



Legislative Proposals and Offsetting Collections

Investments in our shared outdoor heritage make sense not only for our land, water, and wildlife, but they make sense for our economy.

*Sally Jewell, Secretary of the Interior
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The 2016 President's budget includes a suite of legislative and offsetting collection proposals affecting spending, revenues, and available budget authority that require action by the Congressional authorizing committees. These mandatory proposals address a range of Administration priorities, from investing in high-priority conservation and recreation programs to achieving a fair return to the American taxpayer from the sale of Federal resources and reducing unnecessary spending. The 2016 budget includes seven spending proposals with \$15.2 billion in estimated outlays over the next decade. This spending is partially offset by revenue and savings proposals estimated to reduce outlays from the Treasury by more than \$5.6 billion over the next decade.

NEW PROPOSALS

Bureau of Indian Affairs Contract Support Costs – The budget includes a legislative proposal to reclassify the existing Contract Support Costs program from current to mandatory beginning in fiscal year 2017. Congress requested that both BIA and the Indian Health Service consult with Tribes to develop a long-term approach to funding contract support costs. The leading tribal recommendation was to provide funding for contract support costs as a mandatory appropriation. Beginning the reclassification in 2017 will allow time for tribal consultation in 2016 on operational details. The budget proposes to adjust the discretionary budget caps to reflect the reclassification. The estimate for projected BIA program growth, above the discretionary cap amount, totals \$105.0 million for 2017-2019 and will be treated as a Statutory Pay-As-You-Go Act of 2010 cost for the authorizing legislation. New contract support cost

estimates will be provided on a three-year cycle as part of the reauthorization process.

Coal Abandoned Mine Lands Reform – The budget proposes to allocate a portion of the remaining unappropriated balance of the AML Fund to target the cleanup and redevelopment of AML sites and AML coal mine polluted waters in a manner that facilitates sustainable revitalization in economically depressed coalfield communities. The proposal will provide \$1.0 billion over five years to States based on AML program and economic eligibility factors—such as the unemployment rate of coal mining regions—and remaining priority coal problems, including abandoned mine drainage, where reclamation linked to job creating economic development strategies will help revitalize impacted communities.

Gulf of Mexico Energy Security Act – The Gulf of Mexico Energy Security Act of 2006 opened some additional areas in the Gulf of Mexico for offshore oil and gas leasing, while maintaining moratoria on activities east of the Military Mission Line and within certain distances from the coastline of Florida. The Act provides that 37.5 percent of Outer Continental Shelf revenues from certain leases be distributed to just four coastal States—Alabama, Louisiana, Mississippi, and Texas—and their local governments based on a complex allocation formula. Under the Administration's all-of-the-above energy strategy, domestic energy production has grown each year. Offshore, the Department has made 60 million acres available for development in the past three lease sales alone. The Administration is committed to ensuring American taxpayers receive a fair return from the sale of public resources and taxpayers through-

out the Country benefit from the development of offshore energy resources owned by all Americans.

The Administration proposes to work with the Congress on legislation to redirect funds currently allocated to GOMESA revenue-sharing payments to select States from Gulf of Mexico oil and gas leases. The Administration proposes to redirect these payments, which are set to expand substantially starting in 2018, to programs that provide broad natural resource, watershed and conservation benefits to the Nation, help the Federal government fulfill its role of being a good neighbor to local communities, and support other national priorities. Such programs could include the Land and Water Conservation Fund, Payments in Lieu of Taxes, State and Tribal Wildlife Grants, Federal coastal restoration and resilience programs, and other national priorities.

United Mineworkers of America Pension Reform – The budget proposes to better provide for retired coal miners and their families by revising the formula for general fund payments to the 1993 UMWA Health Benefit Plan. The new formula will consider all beneficiaries enrolled in the plan as of enactment, as well as those retirees whose health benefits were denied or reduced as the result of a bituminous coal industry bankruptcy proceeding commenced in 2012. Additionally, the proposal will transfer funds through the Pension Benefit Guaranty Corporation to the trustees of the 1974 UMWA Pension Plan to ensure the plan’s long-term solvency. The plan, which covers more than 100,000 mineworkers, is underfunded and approaching insolvency. The new formula will provide an additional \$363.0 million to the UMWA in 2016 and \$3.9 billion over 10 years.

