



2000

## ABOUT THE OFFICE OF SURFACE MINING

The Office of Surface Mining is a small bureau (about 650 employees nationwide) of the U.S. Department of the Interior with responsibility, in cooperation with the states and Indian Tribes, to protect citizens and the environment during coal mining and reclamation, and to reclaim mines abandoned before 1977. Under authority of the Surface Mining Law<sup>1</sup>, the Office of Surface Mining is organized around two principal requirements: regulating active coal mining and reclaiming abandoned mines. It is a field-oriented organization, with headquarters in Washington, D.C., three regional coordinating centers (in Pittsburgh, Pennsylvania; Alton, Illinois; and Denver, Colorado), 10 field offices, and six area offices.

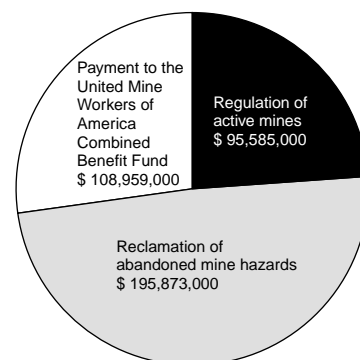
The current annual budget is approximately \$300 million. That sum enables the Office of Surface Mining to support the states' mining programs by granting funds for their regulation and enforcement and providing training and technical support. It also pays 100 percent of the costs for restoring abandoned mines that were left unreclaimed before the Law was passed in 1977. Funds for reclaiming abandoned mines come from tonnage-based reclamation fees paid by America's active coal mine operators.

In addition, the Office of Surface Mining operates programs to: eliminate environmental and economic impacts of acid mine drainage from abandoned coal mines, encourage reforestation of reclaimed mine land, develop techniques that can ensure reclamation of prime farmland soils, and publicly recognize outstanding reclamation by communicating the experience to others.

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Cover Photo: Topsoil is important in reestablishing native vegetation and crop, forage, and timber production. The removal and replacement of all topsoil is required by the Surface Mining Law unless it is demonstrated that selected subsoil or spoil is better suited to growing plants. Topsoil is removed as a separate layer before mining and is either spread on nearby regraded areas or, if necessary, temporarily stockpiled. Topsoil is spread to the appropriate depths for the approved postmining land use. At this mid-western reclaimed mine site, the land has been returned to crop production and is yielding production levels equal to the surrounding unmined areas.



Office of Surface Mining 2000 budget

1. Surface Mining Control and Reclamation Act of 1977 (SMCRA)

## INTRODUCTION

This report describes the operations of the Interior Department's Office of Surface Mining (OSM) for the period October 1, 1999, through September 30, 2000 (Fiscal Year 2000)<sup>1</sup>. The report format is slightly different from previous years and the Annual Financial Accountability Report, compiled to meet the requirements of Section 306 of the Chief Financial Officers Act of 1990, has been published separately. The Financial Accountability Report is only available to the public in electronic format and is distributed on the CD-ROM version of this report and posted on the web site ([www.osmre.gov/annualreport.htm](http://www.osmre.gov/annualreport.htm)) for those interested in the detailed financial accounting of the Office of Surface Mining.

This Annual Report was compiled to meet the specific requirements of Section 706 of the Surface Mining Law and includes results with measures and cost of accomplishments required by the Government Performance and Results Act.

Included in this report are activities carried out under several parts of the Law: Title IV, Abandoned Mine Reclamation; Title V, Control of the Environmental Impacts of Surface Coal Mining; and Title VII, Administrative and Miscellaneous Provisions. Surface Mining Law responsibilities of other bureaus and agencies have been omitted. Those responsibilities include Title III, State Mining and Mineral Resources and Research Institutes program, which was administered by the now abolished U.S. Bureau of Mines; Titles VIII and IX, the University Coal Research Laboratories and the Energy Resource Graduate Fellowships, which are administered by the Secretary of Energy; and Section 406, the Rural Abandoned Mine Program (RAMP), which is administered by the Secretary of Agriculture. Programmatic and financial information about those activities are reported directly to Congress by the agencies responsible for them.

This year's Annual Report contains updated tabular data corresponding to that found in Office of Surface Mining annual reports prepared since 1988. This allows a comparison of statistics from year to year. Changes to the 2000 report include: a stronger focus on the reporting costs and results of the Government Performance and Results Act and references (or links,

if you are reading the electronic version of this report) to additional, more detailed information that is available at the Office of Surface Mining web site.

The report is organized in chapters that correspond to the four principal activities performed by the Office of Surface Mining. The four principal activities are:

1. Abandoned mine land reclamation
2. Regulation of active coal mines
3. Technology development and transfer
4. Financial management and administration

Statistics in this report are presented in English units. To convert these numbers into metric units use the following conversion factors:

Miles x 1.609 = Kilometers

Acres x 0.40469 = Hectares

Feet x 0.30473 = Meters

Gallons x 0.13368 = Liters

Tons x 0.90718 = Metric Tons

To meet the need for national and state-by-state statistical data and the growing demand for Office of Surface Mining operational and financial information, this report is available in electronic format on the Office of Surface Mining World Wide Web site. Printed copies of the Annual Report will be distributed to the public upon request.

A special companion CD-ROM containing all Office of Surface Mining Annual Reports (1978-2000), 2000 Reclamation Awards Video, and 2000 Annual Financial Report is also available upon request.

For information about Office of Surface Mining activities, news releases, publications, or to request additional copies of this report, visit the Office of Surface Mining web site at [www.osmre.gov](http://www.osmre.gov) or contact:

Office of Communications  
Office of Surface Mining  
1951 Constitution Ave., N.W.  
Washington, D.C. 20240  
[www.osmre.gov](http://www.osmre.gov)  
(202) 208-2719  
e-mail: [getinfo@osmre.gov](mailto:getinfo@osmre.gov)

1. Throughout this document "2000" refers to Fiscal year 2000 (10/1/99 - 9/30/00), unless otherwise noted.





In 2000, the Office of Surface Mining was at an important crossroads, where we could look back at many long-term accomplishments as well as look forward to the exciting new initiatives.

On April 10, 2000, Secretary Babbitt appointed me Acting Director when Kathy Karpan became Acting Deputy Assistant Secretary for Land and Minerals Management. This was my second time as Acting Director. Having been the Interior Department's Associate Solicitor for Surface Mining and Mineral Resources since 1993, I was familiar with the day-to-day operations of the Office of Surface Mining and all of the important issues.

During the past several years, one of the principal goals has been to make the Office of Surface Mining a model agency with better abandoned mine land reclamation, better protection of people and the environment, better service, and better program operations. We have achieved these goals and I am pleased to report that today the Office of Surface Mining and the services it performs are better than at any time since the passage of the Surface Mining Law in 1977. Fewer offsite impacts are being reported every year, and we are making tremendous gains in cleaning up the multitude of abandoned mine land problems.

Significant progress was made on the **Appalachian Clean Streams Initiative**. The primary focus of this Initiative is eliminating acid mine drainage from abandoned mines. In addition to providing grants for 16 on-the-ground projects, the Office of Surface Mining placed 23 summer interns in eight states during 2000.

The **Acid Mine Drainage Technology Initiative** focuses on both the remediation and prevention of acid mine drainage from future mining. Under this Initiative, the Acid Mine Drainage Technology Manual was distributed to the public. This is a handbook of remediation methods and a compilation of all known acid mine drainage clean-up technologies and experiments, including those that were not successful. Development of this manual is one of the first products of the Initiative, a partnership which includes the Office of Surface Mining, coal producing states, academia, the coal industry, and other government agencies and groups.

Through our **Reforestation Initiative**, the Office of Surface Mining has sponsored outreach and technology transfer events to promote a market-based approach to reclaim mined lands and increase carbon storage through reforestation. The environmental and economic benefits of this approach include higher quality reclamation, an increase in the number of sites reclaimed, economic opportunities, including employment for local communities, aesthetic and recreational improvements, sale of forest products by landowners or lessees, and the opportunity for reducing carbon through sequestration in forests. This activity is of interest to mine operators, utilities, land management companies, mining companies, and environmental organizations. Reforestation provides the opportunity to promote ecologically diverse and balanced forest ecosystems.

In March 2000, the Office of Surface Mining sponsored a brainstorming session on "Establishing Public-Private Partnerships to Restore Abandoned Mine Lands and Store Carbon." High ranking officials from the Departments of Interior and Energy, leaders of State regulatory and abandoned mine land programs, conservation and industry associations, and corporate environmental officials attended the session. Subsequent to this meeting, the

Office of Surface Mining established an initiative called AmeReclaim. The goal of AmeReclaim is to increase the quantity and quality of reclaimed mined lands at lower cost to the taxpayer by attracting companies and organizations to “adopt” abandoned mine lands, or make donations through state and tribal agencies to reclaim these lands using reforestation. On a voluntary basis, donors could report their carbon reduction efforts to the Energy Department’s Climate Challenge Program. During the summer, Office of Surface Mining, Department of Energy, and state officials visited potential pilot sites in Ohio and Pennsylvania. And, in September, a Memorandum of Understanding was signed by the Secretary of the Interior and the Secretary of Energy to establish a framework to support the AmeReclaim initiative. In 2001, work will continue to identify and begin reclamation on promising sites.

**Mountaintop mining.** In June, the Office of Surface Mining issued a final policy clarifying allowable post mining land uses and related permitting requirements for mountaintop removal and steep slope mining operations that will not restore mined lands to their approximate original contour. This policy clarifies, for the first time, conditions under which these exceptions apply and the demonstrations that must be made before approval of a mountaintop removal variance.

**Valid Existing Rights and Prohibition of Section 522(e) final rules.** The Surface Mining Law prohibits coal mining operations in National Parks and other protected areas, but the prohibition does not apply to people who have “valid existing rights,” a term not defined in the Law. In December 1999, the Office of Surface Mining issued final rules that used the “good faith/all permits” standard for valid existing rights. This standard is the most environmentally protective and least disruptive to existing state regulatory programs. It is also the option most consistent with the primary purpose of the Law.

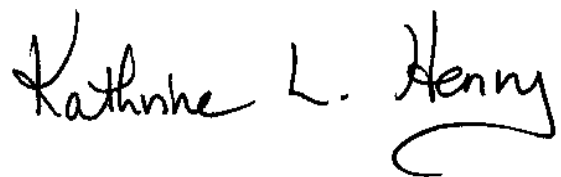
Besides lands in the National Park System, the new valid existing rights definition applies to lands in the

National Wildlife Refuge System, the National Trails System, the National Wilderness Preservation System, the National Wild and Scenic Rivers System, and National Recreation Areas. It also applies to federal lands in national forests and to surface coal mining operations that would adversely affect historic sites and public parks. In addition, it applies to buffer areas around public roads, occupied dwellings, public parks, public buildings, and cemeteries.

In December, the Office of Surface Mining also published a related rule clarifying the existing regulatory position that subsidence due to underground coal mining is not a surface coal mining operation and, therefore, not prohibited in areas protected under the Law. Consequently, neither subsurface activities that may result in subsidence, nor actual subsidence, are prohibited on lands protected by section 522(e).

This rule maintained the status quo and best balances the competing environmental and economic considerations within the legal constraints of the Surface Mining Law. When the coal is mined, the coal operators must meet existing subsidence regulations to protect the homes of the nation’s coalfield residents from damage caused by underground mining, repair or compensate for damage that does occur to homes, and assure adequate domestic water supplies in a timely manner.

During 2000, we focused our efforts, and much of the progress described in this report shows the strength and effectiveness of this direction. As you read this report, I ask each of you to join us in implementing the Surface Mining Law. We welcome your comments and suggestions for improvement. If we all work together, we can have a safer and more environmentally sound place for coalfield families to live and work.



# ABANDONED MINE RECLAMATION

**AN UPDATE ON THE  
RECLAMATION OF  
ABANDONED MINE LAND  
AFFECTED BY MINING THAT  
TOOK PLACE BEFORE THE  
SURFACE MINING LAW WAS  
PASSED IN 1977**

This reclaimed abandoned uranium mine in Gas Hills, Wyoming, no longer has radiation hazards and a very dangerous highwall that was close to a public road. The reclamation included removing the contaminated soil and water followed by large scale regrading of the site.

Today, soil erosion is prevented and this abandoned mine site is populated with deer, antelope, owls, rabbits, and other small game.



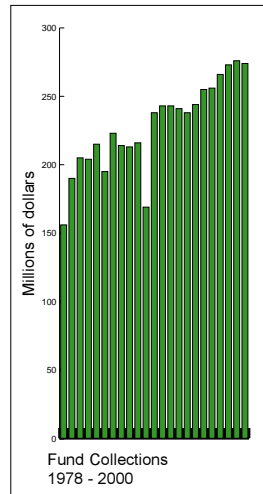




Title IV of the Surface Mining Law - the Abandoned Mine Land Reclamation Program -- provides for the restoration of lands mined and abandoned or left inadequately restored before August 3, 1977. Implementation is accomplished through an Emergency Program (for problems having a sudden danger that present a high probability of substantial harm to the health, safety, or general welfare of people before the danger can be abated under normal program operating procedures), and a non-emergency program. States and tribes with approved programs carry out these responsibilities.

## Abandoned Mine Land Fund Management

Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from mining operations. The fees are deposited in the Abandoned Mine Reclamation Fund, which is used to pay the costs of abandoned mine land reclamation projects. The fund consists of fees, contributions, late payment interest, penalties, administrative charges, and interest earned on investment of the fund's principal. From January 30, 1978, when the first fees were paid, through September 30, 2000, the Fund collections totaled \$5,824,948,615. For the same period, Fund appropriations totaled \$4,317,203,415.



programs, and to pay collection, audit, and administrative costs. In 1991, at the direction of Congress, a formula to distribute federal-share money to the state reclamation programs was established based on historic coal production. Table 1 shows 2000 collections and funding by states.

The Abandoned Mine Reclamation Act of 1990 (Public Law 101-508) extended fee collection authority through September 30, 1995; the Energy Policy Act of 1992 (Public Law 102-486) further extended fee collection authority until September 30, 2004, after which the fee will be established at a rate to provide funds for the United Mine Workers of America Combined Benefit Fund.

