CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

January 23, 2014

H.R. 2824
Preventing Government Waste and Protecting Coal Mining Jobs in America

As ordered reported by the House Committee on Natural Resources on November 14, 2013

H.R. 2824 would require certain states to implement, within two years, a rule published in 2008 by the Office of Surface Mining, Reclamation, and Enforcement (OSM) regarding the disposal of mine waste near streams (the stream buffer zone rule). The bill also would require OSM to assess the effectiveness of that rule after five years of implementation and to report its findings to the Congress. Finally, the bill would prevent OSM from issuing a new rule regarding stream buffer zones until the agency completes the report required under the bill.

CBO estimates that implementing the bill would have no significant impact on the federal budget. Enacting the bill could affect offsetting receipts, which are treated as reductions in direct spending; therefore, pay-as-you-go procedures apply. However, CBO estimates that any such effects would be negligible. Enacting H.R. 2824 would not affect revenues.

Under the 2008 stream buffer zone rule, which CBO expects would be implemented through 2021 under the bill, firms would be allowed to dispose of mine waste near streams if regulators determine that avoiding disturbance of the streams is not reasonably possible. Under the rule OSM is currently implementing, firms are prohibited from disposing of mine waste within 100 feet of streams; however, according to the Office of Information and Regulatory Affairs, OSM is in the process of preparing a new rule to govern such disposal. CBO has no information regarding the content of the new rule or when it might be implemented.

The budgetary impact of enacting H.R. 2824 would depend, in part, on whether the stream buffer zone rule implemented under the bill would be more or less restrictive than the rule implemented under current law. If the rule implemented under the bill imposed relatively fewer restrictions on the disposal of mine waste, coal producers would use less costly methods to dispose of such waste and CBO expects that firms producing coal would increase their valuation of coal leases affected by the rule, including leases on federal lands. Under such a rule, CBO expects that proceeds to the federal government would increase from the sale of federal coal leases. Conversely, a relatively more restrictive

disposal rule would reduce the value of coal leases and thus the proceeds from the sale of coal leases on federal lands.

Based on information provided by OSM, CBO expects that implementing a new stream buffer zone rule would primarily affect coal mining that requires the removal of mountaintops in the Appalachian Mountains. In 2012, the federal proceeds from activities related to coal mining on federal lands in that area totaled $1.5 million. Because the existing federal proceeds from the area affected by this bill are small, and because it is unclear whether the rule imposed by this bill would be more or less restrictive than the rule that OSM will impose under current law, CBO expects that firms in the coal industry would not significantly change their valuation of coal leases under the bill, and therefore, that enacting H.R. 2824 would have a negligible impact on the federal budget.

H.R. 2824 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would impose additional requirements on states and tribal governments that choose to apply for exclusive jurisdiction—or "primacy"—in regulating surface mining operations within their jurisdiction. However, those requirements would be conditions of participating in a voluntary federal program and thus not mandates as defined in UMRA.

The CBO staff contacts for this estimate are Jeff LaFave (for federal costs) and Michael Kulas (for the state and local impact). The estimate was approved by Theresa Gullo, Deputy Assistant Director for Budget Analysis.