CONTINUED PROPOSALS

Land and Water Conservation Fund – The 2016 budget proposes \$900.0 million in current and mandatory funding in 2016 and, beginning in 2017, \$900.0 million in annual mandatory funding for the Departments of the Interior and Agriculture programs funded out of the Land and Water Conservation Fund. In 2016, the budget proposes a transition year in which \$900.0 million in total LWCF funding is requested, composed of \$500.0 million in mandatory and \$400.0 million in current funding, shared by both Interior and Agriculture.

National Parks and Public Lands Centennial – The Centennial initiative proposes \$500.0 million a year

for three years or \$1.5 billion in mandatory funding beginning in 2016 for the following programs: \$100.0 million a year for a National Park Service Centennial Challenge to leverage private donations; \$300.0 million a year for NPS deferred maintenance; and \$100.0 million a year for a Public Lands Centennial Fund, which will competitively allocate funds for projects on public lands. Interior’s public lands bureaus and Agriculture’s Forest Service will identify projects that enhance visitor services and outdoor recreation opportunities, restore lands, repair facilities, and increase energy and water efficiency. The availability of mandatory funding to address deferred maintenance and other conservation projects will allow these agencies to plan ahead more efficiently to achieve significant results. Stable and predictable funding streams will allow projects to be appropriately scheduled and phased for effective project delivery and completion from a capital investment standpoint.

Federal Land Transaction Facilitation Act – The Administration proposes to reauthorize this Act that expired on July 25, 2011, to allow lands identified as suitable for disposal in recent land use plans to be sold using this authority. The sales revenue will be used to fund the acquisition of environmentally sensitive lands and to cover the Bureau of Land Management administrative costs associated with conducting the sales.

Recreation Fee Program – The 2016 budget proposes legislation to permanently authorize the Federal Lands Recreation Enhancement Act, which was extended by P.L. 113-235 through September 30, 2016. The program currently brings in an estimated \$281 million in recreation fees annually under this authority and uses them to enhance the visitor experience on Federal land recreation sites. In addition, as a short-term alternative to proposed legislation for long-term reauthorization, the 2016 budget proposes appropriations language to further extend authorization for the Federal Lands Recreation Enhancement Act through September 30, 2017.

Federal Oil and Gas Reforms – The 2016 budget includes a package of legislative reforms to bolster and backstop administrative actions being taken to reform management of Interior’s onshore and offshore oil and gas programs, with a key focus on improving the return to taxpayers from the sale of these Federal resources and on improving transparency and oversight. Proposed statutory and administrative changes fall into three general categories: advancing royalty reforms, encouraging

diligent development of oil and gas leases, and improving revenue collection processes.

Royalty reforms include evaluating minimum royalty rates for oil, gas, and similar products, adjusting the onshore royalty rate, analyzing a price-based tiered royalty rate, and repealing legislatively mandated royalty relief. Diligent development requirements include shorter primary lease terms, stricter enforcement of lease terms, and monetary incentives to get leases into production through a new per-acre fee on nonproducing leases. Revenue collection improvements include simplification of the royalty valuation process, elimination of interest accruals on company overpayments of royalties, and a permanent repeal of Interior's authority to accept in-kind royalty payments. Collectively, these reforms will generate roughly \$2.5 billion in revenue to the Treasury over ten years, of which nearly \$1.7 billion will result from statutory changes. Many States also will benefit from higher Federal revenue-sharing payments as a result of these reforms.