In 1992, under authority of Public Law 101-508, the Office of Surface Mining began investing unappropriated abandoned mine land funds. To prevent the reduction of principal, the Office of Surface Mining invests only in treasury bills, the safest treasury securities offered. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486) the Office of Surface Mining began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund. This cash transfer is used to pay for anticipated health benefits of mine workers and their

This 1970's abandoned uranium mine is typical of this type of mining. Extensive areas of disturbance left severe erosion and sedimentation problems, soil and water radiation hazards, and slumping highwalls. The abandoned mine site on page four looked like this before reclamation.





## ABANDONED MINE LAND PROGRAM

beneficiaries. If, after a typical two-year cycle, the amount of the transfer was greater or less than the actual health benefits, an adjustment is made to the next transfer. A June 1998, U.S. Supreme Court decision effectively increased the number of beneficiaries covered by the United Mine Workers of America Combined Benefit Fund. The 2000 annual payment was \$42.5 million for 16,972 beneficiaries. There were downward prior-year adjustments totaling \$1.5 million. The Consolidated Appropriations Act

for Fiscal Year 2000 (Public Law 106-113) provided an additional one-time \$68 million transfer to pay for any shortfall in any premium account in any plan year under the Combined Fund. The total payment in 2000 was \$109.0 million. Table 2 summarizes the Fund account for the past two years.

The Surface Mining Law requires active coal mining companies to report coal tonnage and pay abandoned mine reclamation fees. The Office of Surface Mining

**TABLE 1: AML FEE COLLECTIONS AND FUNDING**

State/Tribe	AML Collections <sup>1</sup>	State Share Distribution <sup>2</sup>	Federal Share Distribution <sup>2</sup>	Emergency Distribution <sup>2</sup>	Special Funding	Clean Streams Distribution <sup>2</sup>	Total Distribution <sup>2</sup>
Alabama	\$3,641,185	\$1,538,850	\$1,639,129	\$400,000	0	\$259,269	\$3,837,248
Alaska	579,648	159,818	1,340,182	25,000	0	0	1,525,000
Arkansas	10,357	0	1,500,000	15,000	0	0	1,515,000
Colorado	6,036,578	1,674,054	798,828	0	0	0	2,472,882
Illinois	5,952,365	2,699,419	6,072,393	637,200	0	622,418	10,031,430
Indiana	10,191,852	3,169,495	1,976,981	336,100	0	286,944	5,769,520
Iowa	7,184	4,904	1,495,096	0	0	164,317	1,664,317
Kansas	104,667	42,704	1,457,296	465,000	0	0	1,965,000
Kentucky	30,436,774	10,565,280	5,951,329	0	0	612,502	17,129,111
Louisiana	343,487	98,611	0	0	0	0	98,611
Maryland	953,116	214,468	1,285,532	0	0	156,590	1,656,590
Mississippi	2	0	0	0	0	0	0
Missouri	114,527	106,657	1,393,343	49,800	0	163,484	1,713,284
Montana	12,249,431	3,685,998	0	125,000	0	0	3,810,998
New Mexico	6,121,408	1,569,295	194,205	0	0	0	1,763,500
North Dakota	3,128,859	929,462	570,538	100,000	0	0	1,600,000
Ohio	5,194,080	2,096,397	3,722,455	2,000,000	0	429,924	8,248,776
Oklahoma	546,896	179,866	1,320,134	60,000	0	147,924	1,707,924
Pennsylvania <sup>4</sup>	14,258,807	4,987,034	19,628,987	0	300,000	1,732,903	26,648,924
Tennessee	727,114	0	0	0	0	0	0
Texas	5,071,365	1,638,854	0	0	0	0	1,638,854
Utah	4,087,640	1,100,851	512,335	0	0	0	1,613,186
Virginia	6,566,263	2,191,133	1,826,650	1,000,000	0	274,630	5,292,413
Washington	1,337,407	0	0	0	0	0	0
West Virginia <sup>3</sup>	33,776,578	9,503,959	11,281,187	1,060,900	0	1,049,095	22,895,141
Wyoming	112,735,786	26,420,580	0	0	0	0	26,420,580
Crow Tribe	2,013,703	556,807	0	0	0	0	556,807
Hopi Tribe	1,925,630	413,867	0	0	0	0	413,867
Navajo Tribe	6,173,483	2,633,037	0	0	0	0	2,633,037
<b>Total</b>	<b>\$274,286,192</b>	<b>\$78,181,400</b>	<b>\$63,966,600</b>	<b>\$6,274,000</b>	<b>\$300,000</b>	<b>\$5,900,000</b>	<b>\$154,622,000</b>

1. The collections total also does not include federal collections of \$10,911 paid to the Office of Surface Mining which are not attributable to any state or tribal entity.
2. The term "Distribution" is now used instead of "Allocation". Allocation refers to the "pooling" of monies collected for the Abandoned Mine Land Fund. State and federal share distribution amounts are based on formulas and parameters provided annually by the Assistant Director, Program Support. The emergency program distribution amounts are based on estimates provided by the states and approved by the Deputy Director.
3. The State of West Virginia received an additional \$1,939,100 from an account which holds unallotted emergency funds that have been recovered from prior years and carried forward for future emergency needs. Therefore West Virginia's total 2000 emergency program funding is \$3,000,000.
4. The State of Pennsylvania received an additional distribution of \$300,000 for Acid Mine Drainage Special Demonstration Project

## ABANDONED MINE LAND PROGRAM

**TABLE 2: ABANDONED MINE RECLAMATION FUND STATUS**

	<b>Cash Basis</b>	
	<b>2000</b>	<b>1999</b>
Balance, Start of Year	\$1,735,925,955	\$1,638,718,075
Fees, debts, and interest collected	274,297,102	276,674,405
Interest earned on investments	94,369,310	82,830,155
<b>Total Earnings</b>	<b>\$368,666,412</b>	<b>\$359,504,560</b>
Disbursements	183,499,528	180,530,355
Transfers to the United Mine Workers	108,959,942	81,766,325
<b>Total Disbursements and Transfers</b>	<b>\$292,459,470</b>	<b>\$262,296,680</b>
<b>Balance, End of the Year</b>	<b>\$1,812,132,897</b>	<b>\$1,735,925,957</b>

ensures mine operators fully comply with the fee provisions by collecting Abandoned Mine Land fees from coal companies through voluntary reporting, audit, and debt collection. In 2000, the initial rate of those reporting and paying on time was 91.8 percent. Through follow-up and other work with the operators, the compliance rate was raised to 99.8 percent, resulting in total collections of \$274.3 million for the Fund.

The overburden that is removed to expose coal seams is a mixture of broken rock. If left exposed, rain water will erode the fine particles and cause sedimentation of streams and rivers. Overburden material like this is a widespread problem associated with abandoned coal mines.

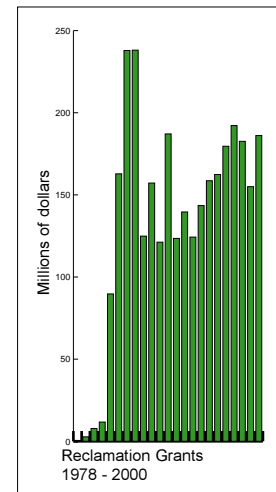


Experience has shown that helping the industry achieve compliance reduces the need for additional regulatory resources. To assist in compliance, the Office of Surface Mining mails preprinted forms to all active companies and provides guidance by phone and mail. Because of factors beyond the Office of Surface Mining's control, such as company financial difficulties and errors, some non-payment

and non-reporting will probably always be present. When such instances of non-compliance are found, auditors and collection staff examine each issue and how similar occurrences can be avoided in the future. The high compliance rate can be attributed to this proactive cooperative approach, and the overall efficiency of the collection and audit activities.

### Grants to States and Tribes

Beginning with Texas in 1980, the Office of Surface Mining began approving state reclamation programs. Currently, all primacy states except Mississippi have approved abandoned mine land reclamation programs. In addition, the Crow, Hopi, and Navajo Indian Tribes have approved programs. In 2000, the states and tribes received grants totaling \$186,115,673 to carry out the emergency and non-emergency Abandoned Mine Land programs.



Since 1979, when the states began receiving abandoned mine land administrative grants to operate their programs and construction grants to complete reclamation projects, \$2,925,456,857 has been distributed from the fund. Grant obligations (the amount used by the states) for 2000 are shown in Table 3.



## ABANDONED MINE LAND PROGRAM

Simplified grant funding of state abandoned mine land programs started in 1994. This grant application process eliminates the requirement for separate advance approval of each reclamation project before a grant is awarded to the state. States now receive amounts based on appropriated spending levels and are held accountable for using those funds in accordance with their approved abandoned mine land reclamation plans. The Office of Surface Mining is no longer involved in cumbersome and detailed pre-award scrutiny of state grant applications.

### Minimum Program

The minimum-level program was established by Congress in 1988 to ensure funding of existing high priority projects in states where the annual distribution is too small for the state to administer a program.

During 2000, Alaska, Arkansas, Iowa, Kansas, Maryland, Missouri, North Dakota, and Oklahoma were eligible for minimum-level program funding and received such grants during the year. Minimum-level program funding remained at \$1,500,000 for 2000. The eight eligible programs received a total of

**TABLE 3: ABANDONED MINE LAND GRANT OBLIGATIONS<sup>1</sup>**

State/Tribe	Subsidence Insurance	10% Program Set-Aside	Administration <sup>3</sup>	Project Costs <sup>4</sup>	Emergency <sup>5</sup>	2000 Total	1999 Total
Alabama	0	0	543,630	3,122,992	400,000	4,066,622	4,068,824
Alaska	0	0	495,140	1,882,194	25,000	2,402,334	1,958,041
Arkansas	0	0	388,915	1,111,085	15,000	1,515,000	1,513,500
Colorado	0	240,000	721,000	1,309,000	0	2,270,000	2,852,376
Illinois	0	877,181	1,261,901	11,055,148	1,037,200	14,231,430	9,550,884
Indiana	0	514,648	1,031,011	4,787,761	336,100	6,669,520	5,748,046
Iowa	0	0	233,533	1,493,029	0	1,726,562	1,669,587
Kansas	0	0	245,714	1,645,140	465,000	2,355,854	1,960,000
Kentucky	0	0	6,008,200	11,160,431	0	17,168,631	16,330,076
Louisiana	0	0	72,611	50,000	0	122,611	130,301
Maryland	0	0	555,590	406,590	0	962,180	1,694,054
Missouri	0	53,701	596,934	1,050,714	49,800	1,751,149	2,007,776
Montana	0	0	429,390	3,256,608	125,000	3,810,998	3,637,240
New Mexico	0	176,350	1,109,249	1,000,000	0	2,285,599	2,700,674
North Dakota	0	121,362	219,075	1,159,563	100,000	1,600,000	1,627,411
Ohio <sup>2</sup>	0	500,000	3,166,860	4,591,340	2,000,000	10,258,200	9,178,325
Oklahoma	0	0	328,824	1,319,100	60,000	1,707,924	1,589,629
Pennsylvania <sup>2</sup>	0	2,461,602	5,451,491	30,812,654	0	38,725,747	25,451,338
Texas	0	0	301,166	4,033,350	0	4,334,516	403,088
Utah	0	0	275,714	1,797,094	0	2,072,808	2,026,544
Virginia	0	401,778	740,882	3,668,421	1,650,000	6,461,081	6,198,830
West Virginia	0	0	6,589,487	19,854,628	3,000,000	29,444,115	26,145,833
Wyoming	215,777	0	386,293	26,295,647	0	26,897,717	24,195,467
Crow Tribe	0	0	183,768	1,201,367	0	1,385,135	523,831
Hopi Tribe	0	0	0	200,000	0	200,000	914,202
Navajo Tribe	0	0	622,673	1,067,267	0	1,689,940	1,007,398
<b>TOTAL</b>	<b>215,777</b>	<b>5,346,622</b>	<b>31,959,051</b>	<b>139,331,123</b>	<b>9,263,100</b>	<b>186,115,673</b>	<b>155,083,275</b>

1. Funding for these grants is derived from the 2000 distribution and funds recovered or carried over from previous years. Downward adjustments of prior-year awards are not included in the totals.

2. These 10% set-aside amounts are for Acid Mine Drainage set-aside funding rather than future set-aside funding.

3. Included in this category are costs for program support (personnel, budgeting, procurement, etc.), AML inventory management, and program policy development. Indirect costs associated with the administration of the program may also be included.

4. The term "Project Costs" is now used instead of Construction. Abandoned Mine Land simplified grants do not contain specific construction cost breakouts, but rather list all costs associated with a construction project as the project cost. This category contains both non-water supply and water supply project costs, and includes \$6,924,993 in funding for Appalachian Clean Streams initiatives.

5. This category contains emergency project, administrative, and indirect costs.



Reclamation of this West Virginia abandoned mine site eliminated 6,000 linear feet of highwall and sealed four mine openings. To prevent future damage, an under-drain was placed along the length of the highwall to collect drainage from auger holes. Since no topsoil was available, the spoil was direct-seeded with a special seed mix. Today this landscape bears little resemblance to its appearance before the abandoned highwalls and spoil were reclaimed.

\$7,610,871 in 2000. This funding supplements the formula-based grant and brings those eight states to the minimum-program level. Once minimum-program states or tribes complete their high priority projects listed in the National Inventory of Abandoned Mine Land Problems, their annual grants are limited to state-share funds.

## State Set-Aside

Beginning in 1987, Public Law 100-34 authorized states to set aside up to 10 percent of the state-share portion of their annual abandoned mine land reclamation grants. Set-aside money was deposited into special trust funds and became available, along with interest earned, for use by the state for reclaiming abandoned mine land problems after August 3, 1992, the original expiration date for the collection of abandoned mine land reclamation fees. (Subsequent legislation has extended that date to September 30, 2004.) Statutory amendments contained in Public Law 101-508 created a new set-aside program that does not supersede the transfer of funds deposited under the original 1987 program. The funds set aside

under the new program were available for use beginning in 1996, and only to reclaim eligible priority 1 and 2 abandoned coal mine land problems. In 2000, nine states set aside \$5,346,622.

