



Western Interstate Energy Board/ WINB

April 29, 2005

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Joanna Prukop
Chairman

Douglas C. Larson
Executive Director

Mr. Jeff Jarrett, Director
Office of Surface Mining
233 Interior South Building
Washington, D.C. 20240

Via Fax

RE: Title V Regulatory Grants

Dear Jeff:

Western states thank you for taking the time to meet with David Berry of Colorado to discuss our concerns with the funding levels for regulatory grants in the proposed FY 2006 budget. As you know, the West continues to produce a major share of the nation's coal and that level of production is increasing. This is contrasted to a continuing trend of OSM not providing adequate funding for the western states to operate their regulatory programs. At best, the past several years have seen a flat funding level. When uncontrollable costs are taken into account, there has been an actual decrease in federal support for the personnel resources necessary to operate regulatory programs. Under the agency's FY 2006 budget proposals, several western states may be faced with a reduction in staff. This continuing failure to fund state Title V Programs in a region that this nation increasingly relies on for its energy resources is not acceptable.

The agency's FY 2006 detailed budget justification shows the western region will suffer the largest cuts in regulatory program grants of the three regions, while the Appalachian region actually has an increase. Those numbers are compared to actual grants in the current year, and do not reflect the magnitude of the shortfall when compared to the states' projected estimate of actual costs. As you are aware, the majority of the states' grants are dedicated to salary and overhead. The funding increase requested by the states is directly tied to salary increases. The size of the shortfall in federal grants will make it extremely difficult for some western states to fund positions.

For example, in Utah OSM is proposing a cut of \$96,000 or 5.59% based on this year's award. However, when compared with the 18 month estimate submitted

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by Utah in May of 2004, the shortfall is close to \$200,000 or 10.7%. Additionally, in FY 2005 the Utah program will be faced with a 2.5% cost of living salary increase along with Market Comparability Adjustments of 1-2 steps equating to another 2.7% to 5.5% increase in costs. This could easily result in a FY 2005 shortfall of \$100,000 - \$200,000 or more when extended out to the federal 2006 fiscal year. Essentially, Utah's award has remained flat for FY 2004, FY 2005 and will be cut in FY 2006.

In Montana, salary increases combined with the shortfall in the federal grant may make it difficult to maintain the current high level of excellence in the state program. Montana has been told by the OSM-Denver office that the state's grant for federal Fiscal Year 2006 will be the same as FY 2005 or 4% less. This year, for the first time in many years, the Montana state legislature recently approved "real" salary increases for state employees for the next biennium. This, of course, will automatically increase benefit and indirect costs. As a result, a 4% cut in the OSM grant for FY 2006 would mean that the Montana program would lack sufficient funds to pay for personal services, not to mention its operating budget.

As we have stated to OSM for many years, the agency's practice of "flat" funding of state grants is not appropriate to maintain the effective regulatory programs required by SMCRA. In FY 2006, OSM is proposing to exacerbate this chronic problem by cutting regulatory grants at a time when many states are increasing salaries for the first time in years. Western states cannot effectively operate their programs under the proposed funding levels.

Western states are interested in discussing with you the steps the agency needs to take to assure adequate funding for the Title V Program in FY 2006. We would prefer to resolve this problem without having to seek Congressional direction to the agency.

Thank you for your consideration.

Sincerely,



Richard A. Chancellor, Chairman
Reclamation Committee

cc: Reclamation Committee
Al Klein, OSM-Denver