Palau Compact – On September 3, 2010, the U.S. and the Republic of Palau successfully concluded the review of the Compact of Free Association and signed a 15-year agreement. The Compact provides economic assistance to Palau and reaffirms the close partnership between the U.S. and Palau, including exclusive military access to Palau's strategically located waters through 2024. Under the agreement, Palau committed to undertake economic, legislative, financial, and management reforms. Mandatory funding for the Compact expired at the end of 2009; however current appropriations have been provided in the interim. The 2016 budget assumes authorization of mandatory funding for the Compact in 2015 to strengthen the foundations for economic development in Palau by developing public infrastructure and improving health care and education. Compact funding will also undertake infrastructure projects designed to support Palau's economic development efforts. Palau has a strong track record of supporting the U.S. and access to its location is linked to the Pacific national security strategy and U.S. operations on Kwajalein Atoll. The cost for this proposal for 2016-2024 is \$163.0 million.

Payments in Lieu of Taxes – The Consolidated and Further Continuing Appropriations Act of 2015 provides \$372.0 million in current funding and the National Defense Authorization Act for Fiscal Year 2015 provides mandatory funding of \$33.0 million in 2015 and \$37.0 million in 2016. The 2016 budget

proposes to extend PILT mandatory funding for one additional year, while a sustainable long-term funding solution is developed for the program. The proposal assumes extension of the PILT payment formula, which is based on a number of factors, including the amount of Federal land within an eligible unit of local government, its population, and certain other Federal payments the local government may receive. The cost of a one-year extension of the PILT program is estimated to be \$452 million in 2016.

Reclamation of Abandoned Hardrock Mines – The 2016 budget continues the legislative proposal to create an Abandoned Mine Lands Program for abandoned hardrock sites. The program will be financed through the imposition of a new AML fee on hardrock production on both public and private lands estimated to generate \$1.8 billion through 2025. The BLM will distribute the funds through a set allocation to reclaim the highest priority hardrock abandoned sites on Federal, State, tribal, and private lands.

Reform Hardrock Mining on Federal Lands – The 2016 budget continues the legislative proposal to institute a leasing program under the Mineral Leasing Act of 1920 for certain hardrock minerals, including gold, silver, lead, zinc, copper, uranium, and molybdenum, currently covered by the General Mining Law of 1872 and administered by BLM. After enactment, mining for these metals on Federal lands will be governed by the new leasing process and subject to annual rental payments and a royalty of not less than five percent of gross proceeds. Half of the receipts will be distributed to the States in which the leases are located and the remaining half will be deposited in the U.S. Treasury. Existing mining claims will be exempt from the change to a leasing system but will be subject to increases in the annual maintenance fees under the General Mining Law of 1872. Holders of existing mining claims for these minerals, however, could voluntarily convert claims to leases. The Office of Natural Resources Revenue will collect, account for, and disburse the hardrock royalty receipts. The proposal is projected to generate revenues to the U.S. Treasury of \$80 million over ten years, with larger revenues estimated in following years.

Return Coal Abandoned Mine Land Reclamation Fees to Historic Levels – The budget continues a proposal to return AML fees to their historic level, prior to the 2006 amendments to the Surface Mining Control and Reclamation Act. This change to SMCRA lowered the per-ton coal fee companies pay into the

AML Fund. The additional revenue from the higher fees, estimated at \$306 million over ten years, will be used to reclaim high priority abandoned coal mines and reduce a portion of the over \$4 billion needed to address remaining dangerous coal AML sites nationwide. Reclamation fees are currently 28 cents per ton of surface mined coal. This proposal will return the fee to 35 cents per ton, the same level that coal operators paid prior to 2007.

Termination of Abandoned Mine Land Payments to Certified States – The 2016 budget continues a proposal to terminate the unrestricted payments to States and Tribes certified for completing their coal reclamation work. These payments can be used for general purposes and are no longer required for abandoned coal mine lands reclamation. This proposal terminates all such payments with estimated savings of \$224 million over the next ten years.