## Subsidence Insurance

Public Law 98-473 authorized states and tribes with approved reclamation programs to use abandoned mine land funds to establish self-sustaining, individually administered programs to ensure private property against damage caused by land subsidence resulting from abandoned underground coal mines. Implementing rules were promulgated in February 1986.

This mine opening, or entry portal, in Eastern Pennsylvania was abandoned in the early 1900's. Today, a large quantity of acid mine drainage flows from the open portal polluting rivers many miles downstream.

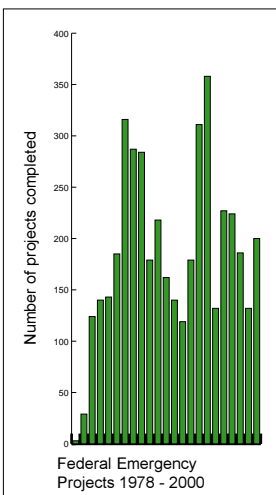


Under those rules, states can receive an annual subsidence insurance grant of up to \$3,000,000, awarded from the state's share of the Abandoned Mine Land Fund. In 2000, one \$215,777 subsidence insurance grant was issued to Wyoming. Through 2000, the Office of Surface Mining has granted a total of \$11,779,058 to Colorado, Indiana, Kentucky, Ohio, West Virginia, and Wyoming for this purpose.



## ABANDONED MINE LAND PROGRAM

### Emergency Program



the Secretary of the Interior is authorized to spend money from the Abandoned Mine Reclamation Fund for emergency restoration, reclamation, abatement, control, or prevention of the effects of coal mining practices. Investigations of potential emergency problems (called "complaint" investigations) are undertaken by state reclamation agencies as part of their approved Abandoned Mine Land Program or by the Office of Surface Mining in other states. Complaint investigations are referred to the Office of Surface Mining from a variety of sources including affected citizens, municipalities, emergency response agencies, and state non-emergency reclamation agencies. (Information on how to report an Abandoned Mine Land emergency can be found at [www.osmre.gov/amlemerg.htm](http://www.osmre.gov/amlemerg.htm)) The Office of Surface Mining then confirms the emergency assessment, performs

Emergency reclamation projects are those involving abandoned mine land problems that present a danger to public health, safety, or general welfare and which require immediate action to eliminate the problem.

Under Section 401(a) of the Surface Mining Law,

technical investigations, and obtains funds for declared emergencies. Of the 247 potential emergencies referred to the Office of Surface Mining in 2000, 200 became emergency projects; 29 were determined to be not of an emergency nature, not related to coal mining, or were reclaimed by the landowner; and 18 were still under investigation on September 30, 2000. Those projects which were not emergencies, but were otherwise eligible for reclamation, were referred to the states for consideration as high priority projects.

**TABLE 4: EMERGENCY RECLAMATION PROJECTS**

	2000 Projects		1978-1999 Projects		Total
	Federal	State	Federal	State	
Alabama	0	18	10	48	76
Alaska	0	1	0	0	1
Arkansas	0	0	1	14	15
California	1	0	4	0	5
Colorado	3	0	95	0	98
Illinois	0	10	51	211	272
Indiana	0	15	94	80	189
Iowa	3	0	18	0	21
Kansas	0	24	270	508	802
Kentucky	58	0	774	0	832
Louisiana	0	0	0	0	0
Maryland	2	0	14	0	16
Michigan	0	0	11	0	11
Mississippi	0	0	0	0	0
Missouri	0	0	6	0	6
Montana	0	0	7	13	20
Navajo Nation	0	0	6	0	6
New Mexico	0	0	15	0	15
North Dakota	0	1	15	8	24
Northern Cheyenne	0	0	2	0	2
Ohio	0	22	190	176	388
Oklahoma	0	1	47	8	56
Pennsylvania	130	0	1,875	0	2,005
Rhode Island	0	0	2	0	2
Southern Ute Tribe	0	0	1	0	1
Tennessee	2	0	12	0	14
Texas	0	0	6	0	6
Utah	0	0	0	0	0
Virginia	0	12	30	79	121
Washington	1	0	43	0	44
West Virginia	0	49	179	533	761
Wyoming	0	0	38	0	38
Totals	200	153	3,816	1,678	5,847

# ABANDONED MINE LAND PROGRAM

In 2000, the states and the Office of Surface Mining declared 353 Abandoned Mine Land emergencies in 18 states (see Table 4). As usual, most emergencies occurred in Pennsylvania, Kentucky, and West Virginia; but Kansas had a substantial reduction compared to previous years. Alaska abated its first-ever emergency, a 125-foot deep open shaft in Homer, Alaska. During 2000, states obligated \$9.3 million on emergency abatement, while the Office of Surface Mining obligated \$7.1 million on emergency projects. The greatest expenditure of Office of Surface Mining emergency funds was in Kentucky (see Table 5). Expenditures in no state exceeded the Congressionally-imposed "cap" of \$4.5 million which can be spent in any state within a year.

Following passage of the Surface Mining Law, the Office of Surface Mining performed all emergency reclamation; however, as state programs were approved, many took over emergency programs as well. In 2000, the following states implemented emergency programs: Alabama, Alaska, Arkansas, Illinois, Indiana, Kansas, Missouri, Montana, North Dakota, Ohio, Oklahoma, Virginia, and West Virginia. The Office of Surface Mining funds the states with emergency programs using federal share funds (in addition to formula-based allocations) to complete the projects. The Office of Surface Mining continues to operate the emergency programs in California, Colorado, Iowa, Kentucky, Maryland,

**TABLE 5: FEDERAL RECLAMATION PROJECT OBLIGATIONS**

State or Tribe	Emergency	High Priority	Total 1978-2000 <sup>1</sup>
Alabama	0	0	13,934,015
Alaska	0	0	194,638
Arkansas	0	0	84,904
California	2,000	493,797	2,333,993
Colorado	3,793	0	1,947,872
Georgia	0	11,671	3,639,149
Illinois	0	0	5,376,749
Indiana	0	0	4,032,023
Iowa	100,449	0	1,438,442
Kansas	0	0	5,094,172
Kentucky	3,679,184	0	104,595,142
Maryland	1,995	0	2,808,883
Michigan	0	268,359	3,165,860
Missouri	0	0	8,015,909
Montana	0	0	729,058
New Mexico	0	0	2,364,696
North Carolina	0	0	205,407
North Dakota	0	0	1,723,933
Ohio	0	0	18,295,299
Oklahoma	0	0	1,232,159
Oregon	0	0	42,275
Pennsylvania	2,769,208	0	108,676,231
Rhode Island	0	0	556,229
S Dakota	0	116,206	143,461
Tennessee	280,169	1,023,538	23,177,503
Texas	0	0	289,849
Utah	0	0	123,791
Virginia	0	0	10,139,469
Washington	125,164	0	6,882,357
West Virginia	0	0	29,023,226
Wyoming	0	0	1,067,101
Cheyenne Rive Sioux Tribe	0	0	2,803,165
Crow Tribe	0	0	1,097,895
Fort Berthold Tribe	0	0	69,972
Fort Peck Tribe	0	0	147,991
Hopi Tribe	0	0	1,263,409
Jacarillo Apache Tribe	0	0	59,998
Navajo Tribe	0	0	2,222,792
Northern Cheyenne Tribe	0	0	585,044
Southern Ute Tribe	0	0	94,206
Rocky Boy Tribe	0	0	60,188
Uintah/Ouray Tribe	0	0	138,738
Ute Mountain Tribe	0	0	14,300
White Mountain Apache Tribe	0	0	1,838
Wind River Tribe	0	0	73,267
Zuni Tribe	0	0	125,009
Undistributed	0	0	580
<b>Total</b>	<b>\$6,961,962</b>	<b>\$1,913,571</b>	<b>\$370,092,187</b>

1. Includes prior year contract deobligations and upward adjustments.



## ABANDONED MINE LAND PROGRAM

Michigan, New Mexico, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, and Wyoming, as well as on all tribal lands.

### Non-Emergency Program

Under Sections 402 and 407 of the Surface Mining Law, the Secretary of the Interior is authorized to expend Abandoned Mine Reclamation Fund monies for non-emergency reclamation of high priority problems that present an extreme danger to the public. A non-emergency is defined in the Surface Mining Law regulations (30 CFR 870.5) as “a condi-



Surface subsidence resulted when the roof collapsed in an abandoned underground mine 150 feet below a residential area adjacent to a high school at this West Virginia abandoned mine site. After drilling 320 boreholes, more than 2,000 cubic yards of concrete were pumped into the boreholes. The resulting concrete pillars support the mine's roof to prevent future subsidence.

tion that could reasonably be expected to cause substantial harm to persons, property, or the environment.” Until 1980, when states and Indian tribes began to receive approval for their Abandoned Mine Land programs, the Office of Surface Mining administered all non-emergency reclamation. However, since that time, state and tribal programs have assumed responsibility for correcting abandoned mine land problems and currently expend 98 percent of non-emergency reclamation funds. During 2000,

the Office of Surface Mining initiated nine non-emergency projects in California, Georgia, Michigan, Tennessee, and Washington.

The Abandoned Mine Reclamation Fund also is used to reclaim problems created by non-coal mines. To be eligible for funding, a non-coal project must be a priority 1 (threat to health and safety), or the state or Indian tribe must certify it has addressed all known coal-related problems. Table 6 summarizes both emergency and non-emergency abandoned coal and non-coal mine reclamation project accomplishments through 2000.

### Post-Surface Mining Law Reclamation

As authorized by the 2000 appropriations, Federal Civil Penalties collected under Section 518 of the Surface Mining Law were used to reclaim lands mined and abandoned after August 3, 1977. In 2000, the Office of Surface Mining funded one civil penalty reclamation project in Virginia costing a total of \$8,900. An additional \$219,189 in unobligated funds will be carried over for use in 2001 reclamation projects

Prior to reclamation this Indiana abandoned mine site had unstable highwalls and water-filled pits. Its close proximity to residential areas created dangerous conditions and resulted in the death of one young boy who fell through the frozen water. Today, with the abandoned mine hazards eliminated, the site has been turned into a useful and attractive resource for the community.



# ABANDONED MINE LAND PROGRAM

## TABLE 6a: 1978-2000 ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS

*Priority 1 and 2 (Protection of Public Health, Safety and General Welfare) and State Emergency Projects*

	Clogged Stream <sup>1</sup>	Clogged Stream Land <sup>2</sup>	Dangerous Highway <sup>3</sup>	Dangerous Impoundment <sup>4</sup>	Dangerous Pile & Embankment <sup>5</sup>	Dangerous Slide <sup>2</sup>	Dangerous Gase <sup>4</sup>	Hazardous Equipment & Facilities <sup>4</sup>	Hazardous Water Body <sup>4</sup>	Industrial/Residential Waste <sup>2</sup>	Portal <sup>4</sup>	Polluted Water: Agricultural & Industrial <sup>4</sup>	Polluted Water: Human Consumption <sup>4</sup>	Subsidence <sup>2</sup>	Surface Burning <sup>2</sup>	Underground Mine Fire <sup>2</sup>	Vertical Opening <sup>4</sup>
Alaska	0.0	0.0	6,190.0	4.0	5.5	0.0	0.0	63.0	2.0	4.0	14.0	0.0	0.0	0.0	0.0	0.0	20.0
Alabama	2.4	161.5	187,410.0	1.0	1,443.5	20.4	0.0	457.0	60.0	23.3	972.0	1.0	13.0	18.6	67.2	0.0	1,338.1
Arkansas	0.5	0.0	52,826.0	1.0	751.0	0.0	0.0	2.0	58.0	20.0	24.0	0.0	0.0	7.0	4.0	0.0	100.0
California	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.0	0.0	0.0	0.5	0.0	0.0	39.0
CERT Tribes *	0.1	0.0	7,170.0	0.0	474.8	0.0	0.0	6.0	30.0	9.0	73.0	0.0	0.0	34.0	0.0	0.0	18.0
Colorado	0.0	0.0	52,142.0	0.0	18.6	0.0	0.0	1.0	0.0	2.0	1,780.0	3.0	0.0	47.5	35.0	158.5	3,151.0
Crow Tribe	0.0	1.0	2,267.0	1.0	57.9	23.0	0.0	32.0	1.0	0.0	14.0	3.0	0.0	16.0	0.0	0.0	5.0
Georgia	0.0	0.0	6,950.0	3.0	2.5	0.0	0.0	0.0	0.0	0.0	112.0	0.0	1.0	0.1	0.0	0.0	11.0
Hopi Tribe	0.0	0.0	14,302.0	0.0	0.0	0.0	0.0	8.0	0.0	0.0	9.0	0.0	0.0	0.0	0.0	1.7	2.0
Iowa	6.4	577.0	52,490.0	1.0	811.9	0.0	0.0	4.0	22.0	10.0	1.0	12.0	2.0	2.0	0.0	0.0	20.0
Illinois	19.6	1,242.2	21,011.0	7.0	220.2	2.5	19.1	275.0	2.0	71.4	172.0	11.0	1.0	54.1	42.5	0.0	961.3
Indiana	14.1	121.0	116,640.4	6.0	660.3	1.0	3.0	90.0	7.0	22.0	67.0	6.0	8.0	122.0	10.0	0.0	317.0
Kansas	0.8	8.5	115,237.0	1.0	107.5	1.0	0.0	2.0	1.0	24.3	1.0	3.0	0.0	23.5	4.0	0.0	740.0
Kentucky	43.0	8,694.3	22,024.5	99.7	357.7	1,918.6	0.0	197.0	28.0	28.0	1,480.0	6.0	3,910.0	50.0	214.8	82.5	112.0
Maryland	5.0	49.6	44,030.0	1.0	196.6	66.3	0.0	22.0	20.0	32.0	34.0	23.0	6.0	14.5	0.3	0.3	6.0
Michigan	0.0	0.0	950.0	0.0	0.0	0.0	0.0	7.0	2.0	0.0	0.0	0.0	1.0	0.3	8.0	0.0	33.0
Missouri	10.8	1,407.8	65,902.0	6.0	478.9	0.0	0.0	27.0	11.0	70.5	26.0	33.0	15.0	2.6	19.0	2.0	119.0
Montana	7.5	77.2	18,310.0	3.0	168.8	0.9	1.0	214.0	1.0	325.1	1,050.0	17.0	12.0	492.0	301.9	68.8	576.0
Navajo Nation	0.0	0.8	38,986.0	4.0	165.3	7.0	0.0	4.0	0.0	4.7	480.0	4.0	0.0	7.2	3.0	0.0	158.0
North Carolina	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	5.0
North Dakota	0.0	0.0	58,349.0	4.0	303.0	35.0	0.0	14.0	18.0	2.0	13.0	6.0	0.0	1,199.5	1.0	0.0	88.0
New Mexico	0.0	0.5	0.0	0.0	6.5	0.0	0.0	17.0	0.0	0.0	430.0	4.0	1.0	35.3	35.0	32.0	638.0
Ohio	30.5	4,971.4	39,759.0	7.0	96.0	345.8	2.0	39.0	8.0	34.0	206.0	1.0	36.0	60.0	80.5	0.3	159.0
Oklahoma	11.8	0.0	196,894.0	0.0	0.0	0.0	0.0	13.0	166.0	5.5	101.0	3.0	2.0	4.8	0.0	0.0	75.0
Oregon	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	12.0	0.0	0.0	0.1	0.0	0.0	3.0
Pennsylvania	83.5	129.7	598,585.5	44.2	547.4	29.4	0.0	305.0	107.0	17.0	245.6	1.8	29.0	2,394.4	122.2	915.0	459.6
Rhode Island	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	0.0	0.0	0.0
South Dakota	0.0	0.0	135.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	5.0	0.0	0.0	0.6	0.0	0.0	1.0
Tennessee	0.0	147.0	20,555.0	0.0	388.0	56.8	0.0	31.0	27.0	12.0	192.0	5.0	5.0	6.0	27.5	0.0	10.0
Texas	0.0	0.0	34,015.0	0.0	1,359.0	0.0	0.0	0.0	12.0	0.0	55.0	0.0	0.0	6.0	0.0	0.0	225.0
Utah	14.1	9.0	3,425.0	1.0	138.0	0.0	19.0	155.0	0.0	2.0	1,975.0	2.0	0.0	184.2	42.8	29.0	735.0
Virginia	68.0	823.5	22,288.5	20.0	252.7	217.1	0.0	210.0	2.0	2.0	920.0	0.0	1,070.0	7.9	30.3	0.0	97.0
Washington	0.0	0.1	0.0	0.0	3.0	0.0	0.0	7.0	0.0	0.0	30.0	0.0	0.0	6.3	15.0	0.0	74.0
West Virginia	42.3	150.3	186,077.0	370.0	3,565.6	455.2	4.3	407.0	5.0	33.8	1,766.0	31.0	1,061.0	235.9	411.9	19.3	122.3
Wyoming	95.3	2,681.0	446,333.0	9.0	435.0	130.0	0.0	178.0	273.0	18.0	387.0	2.0	0.0	673.6	7.0	103.1	387.0
Total	455.7	21,253.4	2,431,253.9	593.913	015.2	3,310.0	48.4	2,794.0	863.0	772.6	12,675.6	177.8	6,173.0	5,712.5	1,482.9	1,412.5	10,805.3



