase by a total of \$116 million over the 2021-2031 period. However, CBO expects that net spending by the health plans would be unchanged. The increase in payments based on credited interest would reduce the amount paid from the general fund of the Treasury for the health plans, but that reduction would be exactly offset by an increase in budget authority for payments for other programs under the \$750 million cap, including payments for certified states and tribes, which would resume in 2023 under the bill.

Under H.R. 1734, payments to certified states and tribes would be exempt from sequestration. Thus, an additional \$2 million would be paid to certified states and tribes from amounts that will be sequestered under current law in 2022.

In total, CBO estimates that enacting H.R. 1734 would increase budget authority by \$118 million over the 2021-2031 period—the sum of \$116 million resulting from increased interest credited to the Abandoned Mine Reclamation Fund and \$2 million that would come from sequestered amounts. Based on historical spending patterns for those programs, CBO estimates that direct spending would decline by \$25 million over the 2021-2026 period but increase by \$73 million over the 2021-2031 period. That initial decline in spending would happen because payments for certified states and tribes take more time to outlay than payments to UMWA health and retirement plans.

Spending Subject to Appropriation

As shown in Table 1, 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 \$2 million annually over the 2022-2026 period; 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. 1734, the Surface Mining Control and Reclamation Act Amendments of 2021, as Ordered Reported by the House Committee on Natural Resources on May 26, 2021

	By Fiscal Year, Millions of Dollars											2020- 2025	2020- 2030
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030		
	Net Decrease in the Deficit												
Pay-As-You-Go Effect	0	-59	-57	-40	-29	-38	-42	-41	-40	-36	-29	-222	-410
Memorandum:													
Increases in Outlays	0	52	47	54	55	43	37	38	39	43	47	252	455
Increases in Revenues	0	111	103	94	84	81	79	79	79	78	77	474	865

Increase in Long-Term Deficits

CBO expects that enacting the bill would delay the drawdown of balances in the Abandoned Mine Reclamation Fund, resulting in additional direct spending after 2040. However, CBO estimates that enacting H.R. 1734 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. 1734 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, set to expire in 2022, under current law. CBO estimates that the cost of the mandate would average about \$122 million annually over the 2022-2026 period, falling below the annual threshold established by UMRA for the private sector (\$170 million in 2021, adjusted annually for inflation).

H.R. 1734 contains no intergovernmental mandates as defined in UMRA.



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