Termination of Geothermal Energy Payments to Counties – The 2016 budget proposes to repeal Section 224(b) of the Energy Policy Act of 2005 to permanently discontinue payments to counties and restore the disposition of Federal geothermal leasing revenues to the historical formula of 50 percent to the States and 50 percent to the Treasury. The Energy Policy Act of 2005 changed the distribution beginning in 2006 to direct 50 percent to States, 25 percent to counties, and for a period of five years, 25 percent to a BLM Geothermal Steam Act Implementation Fund. The allocations to the BLM geothermal fund were discontinued a year early through a provision in the 2010 Interior Appropriations Act. The repeal of Section 224(b) is estimated to result in savings of \$47.0 million over ten years.

Bureau of Land Management Foundation – The 2016 budget continues the proposal to establish a congressionally chartered National BLM Foundation. This Foundation will leverage private funding to support public lands, achieve shared outcomes, and focus public support on the BLM mission. The Foundation will be established as a charitable, non-profit organization to benefit the public by protecting and restoring the BLM natural, cultural, historical, and recreational resources for future generations. The National BLM Foundation will be similar to other existing foundations that benefit Federal programs, including the National Park Foundation, the National Fish and Wildlife Foundation, and the National Forest Foundation.

Migratory Bird Hunting and Conservation Stamp Act—Duck Stamp – The passage of the Federal Duck Stamp Act of 2014 raised the price of a Duck Stamp for the first time in more than 20 years. To provide greater stability in the future, the budget includes a legislative proposal to provide the Secretary limited authority to increase the price of a Duck Stamp, with the approval of the Migratory Bird Conservation Commission, to keep pace with inflation.

WILDLAND FIRE SUPPRESSION DISASTER CAP ADJUSTMENT

The 2016 budget proposes to amend the Balanced Budget and Emergency Deficit Control Act to establish a new framework for funding Fire Suppression Operations to provide stable funding for fire suppression, while minimizing the adverse impacts of fire transfers on the budgets of other programs. Under this new framework, the 2016 budget request covers 70 percent of the 10-year suppression average within the domestic discretionary cap or \$268.6 million for the Department of the Interior. This base level ensures the cap adjustment will only be used for the most severe fire activity since one percent of the fires cause 30 percent of the costs. Only extreme fires that require emergency response or are near urban areas or activities during abnormally active fire seasons—which rightly should be considered disasters—will be permitted to be funded through the adjustment to the discretionary spending limits. For 2016, the request for the budget cap adjustment for the Department is \$200.0 million. The cap adjustment does not increase overall spending, as the ceiling for the existing disaster relief cap will be reduced by the same amount as the increase required for fire suppression.

OFFSETTING COLLECTION PROPOSALS

The budget includes several proposals to collect or increase various fees, so that industry shares some of the cost of Federal permitting and regulatory oversight. Also included is a proposal to recover costs from anyone who damages a national wildlife refuge.

New Fee for Onshore Oil and Gas Inspections – Through appropriations language, the Department proposes to implement inspection fees in 2016 for onshore oil and gas activities subject to inspection by BLM. The proposed inspection fees are expected

to generate \$48.0 million in 2016, \$6.9 million more than the 2015 enacted program level, thereby expanding the capacity of BLM's oil and gas inspection program. The fees are similar to those already in place for offshore operations and will support Federal efforts to increase production accountability, safety, and environmental protection.

Grazing Administrative Fee—The budget proposes a new grazing administrative fee to offset costs to administer the program. The budget proposes a fee of \$2.50 per animal unit month. The BLM proposes to implement this fee through appropriations language on a pilot basis. Interior estimates the fee will generate \$16.5 million in 2016, more than

offsetting a decrease of \$3.1 million in appropriated funds in the Rangeland Management program. The net increase of \$13.4 million in funding resources will assist BLM in processing backlogged grazing permits. During the period of the pilot, BLM will work to promulgate regulations to continue this cost recovery fee administratively, once the pilot expires.

National Wildlife Refuge Damage Cost Recovery—The 2016 budget includes appropriations language to authorize the Fish and Wildlife Service to retain recoveries for the cost to restore or replace damaged habitat from responsible parties. This is parallel to authorities provided to NPS for damages to national parks and monuments.