# ABANDONED MINE LAND PROGRAM

**TABLE 6b: 1978-2000 ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS**

*Priority 3 (Environmental Restoration)*

	Bench <sup>2</sup>	Industrial/Residential Waste <sup>1</sup>	Equipment/Facility <sup>4</sup>	Gob <sup>2</sup>	Highwall <sup>3</sup>	Haul Road <sup>2</sup>	Mine Opening <sup>4</sup>	Pit <sup>2</sup>	Spoil Area <sup>2</sup>	Slurry <sup>2</sup>	Slump <sup>2</sup>	Water Problem <sup>5</sup>
Alaska	0.0	0.0	0.0	6.5	0.0	0.0	0.0	0.0	47.0	9.0	0.0	0.0
Alabama	22.5	14.2	8.0	213.1	29,075.0	1.5	48.0	0.3	9,173.9	5.1	12.3	380.0
Arkansas	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	0.0	0.0	0.0
CERT Tribes *	0.0	0.0	2.0	4.0	1,500.0	0.0	1.0	7.0	80.0	0.0	0.0	0.0
Colorado	3.0	5.0	7.0	101.5	2,027.5	0.0	18.0	82.9	829.0	0.0	0.0	1.0
Crow Tribe	4.6	0.0	0.0	24.8	2,295.0	12.7	1.0	16.5	26.0	0.1	3.6	0.0
Georgia	8.0	0.0	0.0	2.5	550.0	0.0	0.0	3.0	7.0	0.0	0.0	0.0
Hopi Tribe	0.0	0.0	0.0	24.9	551.0	14.7	0.0	9.7	10.1	0.0	0.0	0.0
Iowa	0.0	1.0	0.0	1.0	800.0	5.0	1.0	18.5	439.5	0.0	0.0	0.0
Illinois	1.0	6.0	138.0	2,367.3	10,010.0	176.5	46.0	565.6	1,871.6	1,107.0	1.4	787.4
Indiana	0.0	74.3	171.0	1,258.7	10,866.0	63.0	18.0	57.3	2,231.9	687.5	2.0	112.3
Kansas	0.0	0.0	1.0	89.0	3,200.0	0.0	0.0	23.4	315.6	10.0	0.0	0.0
Kentucky	624.2	0.0	53.0	231.9	2,000.0	0.4	69.0	4.0	1,030.1	58.0	5.0	0.0
Maryland	7.0	1.0	2.0	56.3	4,535.0	1.5	6.0	22.0	263.0	0.0	0.5	88.0
Michigan	0.0	0.0	1.0	26.5	0.0	0.6	0.0	1.0	10.0	0.0	11.0	0.0
Missouri	0.0	2.9	4.0	142.4	18,169.0	1.4	0.0	88.9	1,324.8	69.0	0.3	86.0
Montana	0.8	75.8	58.0	146.2	1,170.0	0.5	230.0	34.1	871.4	0.0	18.5	2,740.5
Navajo Nation	24.4	1.3	2.0	150.8	280.0	45.7	46.0	47.5	264.5	0.0	0.0	0.0
North Dakota	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
New Mexico	3.0	0.0	11.0	55.0	0.0	6.0	4.0	2.0	2.0	2.0	0.0	0.0
Ohio	0.0	0.0	3.0	126.3	9,620.0	0.0	19.0	17.0	410.5	0.0	0.0	0.0
Oklahoma	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oregon	0.0	0.0	0.0	0.0	0.0	0.0	1.0	0.0	0.0	0.0	0.0	0.0
Pennsylvania	0.0	0.0	21.0	51.7	13,328.0	0.0	19.0	77.9	2,059.3	1.0	25.6	90,308.0
Tennessee	76.0	0.0	15.0	67.0	130.0	8.0	0.0	50.0	325.0	0.0	3.0	360.0
Texas	0.0	0.0	0.0	8.0	0.0	0.0	0.0	0.0	348.0	0.0	0.0	0.0
Utah	4.0	7.0	64.0	255.0	550.0	3.0	0.0	8.0	55.0	1.0	16.0	20.3
Virginia	0.0	1.0	24.0	16.3	13,000.0	1.3	22.0	0.0	3.0	0.0	0.0	120.0
West Virginia	0.0	0.0	0.0	48.0	19,540.0	0.0	4.0	5.0	167.1	0.0	0.0	622.0
Wyoming	0.0	0.0	0.0	52.6	0.0	97.5	0.0	10,563.5	10,798.0	0.0	0.0	0.0
Total	778.5	189.5	585.0	5,527.3	143,196.5	439.3	553.0	11,705.1	32,971.3	1,949.7	99.2	95,625.5

\*CERT is the Council of Energy Resources Tribes which includes: Blackfeet; Cheyenne River Sioux; Fort Berthold (Mandan, Hidatsa, and Arikara); Fort Peck (Assiniboin and Sioux); Northern Cheyenne; Jicarilla Apache, Laguna Pueblo; Rocky Boys (Chippewa and Cree); San Carlos Apache; Southern Ute, Ute Mountain Ute; White Mountain Apache; and Wind River (Arapaho and Shoshone).

UNITS OF MEASURE: 1. Miles, 2. Acres, 3. Feet, 4. Count, 5. Gallons/minute

SOURCE: Abandoned Mine Land Inventory System (AMLIS) as submitted by the states/Indian tribes for their Abandoned Mine Land programs and the Office of Surface Mining Regional Coordinating Centers for the Federal Reclamation Program.

### Appalachian Clean Streams Initiative

The Appalachian Clean Streams Initiative began in the fall of 1994 by the Office of Surface Mining. The Initiative supports local efforts to eliminate environmental and economic impacts of acid mine drainage from abandoned coal mines. The mission of the Initiative is to facilitate the efforts of citizen groups, university researchers, the coal industry, corporations, the environmental community, and local, state, and federal government agencies in cleaning streams polluted by mine drainage. During 2000, \$5.9 million was distributed to 12 states (Alabama, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, Ohio, Oklahoma, Pennsylvania, Virginia, and West Virginia) for 16 acid mine drainage clean-up projects. This funding provided the incentive for other sources to contribute to the projects, and during 2000 this funding grew to over \$1.5 million. There are currently 67 Clean Streams Initiative projects that have been funded by the Office of Surface Mining. During 2000, projects in Oklahoma were also eligible for Clean Streams funding. For more information about the Appalachian Clean Streams Initiative see [www.osmre.gov/acsihome.htm](http://www.osmre.gov/acsihome.htm).

Subsidence frequently damages man-made structures. This chimney was destroyed by the twisting and shifting action resulting from subsidence. The chimney separated as ground movement caused the building's foundation to shift to the right approximately six inches.



### Watershed Projects

As part of the Appalachian Clean Streams Initiative in 2000, \$1.7 million was included in the budget to fund watershed projects with local organizations that undertake acid mine drainage reclamation projects. An additional \$6.1 million was contributed by outside sources. These funds provide money to complete projects designed to improve water quality. The watershed projects were funded through cooperative agreements ranging between \$5,000 - \$80,000, in order to assist as many groups as possible in beginning actual construction projects to clean streams impacted by acid mine drainage. In 2000, 23 watershed cooperative agreements were awarded as follows:

<b>Project and Organization</b>	<b>Amount</b>
Oneida #1 Mine Tunnel Eastern Pennsylvania Coalition (Pennsylvania)	\$80,000
Sagamore #2 AMD Project Mountain Watershed (Pennsylvania)	78,660
Gallentine Site Mountain Watershed (Pennsylvania)	65,580
Grigsby Project Penns Corner Conservancy (Pennsylvania)	80,000
Hamilton Site Penns Corner Conservancy (Pennsylvania)	80,000
Carbon Run Site 48 Shamokin Creek Restoration Alliance (Pennsylvania)	22,000
Fazenbacker AMD Project Western Maryland RC&D Council (Maryland)	53,000
Roseville Drift Headwaters Charitable Trust (Pennsylvania)	50,000
Elbon AMD Site Headwaters Charitable Trust (Pennsylvania)	80,000
Teets AMD Project Western Maryland RC&D Council (Maryland)	80,000
Kempton Man Shaft Western Maryland RC&D Council (Maryland)	80,000
Thompson Run Four Rivers RC&D (Indiana)	72,280
Brinkerton Site Penns Corner Conservancy (Pennsylvania)	80,000
Amendment 1 to Blacklick Creek Watershed AMD & ART (Pennsylvania)	8,000
South Fork of Patoka River Project II Four Rivers RC&D (Indiana)	80,000
Bear Creek Cumberland Mountain RC&D Council (Tennessee)	80,000
Espy Run Earth Conservancy (Pennsylvania)	41,600
Kanes Creek South Downstream Alliance, Inc. (West Virginia)	80,000
Merrimac Mine WPI (Virginia)	80,000
Webster Mine Drainage Blacklick Creek Watershed Assn (Pennsylvania)	20,000
Amendment 1 to Mill Run Freshwater Institute (Maryland)	50,000
Nixon's Run Lower West Fork Assn (West Virginia)	41,885
Amd 1 to Carbon Run Site 48 Shamokin Creek Restoration (Pennsylvania)	3,000
<b>Total</b>	<b>\$ 1,386,005</b>

## ABANDONED MINE LAND PROGRAM

Progress on these projects was widespread. For example, two Indiana projects, Wheeler Creek and Lick Creek were completed and the water quality once again restored. At another project Boy Scouts, supported by volunteers, started neutralization of a 52-acre acid-ravaged lake. Using soda ash and other chemicals to neutralize the acid mine drainage, the lifeless lake and over two miles of creek are being reclaimed.

### *Summer Watershed Internship Program*

The Office of Surface Mining initiated the Summer Watershed Internship program in 1999 and placed ten interns in five states. During the 2000 summer, with help from the Environmental Protection Agency and the Department of Energy, and the National Envi-



This abandoned mine reclamation contained 38 acres of burning refuse that was excavated and quenched using water from a ten-acre pond constructed on the project site. Now many years after the reclamation, the area is covered by a wide variety of vegetation and it is difficult to identify any indication of past abandoned mine land problems.

ronmental and Technology Laboratory partnership, the Office of Surface Mining placed 23 interns in eight states, all of them working directly for watershed groups on acid mine drainage issues.



This is a reclaimed abandoned mine entry portal in West Virginia. Rock was pushed in and around the opening and the entire area covered with topsoil and grass planted. The pipe installed under the fill ensures that water collecting in the mine does not build up behind the rock closure and wash it out.

<b>State</b>	<b>Number of Interns</b>
Alabama	3
Kentucky	1
Maryland	1
Ohio	3
Pennsylvania	5
Tennessee	2
Virginia	1
West Virginia	7

In every case, the projects strengthened the capacity of the sponsoring watershed group, adding to their monitoring data, developing watershed plans, and building public awareness.

### **Inventory of Abandoned Mine Land Problems**

The Surface Mining Law, as amended by the Abandoned Mine Reclamation Act of 1990 (Public Law 101-508), requires the Office of Surface Mining to maintain an inventory of eligible abandoned coal mine lands that meet the public health, safety, and general welfare criteria of Section 403(a)(1) and (2). This inventory is maintained and updated to reflect reclamation accomplishments as required by Section 403(c).

