Why GAO Did This Study
Coal accounts for 17 percent of domestic energy production. SMCRA requires coal mine operators to reclaim lands that were disturbed during mining and to submit a financial assurance in an amount sufficient to ensure that adequate funds will be available to complete reclamation if the operator does not do so. Recent coal company bankruptcies have drawn attention to whether financial assurances obtained by OSMRE and state agencies will be adequate to reclaim land once coal mining operations have ceased.

OSMRE and state agencies face several challenges in managing financial assurances, according to the stakeholders GAO interviewed. Specifically,

• Obtaining additional financial assurances from operators for unanticipated reclamation costs, such as long-term treatment for water pollution, can be difficult.
• Determining the financial stability of surety companies has been challenging in certain instances.
• Self-bonding presents a risk to the government because it is difficult to (1) ascertain the financial health of an operator, (2) determine whether the operator qualifies for self-bonding, and (3) obtain a replacement for existing self-bonds when an operator no longer qualifies. In addition, some stakeholders said that the risk from self-bonding is greater now than when the practice was first authorized under the Surface Mining Control and Reclamation Act (SMCRA).

What GAO Recommends
GAO recommends that Congress consider amending SMCRA to eliminate self-bonding. Interior neither agreed nor disagreed with GAO’s recommendation.