



Just the FACTS...

... about shortchanging taxpayers for federally owned coal

The predominant coal leasing process currently used by the Bureau of Land Management (BLM) does not obtain fair market value for taxpayers. It seldom generates competitive bids, and the resulting losses are substantial. Additional and potentially larger losses may be in store if certain current leasing practices continue and markets for exported federal coal expand.

1

Fact: The Lease by Application (LBA) system has supplanted the competitive system envisioned by Congress. It improperly skews the valuation of lease tracts, garners significantly reduced bids, and shrouds crucial information in secrecy. Under this system, BLM allows coal companies to play a large role in delineating tracts for leasing, a process that has resulted in tracts that do not generate competitive bids - over 80 percent of the sales for coal leases in the PRB received only one bid in the past 20 years.

2

Fact: BLM has failed to account for the growing foreign markets for federal coal. The U.S. Energy Information Administration reports 125 million tons of coal were exported during 2012, more than twice 2007 levels. Likewise, the price of exported coal has more than doubled from 2007 through 2011.

3

Fact: GAO found that BLM did not consistently document the rationale for accepting bids that were initially below the fair market value presale estimate. BLM uses final lease sale values as comparables for estimating values of new tracts. When value estimates are too low, it locks in a rolling system of continuously undervalued leases.

4

Fact: Estimates of losses from BLM practices over the past three decades have cost taxpayers almost \$29 billion.

Our Take: Taxpayers are not receiving a fair return for the extraction of publicly owned coal. If coal mining increases, as predicted with expanded need for coal exports, the problem will only get worse. Unless significant changes are made to the BLM leasing process and Congress exercises more enforcement and oversight over the federal coal program taxpayers will continue to lose millions in revenue.

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