The Office of Surface Mining maintains its inventory on the Abandoned Mine Land Inventory System



(AMLIS), which is accessible from the web at [www.osmre.gov/aml/inven/zintroin.htm](http://www.osmre.gov/aml/inven/zintroin.htm). The system creates reports on abandoned mine land accomplishments and problems that still require reclamation. This was the sixth year the states and Indian tribes managed their own data, entering it electronically into the Office of Surface Mining's inventory system. This process resulted in 1,380 records added, 2,811 modified, and 69 deleted.

As of September 30, 2000, the system contained information for over 16,870 problem areas, mostly related to abandoned coal mines. (A problem area is a geographic area, such as a watershed, that contains one or more abandoned mine problems. Problem area boundaries are delineated by the extent of their effect on surrounding land and water, not just the abandoned mine sites.)

The Surface Mining Law requires the Abandoned Mine Land Program to concentrate its efforts on high priority coal sites (those affecting health, safety, and general welfare, Priority 1 and 2). Although the Abandoned Mine Land Program is one of the Nation's most successful environmental restoration programs, with over \$1.3 billion worth of coal-related high priority problems reclaimed, many projects have yet to be funded. The inventory of unfunded coal-related problems is reduced each year by state, Indian tribe, and federal reclamation projects. Unfortunately, new problems are discovered as development expands into old coal mining areas. As of September 30, 2000, a breakdown of (Priority 1, 2, and 3) costs from the Abandoned Mine Land Inventory System is as follows:

Completed	\$1.5 billion	15.2 percent
Funded	\$0.2 billion	2.0 percent
Unfunded	\$8.2 billion	82.8 percent
Total	\$9.9 billion	100.0 percent

During 2000, the Bureau of Land Management decided to store its federal lands abandoned mine inventory in a specially modified version of the Office of Surface Mining inventory system. People accessing either the Office of Surface Mining or Bureau of Land Management version of the system will have access to both agencies' abandoned mine land inventories. Using the geographic information system

capabilities, it will be possible to query both databases. Future plans also include access to the U.S. Forest Service abandoned mine inventory.

## Reclamation Awards

After more than 23 years of abandoned mine land reclamation funded under the Surface Mining Law, thousands of dangerous health and safety problems have been eliminated. To enhance communication about achievements in abandoned mine land reclamation, the Office of Surface Mining has presented



This Ohio site used to be an unreclaimed abandoned coal mine. The abandoned mine was reclaimed by an active mine operator working at an adjacent site. The land was regraded to resemble the surrounding landscape and Little League baseball fields constructed. Today, with all traces of the abandoned mine problems eliminated the site is an integral part of the nearby community.

awards to those individuals responsible for completion of the most outstanding reclamation. (See [www.osmre.gov/amlrules01.htm](http://www.osmre.gov/amlrules01.htm) for a description of the awards program and the 2001 rules.) This year four awards were presented at the 2000 annual meeting of the National Association of Abandoned Mine Land Programs.

## National and Appalachian Region Awards

■ The Kentucky Department for Surface Mining Reclamation and Enforcement's Pleasant View Mine Project near the city of Madisonville, Ken-

## ABANDONED MINE LAND PROGRAM

tucky reclaimed a 250-acre site which was discharging acid mine drainage from a large impoundment pit (known locally as "Ketchup Lake" due to the deep red color of the water) into Grassy Creek, one of Kentucky's largest wetlands systems. With reclamation completed, Grassy Creek, once little more than a conduit for acid mine drainage from "Ketchup Lake", has been restored. Today, the stream is healthy, aquatic life is returning, and the water is no longer polluting the wetlands. In addition, the knowledge gained about water treatment has been used in developing treatment methods at other mine sites.

### *Mid-Continent Region Award*

■ The Indiana Department of Natural Resources' Midwestern Reclamation Project near Authur, Indiana, reclaimed a 270-acre site by eliminating 4,400 feet of dangerous highwalls, coal refuse and spoil, plus 30 million gallons of acid water from slurry ponds. Coal combustion by-products were used to enhance the quality of water discharged from the site and continuous water monitoring following the reclamation shows significant improvement. This abandoned mine site is a show-

case of outstanding reclamation and is an on-the-ground example of innovative reclamation.

### *Western Region Award*

■ The Navajo Abandoned Mine Land Reclamation Program Carrizo 1 Reclamation Project in Apache County, Arizona, and San Juan County, New Mexico received the Western Region Award. This project reclaimed a number of hazardous, highly toxic abandoned uranium mines, which posed extreme danger to the local Navajo people and their livestock. After the uranium mining boom in the 1950's, the mines were shut down, leaving open portals and radioactive mine waste piles. Today, with reclamation complete, hazards have been eliminated, and the land is once again integrated into the Navajo landscape.

For additional information on these award winning reclamation projects see [www.osmre.gov/nominationsaml00.htm](http://www.osmre.gov/nominationsaml00.htm).

Prior to the Surface Mining Law, coal mines often were not backfilled. At this Pennsylvania site, the pools of water impounded in the pits and exposed rock highwalls are typical reminders of coal mining before passage of the Surface Mining Law.





# REGULATION OF ACTIVE COAL MINES

## A REVIEW OF THE SHARED FEDERAL-STATE- INDIAN ACTIVE SURFACE AND UNDERGROUND COAL MINING AND RECLAMATION REGULATORY PROGRAM

The surface effects of underground coal mines are regulated by the Surface Mining Law. When mining is completed at this large underground mine in Kentucky, the site will be reclaimed by removing all equipment and buildings, regrading the land, and planting vegetation.





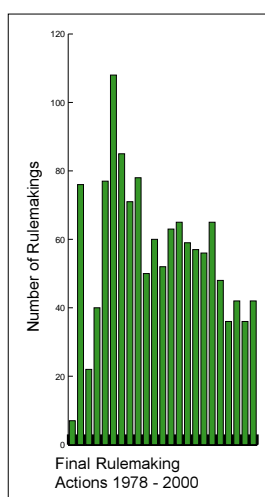
## REGULATORY PROGRAM

Under the Surface Mining Law ([www.osmre.gov/smcra.htm](http://www.osmre.gov/smcra.htm)), the Office of Surface Mining is responsible for publishing the rules and regulations ([www.osmre.gov/regindex.htm](http://www.osmre.gov/regindex.htm)) necessary to carry out the Law. The permanent regulatory program and related rules provide the fundamental mechanism for ensuring that the goals of the Surface Mining Law are achieved. A major objective is to maintain a stable regulatory program by improving the regulation development process and obtaining a broad spectrum of viewpoints on rulemaking activities.

### Rulemaking and State Program Amendments

The 2000 rulemaking process included discussions with coal industry representatives, citizen groups, and state regulators to obtain their input and suggestions.

During the year, the Office of Surface Mining published three permanent program final rules in the *Federal Register*: the Valid Existing Rights Rule (RIN 1029-AB42), an Interpretative Rule Related to Subsidence Due to Underground Coal Mining (RIN 1029-AB82), and the Indiana Cooperative Agreement Rule (IN-142-FOR). Subject to Office of Surface Mining approval, states have the right to amend their programs at any time for appropriate reasons. Whenever the Surface Mining Law or its implementing regulations are revised, the Office of



Surface Mining is required to notify the states of the changes needed to make sure that the state programs continue to meet federal requirements. As a result, the states have submitted a large number of complex amendments. The Office of Surface Mining has taken several steps to process states submissions more efficiently. For example, the amendment review process within the Office of Surface Mining has been decentralized, and standard format and content guidelines for state program submissions have been issued to the states. In 2000, the Office of Surface Mining published 27 proposed and 39 final state program amendments in the *Federal Register*. A complete list and summary of all Office of Surface Mining *Federal Register* notices can be seen at [www.osmre.gov/ocfeder.htm](http://www.osmre.gov/ocfeder.htm).

### State Programs

Since May 3, 1978, all surface coal mines have been required to have permits and to comply with either Office of Surface Mining regulations or corresponding approved state program provisions (in states that have primacy). Currently, there are 24 primacy states that administer and enforce approved programs for regulating surface coal mining and reclamation under the Surface Mining Law. An effective relationship between the Office of Surface Mining and the states is fundamental to the successful implementation of the Surface Mining Law. This shared federal-state commitment to carry out the requirements of the Surface Mining Law is based on common goals and principles that form the basis for the relationship.

### Oversight of State Programs

Section 517(a) of the Surface Mining law requires the Office of Surface Mining to make inspections as necessary to evaluate the administration of approved

TABLE 7: FINAL RULES PUBLISHED DURING 2000

<b>Valid Existing Rights</b>	30 CFR 761 et al.	12/17/99
This rule redefines the circumstances under which a person has valid existing rights to conduct surface coal mining operations on certain lands protected by Section 522(e) of the Surface Mining Law.		
<b>Interpretative Rule Related to Subsidence Due to Underground Coal Mining</b>	30 CFR 761	12/17/99
This rule interprets Sections 522(e) and 701(28) of the Surface Mining Law and the implementing rules to provide that subsidence due to underground coal mining is not a surface coal mining operation.		
<b>Indiana Cooperative Agreement Rule</b>	30 CFR 914	12/17/99
This rule allows the state of Indiana to regulate surface coal mining and reclamation operations on federal lands in Indiana.		



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state programs. Most state programs were approved in the early 1980s, and the Office of Surface Mining's oversight of the programs focused on the implementation of the many procedural and process requirements such as permitting, inspection, enforcement, and penalties, each with numerous mandated requirements. These are prescribed to achieve the environmental protection performance standards and the overall purposes of the Surface Mining Law. In accordance with the National Performance Review, recommendations regarding the regulatory and abandoned mine land reclamation programs, the Office of Surface Mining, in consultation with the states, devised a new results-oriented oversight strategy that emphasized cooperative problem-solving, tailoring evaluations to state-specific conditions, and the development of performance agreements between each state and its Office of Surface Mining Field Office. The primary focus of this strategy is on measuring whether state programs are successfully achieving the purposes of the Surface Mining Law with respect to public participation, environmental protection, and reclamation of mined lands. This focus is consistent with the Government



In 2000, United States coal production was over one billion tons. More than 60 percent was used by electric utilities to generate power. Last year, at this Missouri power plant, approximately 2.5 million tons of coal (more than four times the total tonnage mined in Missouri during 2000) were used to generate over 5 billion kilowatt hours of electricity. This is enough electricity to supply about a million consumers for one year.

Performance and Results Act, which requires that federal agencies develop ways to objectively measure how a program is accomplishing its mission through

**TABLE 8: 2000 SIGNIFICANT COURT DECISIONS**

### RULE CHALLENGES

*Kentucky Resources Council, Inc. ("KRC") v. Babbitt*, No. 99-00892 (D.D.C.)

On September 22, 2000, the District Court upheld OSM's "AML Enhancement Rules" which implement 30 U.S.C. § 1278(2). This section exempts the extraction of coal which is an incidental (i.e., physically necessary) part of a government-financed highway or other construction from the Title V regulatory provisions of the Surface Mining Law. The challenged rules amended the prior OSM definition of "government-financed construction" to allow less than 50 percent government funding when the construction is an approved Abandoned Mine Land ("AML") project under SMCRA. See 64 Fed. Reg. 7470-7483 (1999). KRC had launched a two-pronged attack against the rules. First, KRC challenged the general principle that such AML reclamation projects could properly qualify as "government-financed construction" within the meaning of the § 1278(2) exemption. Second, KRC challenged the provision in the rule which allows AML projects to have less than 50 percent government funding arguing that this violates the "government-financed" element of the exemption.

The district court rejected both of these arguments. Applying the *Chevron* test to the challenged regulations, the court found them to be a reasonable and permissible interpretation of SMCRA. It noted that Congressional intent was not clear as to either of the terms "construction" or "government-financed" and that OSM's understanding of these terms was a permissible construction of the statute. The court first noted that earth-moving activities associated with AML reclamation projects do meet alternative definitions of "construction" contained in several popular dictionaries and that, since 1980, OSM's guidelines have held that AML reclamation projects qualify for the § 1278(2) exemption for "government-financed construction." Proceeding to KRC's second argument, that "government-financed construction" required greater than 50 percent government funding of the construction project, the court after again consulting popular dictionaries, observed that the term "financed" contemplates some, but not necessarily majority, project funding. In reaching its decision, the court took note of the fact that, according to OSM, the AML Enhancement rules would allow for greater reclamation of abandoned mine lands than that which would otherwise be possible and that they contained ample procedural protections against potential abuse.

### THE AML FUND

*Coal Operators and Associates, Inc., et al. v. Babbitt*, No. 00-0198 (E.D. Ky.)

On September 1, the United States District Court for the Eastern District of Kentucky, the Hon. Joseph M. Hood, granted the Government's motion to dismiss this case. Plaintiffs, who filed their complaint on May 16, seek to compel the Secretary to disburse 50 percent of the funds held in the Abandoned Mine Reclamation Fund to the States. They contend that the AML Fund is a self-executing trust fund that does not require appropriation by the Congress prior to disbursement by the Secretary. Judge Hood ruled that, under SMCRA, before money from the AML Fund may be spent, it must first be appropriated by Congress to the Secretary. In reaching this decision, Judge Hood noted that, on their face, SMCRA Sections 402(g) and 404(h), 30 U.S.C. §§1232(g) and 1234 (h), would seem to require the Secretary to allocate 50 percent of reclamation fees back to the States without waiting for Congressional appropriation of money from the Fund. Slip op. at 6. However, according to the Judge, such a literal interpretation would fly in the face of Section 401(d), 30 U.S.C. § 1231(d), which provides that "[m]oneys from the fund shall be available for the purposes of this subchapter, only when appropriated therefor, and such appropriations shall be made without fiscal year limitations." Judge Hood observed that "[t]he court must look beyond the language of the statute . . . when . . . a literal interpretation would lead to internal inconsistencies, an absurd result, or an interpretation inconsistent with the intent of Congress. Slip op. at 6. The Judge further observed that the Secretary had clarified this apparent ambiguity in his regulation at 30 C.F.R. § 872.11(b) and that that regulation should be accorded deference. Slip op. at 7. Finally, Judge Hood pointed out that Congress has been well aware of the Secretary's interpretation of these provisions and has appropriated money from the Fund each year since SMCRA was enacted in 1977. This, the court found, constituted "clear evidence that Congress intended that Congress must appropriate money from the Fund to the Secretary prior to the Secretary disbursing such money . . .". Slip op. at 8-9.



## REGULATORY PROGRAM

delivery of products or services. The strategy also allows the Office of Surface Mining to focus its limited resources on those program aspects that present the best opportunity for environmental improvement and the best means of preventing adverse impacts on society and the environment.

Specifically, to further reporting of end results and on-the-ground success, the oversight now evaluates and reports state-specific and national findings for off-site impacts and reclamation success. The purpose of measuring off-site impacts is to protect the public, property and the environment outside of areas authorized for mining and reclamation activities. This measurement is intended to identify and report the number and degree of off-site impacts; determine causes of the impacts; and identify where improvements may be made to lessen the number and degree

of impacts. Success will be determined based on the percentage of inspectable units that achieve the goal of having no off-site impacts and on the number of acres that meet the bond release requirements for the various phases of reclamation. (An inspectable unit is a coal mining or exploration operation where an inspection obligation exists under the Surface Mining Law. One unit may consist of an individual permit; a consolidation of several permits issued to the same permittee, but, for all practical purposes constitutes the same mining operation; or in the case of large mines, a single permit may be divided into smaller, logical units that are more amenable to inspection.) During 2000, 94.1 percent of the inspectable units were free of off-site impacts.

Since 1996, the Office of Surface Mining has completed four reviews of the implementation of the

oversight policy. Although there are a few exceptions, the four reviews showed that the cooperative approach provides a better atmosphere for resolving problems with states. Also, the oversight strategy has resulted in improvements to state program implementation and in resolution of some longstanding issues. (See [www.osmre.gov/report00.htm](http://www.osmre.gov/report00.htm) for copies of Annual State Oversight Reports.)

Table 9 provides the Office of Surface Mining's oversight inspection and enforcement activities during 2000 (monthly reports are available at [www.osmre.gov/oversight.htm](http://www.osmre.gov/oversight.htm)).

### Federal Programs

Section 504(a) of the Surface Mining Law requires the Office of Surface Mining to regulate surface coal mining and reclamation activities on non-federal and non-Indian lands in any state if:

- the state's proposal for a permanent program has not been approved by the Secretary of the Interior;

TABLE 9: FEDERAL OVERSIGHT OF STATE PROGRAMS

State	Site Visits	Violations Cited by the Office of Surface Mining <sup>1</sup>		
		Notice of violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders
Alabama	109	0	2	2
Alaska	3	0	0	0
Arkansas	9	0	0	0
Colorado	17	1	0	0
Illinois	94	0	0	0
Indiana	106	0	0	0
Iowa	28	0	0	0
Kansas	20	0	0	0
Kentucky	470	3	0	0
Louisiana	2	0	0	0
Maryland	24	0	0	0
Mississippi	3	0	0	0
Missouri	38	0	0	0
Montana	14	0	0	0
New Mexico	0	0	0	0
North Dakota	11	0	0	0
Ohio	196	0	0	0
Oklahoma	19	0	0	0
Pennsylvania	472	0	0	0
Texas	17	0	0	0
Utah	6	0	0	0
Virginia	210	0	0	0
West Virginia	217	0	2	0
Wyoming	14	1	0	0
<b>Total</b>	<b>2,099</b>	<b>5</b>	<b>4</b>	<b>2</b>

Note: 3 NOV violations and 2 FTACO violations are related to Abandoned Mine Reclamation Fees.  
1. Excludes any NOV's or CO's that have been vacated.



After more than 50 years of coal mining at this western Kentucky site, the land has been reclaimed (above). Water quality problems associated with years of pre-Surface Mining Law mining have been cleaned up. Today, with good accessibility to the reclaimed mine site, this is an attractive location for hunters, fisherman, and outdoor enthusiasts.

For bird species that require specific nesting structures, bird houses are constructed to attract and retain a breeding population on the reclaimed area (right). This bird house was constructed by a mine operator in Colorado on a reclaimed mine that has been returned to a grazing and wildlife land use.

■ the state does not submit its own permanent regulatory program; or

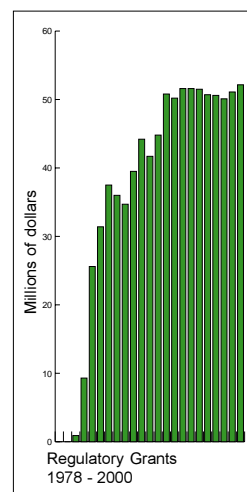
■ the state does not implement, enforce, or maintain its approved state program.

Although the Office of Surface Mining encourages and supports state primacy in the regulation of coal mining and reclamation operations, some states with coal reserves have elected not to submit or maintain regulatory programs. Those states are called federal program states, and their coal mining and reclamation operations are regulated by the Office of Surface Mining. Federal programs are in effect in 12 states: Arizona, California, Georgia, Idaho, Massachusetts, Michigan, North Carolina, Oregon, Rhode Island, South Dakota, Tennessee, and Washington.

Of the federal program states, only Tennessee and Washington had active coal mining in 2000. Table 10 includes the regulatory actions in those two states during 2000.

## Grants to States and Tribes

Section 201 of the Surface Mining Law authorizes the Office of Surface Mining to help state regulatory authorities develop or revise surface mining regulatory programs. In 2000, the Office of Surface Mining awarded \$611,769 for program development grants to the Crow, Northern Cheyenne, Hopi, and Navajo Tribes.



Section 705 of the Surface Mining Law authorizes the Office of Surface Mining to provide grants to states



with approved regulatory programs in amounts not exceeding 50 percent of annual state program costs, matching state regulatory costs dollar for dollar. In addition, when a state elects to administer an approved program on federal land through a cooperative agreement with the Office of Surface Mining, the state becomes eligible for financial assistance of up to 100 percent of the amount the federal government would have spent to regulate coal mining on those lands. Table 11 shows grant amounts provided to states during 2000 to administer and enforce regulatory programs.

# REGULATORY PROGRAM

TABLE 10: REGULATORY PROGRAM STATISTICS

State	Regulatory Staffing	AML Staffing	New Permits	New Acreage Permitted	Total Acreage Permitted	Disturbed Acreage	Inspectable Units	Complete Inspections	Partial Inspections	Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders	Bond Forfeitures	Acreage of Phase I Bond Release	Acreage of Phase II Bond Release	Acreage of Phase III Bond Release
Alabama	26.00	17.75	9	2,716	88,412	NA <sup>1</sup>	258	3,174	352	160	55	8	5	1,941	2,720	3,220
Alaska	3.80	5.00	0	0	8,343	1,297	10	21	45	2	0	0	0	0	0	0
Arkansas	5.10	6.65	1	90	1,455	1,400	16	66	118	2	0	0	1	0	89	5
Colorado	26.00	14.00	0	0	179,500	19,563	56	217	408	10	0	0	0	258	912	1,063
Crow Tribe	1.15	5.00	0	0	4,740	21,376 <sup>2</sup>	1	4	8	0	0	0	0	126	991	0
Georgia	NA	NA	0	0	0	141	6	6	1	0	0	0	0	0	0	0
Hopi Tribe	2.50	3.00	0	0	6,137	21,376 <sup>2</sup>	1	3	0	0	0	0	0	0	0	0
Illinois	52.00	36.00	7	6,148	180,937	78,435	104	1,147	3,218	40	0	0	0	5,098	4,058	4,976
Indiana	52.00	23.00	11	5,685	281,900	NA <sup>1</sup>	203	1,008	2,115	64	0	0	4	9,913	6,490	6,544
Iowa	4.65	5.05	0	0	7,000	8,359	24	112	224	20	7	0	3	0	0	0
Kansas	3.60	11.40	1	230	5,160	4,694	14	55	106	0	0	0	0	1,310	801	840
Kentucky	308.00	74.00	73	34,953	1,675,700	266,247	2,247	10,118	15,818	1,036	NA	NA	19	10,174	4,330	17,561
Louisiana	4.60	.65	0	0	45,100	17,302	2	8	16	6	0	0	NA	0	0	0
Maryland	13.50	4.70	2	100	5,200	6,368	62	316	523	18	1	0	0	77	71	138
Mississippi	2.07	0.00	0	0	1,908	800	1	8	4	0	0	0	0	0	0	0
Missouri	14.70	12.20	1	205	13,600	12,259	58	120	223	21	0	0	0	1,702	804	1,093
Montana	16.45	8.68	0	0	56,700	27,757	16	79	91	8	0	0	0	386	386	0
Navajo Tribe	5.00	32.00	0	0	81,187	21,376 <sup>2</sup>	8	60	70	8	0	0	0	0	0	0
New Mexico	10.00	8.00	0	0	97,800	20,507	15	60	120	3	0	0	0	0	144	0
North Dakota	8.90	5.68	1	2,048	74,480	47,054	37	158	574	1	0	0	0	372	372	639
Ohio	27.20	32.40	41	3,946	115,800	61,004	463	1,702	2,315	191	21	7	6	2,743	3,118	7,564
Oklahoma	29.00	6.00	1	676	34,280	30,268	90	363	566	48	0	0	0	705	1,172	1,385
Pennsylvania	265.00	131.00	100	2,196	433,600	NA <sup>1</sup>	2,269	8,172	12,178	795	82	0	35	5,402	5,006	6,802
Tennessee	51.00	0.00	1	797	24,100	15,124	350	999	1,030	39	0	0	3	1,519	647	1,326
Texas	40.80	9.00	1	2,700	255,000	143,839	21	128	210	4	0	0	0	9,340	6,169	456
Utah	24.00	9.50	0	0	148,419	2,627	28	115	200	5	0	2	0	0	0	28
Ute Tribe	0.00	0.00	0	0	175	21,376 <sup>2</sup>	1	8	7	1	0	0	0	0	0	0
Virginia	84.00	16.00	41	6,733	68,200	44,600	689	3,237	3,841	255	18	3	10	212	281	249
Washington	NA	NA	0	0	14,872	5,014	2	8	17	1	0	0	0	0	0	0
West Virginia	286.00	67.00	61	6,729	283,560	NA <sup>1</sup>	2,560	9,211	11,503	1,061	188	22	64	4,526	4,589	9,145
Wyoming	29.00	13.10	0	0	337,445	87,655	39	157	371	8	0	0	1	143	2,692	33
TOTAL	1,396.02	556.76	352	75,952	4,530,710	NA <sup>1</sup>	9,651	40,840	56,272	3,807	372	42	143	55,953	45,845	63,071

1. Disturbed acreage is not available for these states.  
2. All Indian Lands Program disturbed acreage is combined.

During 2000, the Office of Surface Mining awarded 96 percent of the regulatory grants to the states within 60 days of receiving the grant application.

## Regulation of Surface Mining on Federal and Indian Lands

Section 523(a) of the Surface Mining Law requires the Secretary of the Interior to establish and implement a federal regulatory program that applies to all surface coal mining operations that take place on federal land. The Office of Surface Mining enacted the current



## REGULATORY PROGRAM

Federal Lands Program on February 16, 1983. The federal lands program is important because the federal government owns significant coal reserves, primarily in the West. Of the 234 billion tons of identified coal reserves in the western United States, 60 percent is federally owned. The development of federal coal reserves is governed by the Federal Coal Management Program of the Department of the Interior's Bureau of Land Management.

Through cooperative agreements, the administration of most surface coal mining requirements of the Federal Lands Program may be delegated by the Secretary of the Interior to states with approved regulatory programs. By the end of 2000, the Secretary had entered into such cooperative agreements with Alabama, Colorado, Illinois, Indiana, Kentucky, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Utah, Virginia, West Virginia, and Wyoming (see [www.osmre.gov/coop.htm](http://www.osmre.gov/coop.htm)). Under the Surface Mining Law, once the Secretary and a state have signed a cooperative agreement, the state regulatory authority assumes permitting, inspection, and enforcement responsibilities for surface coal mining activities on federal lands in that state. The Office of Surface Mining maintains an oversight function to

During its 30-year life, over 1,800 acres were mined and reclaimed at this Colorado site. Native shrubs have been a high priority for the reclamation, and almost 150,000 were planted in the last 10 years. The high survival rate can be attributed to using local seed and very effective planting and management practices.



Before remining and reclamation, this hay and pasture land contained over 8,000 feet of hazardous abandoned mine highwalls and outcrops. This Virginia mine operation has demonstrated that previously mined lands can be remined, the environment improved, and productive land created.

ensure that the regulatory authority fully exercises its delegated responsibility under the cooperative agreement. In states without cooperative agreements, the required permitting, inspection, and enforcement activities under the Surface Mining Law are carried out by the Office of Surface Mining. During 2000, the Office of Surface Mining did not issue any new permits on federal lands.

For states with leased federal coal, the Office of Surface Mining prepares the Mining Plan Decision Documents required by the Mineral Leasing Act, and documentation for other non-delegable authorities, for approval by the Secretary of the Interior. During 2000, nine mining plan actions were prepared and approved for coal mines on federal land (Colorado 2, Montana 1, Utah 2, and Wyoming 4).

Pursuant to Section 710 of the Surface Mining Law, the Office of Surface Mining regulates coal mining and reclamation on Indian lands. There are three mines on the Navajo Reservation, one mine on the Hopi Reservation, a portion of an underground mine and a haul road on the Ute Mountain Ute Reservation, and one mine on the Crow Reservation permitted under the permanent Indian Lands Program.

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One mine on the Navajo and Hopi Reservation is operating under the initial program. Also, on the Navajo reservation, a permit application was submitted for a coal preparation plant, in accordance with the permanent Indian Lands Program, and is operating under administrative delay. In addition, the Office of Surface Mining, in cooperation with the Bureau of Indian Affairs and the Navajo Nation, is overseeing the final reclamation of three mines on the Navajo Reservation that are still under the interim regulatory program.

regulatory definition of "Indian lands." The proposed rule clarifies that the definition includes individual Indian trust allotments located within an approved tribal land consolidation area. The Office of Surface Mining agreed to propose the rule change under the terms of a 1995 settlement agreement between the Department of the Interior, and the Navajo Nation and Hopi Tribe. The Office of Surface Mining is also proposing changes to the Federal and Indian Lands Programs in conjunction

Section 2514 of the Energy Policy Act of 1992 (Public Law 102-486) gives authority to provide grants to the Crow, Hopi, Navajo, and Northern Cheyenne Tribes to assist them in developing programs for regulating surface coal mining and reclamation operations on Indian lands. The development of these programs includes: creating tribal mining regulations and policies; working with the Office of Surface Mining in the inspection and enforcement of coal mining activities on Indian lands (including permitting, mine plan review, and bond release); and education in the area of mining and mineral resources. A series of separate, informal meetings began in 1995 to discuss issues and to determine how best to develop draft legislation that would allow tribal governments to assume primacy.

Development grant funding for 2000 was \$611,769 from the Office of Surface Mining budget. This development grant funding will continue in 2001. Table 10 includes statistics on regulatory activities on Indian lands during 2000.

On February 19, 1999, the Office of Surface Mining proposed a rule in the *Federal Register* to amend the

**TABLE 11: REGULATORY GRANT OBLIGATIONS**

State/Tribe	Total 2000 Federal Funding	Total 1999 Federal Funding	Cumulative Through 2000 Federal Funding <sup>1</sup>
Alabama	913,745	896,167	23,285,117
Alaska	177,495	173,461	5,244,001
Arkansas	142,713	160,364	3,148,128
Colorado	1,640,906	1,609,340	23,892,923
Illinois	2,326,864	2,282,102	46,391,898
Indiana	1,968,483	1,930,615	27,228,439
Iowa	120,502	118,184	2,377,475
Kansas	107,164	105,102	2,605,937
Kentucky	12,771,209	12,515,093	233,311,552
Louisiana	192,433	189,821	3,230,250
Maryland	477,333	468,150	10,213,420
Michigan	0	0	135,458
Mississippi	109,628	115,960	917,278
Missouri	426,138	417,940	7,487,494
Montana	906,905	890,483	14,570,158
New Mexico	610,627	593,976	10,829,247
North Dakota	466,725	473,539	10,238,435
Ohio	1,438,580	1,410,906	53,330,682
Oklahoma	899,245	919,676	15,431,802
Pennsylvania	10,603,971	10,399,980	184,871,270
Rhode Island	0	0	158,453
Tennessee	0	0	5,340,085
Texas	1,441,853	1,414,116	18,852,253
Utah	1,533,595	1,504,093	23,965,488
Virginia	3,143,371	3,082,901	58,788,011
Washington	0	0	4,893
West Virginia	7,517,645	7,373,026	99,155,169
Wyoming	1,607,101	1,511,005	28,204,857
Crow Tribe	82,291	82,291	936,066
Hopi Tribe	130,230	180,024	1,245,918
Navajo Tribe	373,263	311,700	2,963,924
N. Cheyenne Tribe	25,985	25,985	64,532
<b>Total</b>	<b>52,156,000</b>	<b>51,156,000</b>	<b>918,420,613</b>

1. Includes obligations for AVS, TIPS, Kentucky Settlement, and other Title V cooperative agreements. Figures for 2000 do not include downward adjustments of prior-year awards. However, cumulative figures are net of all prior-year downward adjustments.



Since this Alabama coal mine has been reclaimed, the land has been producing hay, seed, and timber crops. Forestry is an extremely important industry to the economy of this part of Alabama, and beginning in the spring of 1993, the company began planting loblolly pine seedlings (above). Now there are over 600 acres of developing young forest.

Professional foresters have estimated the growth potential of these pines is greater than that of the unmined surrounding area (right).

with the proposed change in the definition of Indian lands. The primary effect of the proposal would be to transfer surface mining regulatory jurisdiction from the state to the Office of Surface Mining for individual Navajo trust allotments located within the Navajo land consolidation area in New Mexico. The Office of Surface Mining held a public hearing on the proposed rule and the comment period closed June 21, 1999. The Office of Surface Mining has reviewed the public comments received on the proposed rule and expects to issue a final rule in 2001.

### Electronic Permitting

The Office of Surface Mining's electronic permitting outreach started in Wyoming in 1993, became a national initiative 1996, and will continue as a priority for the next two years. Electronic permitting is a long-term initiative that will result in significant monetary and time savings, and provide more complete and up-to-date records for all those involved in the permitting process. The Office of Surface Mining is currently assisting the states in

developing and implementing electronic permitting. When implemented, electronic permitting provides permit reviewers with computer-based tools to access documents, maps and data, and to perform necessary environmental analyses. Additional benefits include the ability to share computer-based data with managers, field personnel, other agencies, and the public.

The seven western states are in various stages of implementing electronic permitting programs. During 2000, a North Dakota partnership with its coal industry produced the Nation's first fully paperless coal mine permit. The permit is a CD-ROM on file at the Public Service Commission and at the County Assessor's Office - the public access site; and contains all the information normally contained in approximately 20 four-inch binders, including 130 computer-drawn maps. New Mexico received its first fully electronic permit application for an underground coal mine and the staff used the established electronic desktop review and modeling capabilities to issue the permit. For the fourth year, some of the Wyoming mining companies are submitting annual reports and major permit revisions electronically on CD-ROM's to the regulatory agency and to courthouses of record in the mining communities. Montana now has computer permit review capabilities and has developed a permit information database. Alaska reviewed and approved its first fully electronic permit





application and Colorado has developed an extensive permitting/tracking database that produces reports and correspondence automatically. The Colorado Integrated Reclamation Cost Estimating System will be completed in 2001, allowing permit reviewers to check and calculate reclamation bonds with the help of an automated system.

### **Pennsylvania Anthracite Program**

Section 529 of the Surface Mining Law provides an exemption from federal performance standards for anthracite coal operations, provided the state law governing those operations was in effect on August 3, 1977. Pennsylvania is the only state with an established regulatory program qualifying for the exemption, and thus regulates anthracite mining independent of the Surface Mining Law standards.

The Pennsylvania anthracite coal region is located in the northeast quarter of the state and covers approximately 3,300 square miles. More than 20 different anthracite coal beds vary in thickness from a few inches to 50 of 60 feet. The anthracite region is

This Indiana mine site is owned and operated by two different companies. Together they have completed some of the finest reclamation in the country. Only 12 inches of soil replacement was required; however, they consistently replaced depths of 4-5 feet. This extra effort has created some of the best reforestation and wildlife habitat on reclaimed coal mine lands. The survival rate for tree seedlings is over 90 percent. Direct seeding of acorns shows great success. And, wildlife is rapidly being reestablished.



characterized by steeply pitching seams, some of which dip greater than 60 degrees. Such strata require specialized mining techniques and present unique challenges to ensure highwalls are eliminated and the area is restored to productive post-mining land use. The long history of mining in the Anthracite Region has produced a legacy of abandoned mine land problems. However, because most active mining operations affect previously disturbed land, a large percentage of abandoned mine land is eventually restored to productive land use in connection with active mine reclamation.

In 1999,<sup>1</sup> the anthracite mining industry coal production decreased from 7.5 million tons to 5.6 million tons, down by 25 percent. Anthracite operators mined approximately 3.4 million tons from culm and bank material, 1.9 million tons from surface mines, and 0.3 millions tons from underground mines. The reprocessing of anthracite culm and bank material account for 60 percent of the anthracite coal production and helps to fuel eight local cogeneration plants. The overall number of permitted anthracite mining facilities requiring inspections decreased from 376 to 366. Pennsylvania's Department of Environmental Protection conducted 4,436 inspections and issued 235 violations in the Anthracite Region.<sup>2</sup>

Pennsylvania has initiated numerous environmental restoration projects in the Anthracite Region that deal with land restoration and water quality improvement of land and waters affected by past mining practices.

The Pennsylvania Department of Environmental Protection's, Pottsville District Office, in cooperation with other bureaus, agencies, groups, companies and individuals, continues to promote and oversee water quality improvement projects. One important project is the Swatara Creek. Early water quality projects within this watershed date back to the 1970's; however, with the interest of environmental partners in the mid and late 1990's, numerous water quality improvement projects have been initiated. These projects include the installation of such enhancements as diversion wells, anoxic drains, limestone

1. Calendar Year 1999.

2. Commonwealth of Pennsylvania, Department of Environmental Protection 1999 Annual Report on Mining Activities.

## REGULATORY PROGRAM



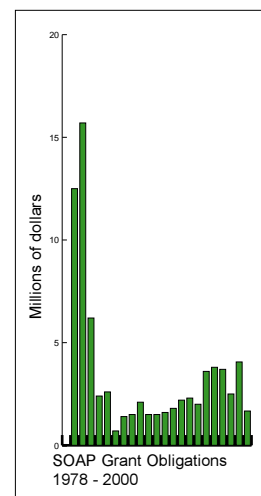
Located in eastern Kentucky, this pleasant scene is a reclaimed slurry impoundment that is being turned into a county park. Coal refuse was disposed of behind a large embankment or dam. Under an experimental practice, the company created a recreational lake in lieu of covering the slurry impoundment with the required four feet of non-toxic earth material. The entire face of the dam was covered with more than two feet of soil and grass planted. The lake is approximately 21 acres and has 6,200 feet of shoreline. Stocked with more than 10,000 fish, it is a serene, peaceful setting complete with paved roads, parking, and picnic areas. When final bond is released, the land will be transferred to the county as a permanent public recreation area.

lining of a stream channel, stream relocation and channel reconstructions, aerobic passive wetland treatment system, as well as reclamation of abandoned silt dams, stripping pits and mine openings within the headwater areas of the watershed.

Pennsylvania's Bureau of Abandon Mine Reclamation, Wilkes-Barre District Office oversees the restoration of lands and improving the quality of water affected by past mining. This environmental restoration effort is mainly achieved with projects that involve backfilling of abandoned stripping pits, mine openings, constructing aerobic passive wetland treatment systems, installing diversion wells, and reconstructing stream channels. The office incorporates various types of wildlife enhancements in addition to the construction and installation of bird and bat boxes during reclamation.

### Small Operator Assistance Program (SOAP)

Section 401 (c)(11) of the Surface Mining Law authorizes up to \$10 million annually of the fees collected for the Abandoned Mine Reclamation Fund to be used to help qualified small mine operators obtain technical data needed for permit applications. Beginning with 1992, the Abandoned Mine Reclamation Act of 1990 increased the qualifying production limit from 100,000 to 300,000 tons.



The Energy Policy Act of 1992 (Public Law 102-486) added additional technical permitting services to the list of items eligible for funding under the Small Operator Assistance Program. The new services include engineering analyses and design necessary for hydrologic impact determination, cross-section maps and plans, geologic drilling, archaeological and historical information, plans required for the protection of fish and wildlife habitat and other environmental values, and pre-blast surveys. During 2000, guidance was issued for these new services. The program has always funded the hydrologic and geologic data collection and analyses required as part of the probable hydrologic consequences determination and statement of overburden analysis under Section 507(c) of the Surface Mining Law.

**TABLE 12: SMALL OPERATOR ASSISTANCE PROGRAM**

State	Grant Amount <sup>1</sup>		Operators	Projects Started
	2000	1999		
Alabama	\$70,000	\$105,000	3	3
Arkansas	0	25,000	1	1
Kentucky	541,343	1,566,163	37	36
Maryland	35,000	35,000	2	2
Ohio	97,717	196,6899	9	9
Pennsylvania	781,092	1,597,720	34	55
West Virginia	152,670	541,905	22	2
<b>Total</b>	<b>\$1,677,822</b>	<b>\$4,067,477</b>	<b>108</b>	<b>108</b>

1. These figures do not include downward adjustments of prior-year awards.

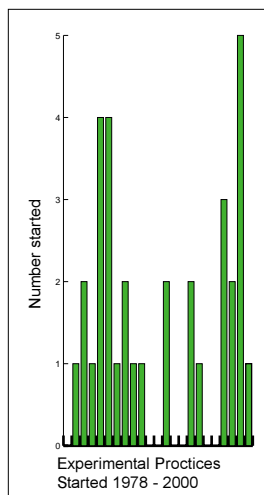
Small Operator Assistance Program regulations (30 CFR 795) place program responsibility with the states that have Office of Surface Mining approved permanent surface mining programs. In states with federal programs, the Office of Surface Mining operates the Small Operator Assistance Program. In 2000, 108 small mine operators received assistance, compared to the 121 operators who received assistance in 1999. Table 12 provides a summary of the Small Operator Assistance Program by state during 2000.

### Experimental Practices

Section 711 of the Surface Mining Law allows variances from Sections 515 and 516 of the performance standards as alternative, or experimental, mining and reclamation practices to encourage advances in mining technology or to allow innovative industrial, commercial, residential, or public postmining land uses. However, the experimental practices must be potentially more, or at least as, environmentally protective as the environmental protection performance standards established by the Surface Mining Law. Approval and monitoring of a permit containing an experimental practice requires a close working relationship between the mine operator, the state, and the Office of Surface Mining.

During 2000, ten experimental practices were ongoing and one new experimental practice was approved. The new experimental practice will result in the creation of 164 acres of land suitable for industrial development, including utilities and roads. One experimental practice was completed resulting in a lake and recreational area that was turned over to a county government.

Since the inception of the program, 33 experimental practices have been approved. In addition to the 11 currently underway, 14 were determined to be successful, three unsuccessful, one was terminated due to a regulation change, and four have been completed, but final reports not yet received.



### Reclamation Awards

To recognize and transfer the lessons learned from completing the Nation's most outstanding reclamation, the Office of Surface Mining presents awards to coal mine operators who have completed mining and reclamation operations that result in outstanding on-the-ground performance. For a description of the active mining award program and 2001 rules, see [www.osmre.gov/activerules01.htm](http://www.osmre.gov/activerules01.htm). Awards for 2000 were presented October 10, 2000, at the National Mining Association's annual meeting, as follows:



At this Montana mine site, the operation went around this natural rock outcrop. With reclamation complete, it is once again part of the natural landscape. The reclaimed land in the foreground has been graded to match the original contour and native grasses, forbs, shrubs, and trees planted. Mining at this site was a temporary use of the land. Now with the coal resource removed, it has been returned to its long-term livestock grazing land use.

### Director's Award

Each year, one coal mining operation in the country is selected to receive the Director's Award for outstanding achievement in a specific area of reclamation. This year, the award was presented for exemplary reforestation of reclaimed land. The 2000 Director's Award was presented to the Peabody Coal Company, western Kentucky mine operations. Peabody's tree



planting efforts at coal mine sites in Western Kentucky began voluntarily in 1948, long before reclamation was required, and continues today. Its pioneering planting techniques on surface mined-lands are now used throughout the country.

Company foresters and soil scientists recognized the long-term environmental and economic benefits of forest lands. Reforestation goals were established that resulted in large continuous tracks of forest and wildlife areas. Today, these reclaimed lands provide multiple benefits, including recreation, soil conservation, timber production, and wildlife conservation.



Wildlife habitat is a natural part of the western landscape. This rabbit has returned to the reclaimed mine land and is once again an integral part of this reestablished Montana grazing land.

### *National Awards:*

■ Seneca Coal Company, Seneca II Mine, Hayden, Colorado, for its outstanding reclamation which reclaimed over 1,800 acres at the site during the mine's 30-year life. The company has concentrated on reestablishing native vegetation, including grasses, forbs, and shrubs. About 200 cattle have grazed on the reclaimed rangeland each summer. The wildlife habitat is also enhanced. Deer and elk graze on the native grassland. Marmots and other rodents live in constructed rock-piles, and sharp-tailed grouse mating grounds have been established.

■ Stone Mining Company, Grants Branch Lake, McVeigh, Kentucky, for reclaiming a large coal slurry impoundment into a county park which includes a 21-acre lake with 6,200 feet of shoreline. Stocked with more than 10,000 fish, it is a serene, peaceful setting complete with paved roads, parking, and picnic areas. When final bond is released, the land will be transferred to the county as a permanent public recreation area.

■ TXU, Big Brown, Monticello, Thermo, Martin Lake, and Oak Hill Mines, in eastern Texas, for its extensive, ongoing reforestation efforts on about 72 percent of reclaimed mine land. Since the early 1970's, over 15 million trees have been planted. Seedling survival rates are high and the established stands are sustaining growth as good as or better than pre-mine forests. The project also enhances watershed protection, air quality, recreation, and aesthetics.

■ Amerikohl Mining, Inc., Leon Mine, Laurelville, Pennsylvania, for mining and reclaiming a partially mined site that was discharging acidic water containing large amounts of metals. Today, the site has been reclaimed into a pasture and forest area, which

Before remining and reclamation, this Pennsylvania mine site contained abandoned spoil banks, dangerous highwalls, water-filled pits, an abandoned underground mine, and a large illegal domestic dump. Today, it is difficult to see any traces of these hazards or the recent coal mining





Tree planting efforts at this western Kentucky mine operation began voluntarily in 1948, before there were reclamation requirements, and have continued to the present day. Company foresters and soil scientists recognized the long-term environmental and economic benefits of forest lands and began planting trees on the reclaimed mine land. After years of growth the forests reestablished on reclaimed lands are difficult to distinguish from native forests on nearby unmined land (above).

the owner can develop into home sites after the bonds are released. Amerikohl took a bad situation and turned it into exemplary reclamation.

- **Black Beauty Coal Company and Vigo Coal Company, Columbia Mine, Oakland City, Indiana,** for reclamation that created some of the best reforestation and wildlife habitat to be found on reclaimed coal mine lands. The companies consistently replaced soil to depths of 4-5 feet, although only 12 inches were required. In addition, mining and reclamation occurred within 100 feet of an adjacent wetland, without any adverse impact.
- **Rosebud Mining Company, McCollough Mine, Karns City, Pennsylvania,** for remining and reclaiming the 44-acre mine site containing abandoned spoil banks, dangerous highwalls, water-filled pits, an abandoned underground mine, and a large illegal domestic dump. Today, it is difficult to see any traces of these hazards and it is impossible to identify the line between unmined land and re-

claimed mine land. The entire 44 acres appear as productive as the adjacent unmined area.

- **Drummond Company, Inc., Arkadelphia 5761 Mine, Arkadelphia, Alabama,** for exemplary reclamation at this mine site which now produces hay, seed, and timber crops. Forestry is an extremely important industry in the economy of this part of Alabama, and Drummond has now planted over 600 acres of developing young forest. Professional foresters have estimated the growth potential of the pine plantations is greater than that of the unmined surrounding area.
- **Peabody Coal Company, Ken Surface Mine, Ohio County, Kentucky,** for reclaiming a site which had been mined for over 50 years, to award winning standards. Substantial amounts of native and western grasses were used, over 200,000 trees and shrubs were planted, and 12 permanent impoundments were reclaimed. Water quality problems associated with years of mining have been cleaned up, and the area is used for hunting, fishing, and outdoor recreation.
- **Big Sky Coal Company, Big Sky Mine, Rosebud County, Montana,** for exemplary reclamation which has returned the former mine site to a livestock grazing area. Vegetation monitoring shows the levels of cover and production to be equal to or better than native vegetation adjacent to the site. During the spring, approximately 200 cow-calf pairs use the reclaimed grazing land.
- **Virginia Energy Company, Twin Star Mine #2, Hurley, Virginia,** for reclaiming over 8,000 feet of hazardous abandoned mine highwalls and outcrops into productive hay and pasture land. As the amount of coal to be mined in Virginia decreases, mining operations like Virginia Energy have demonstrated that previously mined lands can be remined, the environment improved, and productive land created.



### ***Best-of-the-Best Award***

Since 1996, when the Office of Surface Mining began presenting annual awards for the best reclamation, it was evident that in most cases there were one or two individuals responsible for achieving the success. It was sometimes the mine manager, the reclamation specialist, or in one case a reclamation specialist and a state inspector working together. But in all cases, these people were the linchpin that held the project together and the ones who made the extra effort to ensure achievement of the outstanding reclamation. The Office of Surface Mining recognizes these special individuals to give them credit for their work and to highlight their efforts as a model for others in the mining and reclamation field.

The 2000 award was presented to two outstanding individuals. Working together, they have successfully tried many new ideas and achieved unique on-the-ground success. Their joint success can be attributed to personal foresight, initiative, and creative

implementation...attributes that make these two individuals a model in both the coal industry and government regulatory environment.

Accomplishing outstanding reclamation is always a balance between production schedules, costs, and desire for the best possible reclamation. The ability to make it all work while achieving award-winning reclamation was exemplified by the 2000 winners, Bryce West, Manager of Reclamation at the Black Beauty Coal Company, and Don Rhodes, Reclamation Manager at the Vigo Coal Company for their reclamation at the Columbia Mine in Oakland City, Indiana.

Photos of these and other award winning reclamation can be seen at [www.osmre.gov/ocphoto.htm](http://www.osmre.gov/ocphoto.htm).

Reforestation goals were established that resulted in large continuous tracks of forest and wildlife areas (right). Today, these reclaimed lands provide multiple benefits, including recreation, soil conservation, timber production, and wildlife conservation.





# TECHNOLOGY DEVELOPMENT AND TRANSFER

## A REPORT ON IMPROVEMENT THROUGH TECHNICAL ASSISTANCE, TRANSFER OF TECHNOLOGY, AND TRAINING

At this east Texas reclaimed mine, reforestation is in progress on about 72 percent of the land. Studies in the early 1970's demonstrated strong potential success, and since that time over fifteen million trees have been planted by the company. About half of the area is developed as wildlife habitat with 34 species of trees. The other half is commercial stands of pine timber. Seedling survival rates are high and the established stands are sustaining growth as good as, or better than premine forests. These sites have remained stable, with substantially less maintenance than pastureland areas. Planting and management costs for these forests are lower than pastureland. There is also improved wildlife habitat, watershed protection, air quality, recreation, and aesthetics.





The Office of Surface Mining provides states, Indian tribes, federal agencies, and the coal industry with the technical information and tools they need to carry out their responsibilities under the Surface Mining Law. These activities include: a) providing direct technical assistance to address specific mining and reclamation problems, b) maintaining automated systems and databases used by others in making decisions under the Law, and c) transferring technical capability to others through training, consultations, forums, and conferences. The goal is to help them develop the skills needed for solving problems on their own. In recent years, the Office of Surface Mining has been supplementing its traditional oversight presence with an increased emphasis on providing technical assistance and support to states and tribes.

While the focus of the Office of Surface Mining is to help state and tribal partners do their jobs, the ultimate goal is to improve the health, safety, and the environment for our primary customers -- the people who live and work in coalfield communities. The Office of Surface Mining provides information to citizens to help them better understand their rights and responsibilities under the Surface Mining Law.



(Left to right), Office of Surface Mining staff, Rebecca Siegle, Brenda Steele, and Cathy McNish digitizing soils and hydrology data to determine amounts of soil loss that can be expected under different mine plans.

### Technical Information Processing System (TIPS)

The Technical Information Processing System ([www.tips.osmre.gov](http://www.tips.osmre.gov)) is comprised of off-the-shelf computer hardware and software supported by the Office of Surface Mining in partnership with the states and tribes. The system is maintained by the Office of Surface Mining for use by state and tribal regulators and the Office of Surface Mining staff. The system consists of Windows-based computers at state, tribal, and select federal offices with access to Technical Information Processing System license servers via the Internet and the Office of Surface Mining's Wide Area Network. The Technical Information Processing System suite of scientific, data base, and mapping core software aids the technical decision-making associated with conducting reviews of permits, performing cumulative hydrologic impact assessments, quantifying potential effects of coal mining, preventing acid mine drainage, quantifying subsidence impacts, measuring revegetation success, assisting in the design of abandoned mine lands projects, and providing the scientific basis for environmental assessments and environmental impact statements.

In 2000, the Technical Information Processing System staff took another step in conversion of computer systems provided to state, tribal, and federal sites from UNIX to Windows NT-based systems. The object of this conversion is to accommodate more software types, and to distribute Technical Information Processing System tools to each user's desktop. Conversion to the NT-based system began in 1999 with distribution of new hardware to state, tribal, and federal locations. The process continued in 2000 with procurement and distribution of Geographic Information System and design software to the new systems. The conversion will conclude in early 2001 with completion of procurement and distribution of scientific and engineering software.

During 2000, work continued with state and tribal regulatory authorities in the implementation of the Geographic Information Systems Initiative. In addition, more Geographic Positioning System units have been distributed to field inspectors. More inspectors in states, tribes, and federal offices are



attending Geographic Positioning System training and using the field units to survey mine and reclamation sites. These satellite-surveys and electronic permitting capabilities are streamlining the regulatory process in coal mining. A new initiative to prototype remote-sensing technology has begun with the acquisition of high-resolution satellite imagery. Staff are optimistic that the new technology will bring an improved level of efficiency to coal mine regulation and reclamation.

Training of state, tribal, and Office of Surface Mining personnel in the practical application of the system is done on a continuing basis and is an integral part of the operation. During 2000, training increased to 325 students in 31 classes, compared to 1999 levels of 121 students in 14 classes. Customer satisfaction rate for this training was 89.7 during 2000 (or 1.7 percent higher than 1999 and 4.7 percent higher than 1998). This increase represents a return to more normal levels of training following the Windows-NT platform conversion. Course offerings in 2000 included geographic information system use, global positioning system use, three-dimensional spatial geologic and toxic-material modeling, and automated drafting and site-design. A schedule of these courses is available at [www.tips.osmre.gov.training/default.htm](http://www.tips.osmre.gov.training/default.htm).

### Acid Drainage Technology Initiative

The Acid Drainage Technology Initiative is a partnership which the Office of Surface Mining has joined with industry, states, academia, other governmental agencies, and groups to identify, evaluate and develop "best science" practices to prevent new acid mine drainage, and eliminating existing sources.

The National Mine Land Reclamation Center at the West Virginia University serves as the central location for the Initiative. The Eastern Mine Drainage Federal Consortium, a group of federal agencies working in the Appalachian region, helps coordinate federal participation. The Interstate Mining Compact Commission, representing eastern coal-producing states, and the National Mining Association, representing the U.S. coal industry, also participate.



The success of topsoil handling is measured by the land's crop production after reclamation. This reclaimed mine site has been returned to productive farmland and is indistinguishable from the surrounding Southern Indiana landscape.

While the focus was initially on the coalfields of Appalachia, the Initiative's scope was expanded when the Metal Mining Sector Work Group was formed in 1999. Representatives of both the coal and metal mining sectors participated at the Fifth International Conference on Acid Rock Drainage, in Denver in June 2000.

This year, work was completed on a handbook titled, *Review of Mine Drainage Prediction Methods*. This handbook, to be published in early 2001, will cover overburden testing, sampling, and field validation. In addition, work commenced on the second edition of the Remediation Work Group's, *Remediation handbook: a user manual on AMD remediation methods*, which was originally published in 1999. The second edition will contain additional engineering details and performance information on acid mine drainage remediation technologies.

### International Activities

In many countries, mining continues in an age-old fashion with little regulation or noticeable care for the environment. The successful implementation of the Surface Mining Law in the United States is a model for nations challenged with protecting the environment while maintaining the often significant

economic and employment benefits of mining. In 2000, the Office of Surface Mining and state government staff made presentations, participated in mine tours, and assisted mining professionals from several countries including China, Russia, and France. Most visiting delegations expressed particular interest in the state/federal partnership we use to implement the Surface Mining Law's regulatory program.

#### *Mining Policy Reform in Indonesia*

Responding to recent political changes and new legislative directions, Indonesia's Ministry of Energy and Mineral Resources is engaged in dramatically restructuring its approach to regulating mining. The Ministry is rewriting its 1967 Mining Law to delegate authority to local and regional governments who will become responsible for regulating mining operations. Ministry officials recognized that the state/federal partnership approach outlined in the U.S. Surface Mining Law could serve as a model for their new decentralized regulatory program. The Ministry requested the Office of Surface Mining to provide technical advice and assistance so it could develop a completely new way of doing business. The United States Agency for International Development provided the Office of Surface Mining with 100 percent funding to support the Ministry's request.

To demonstrate the value and effectiveness of the state/federal partnership developed over the past 23 years, the Office of Surface Mining has included State Regulatory Authority experts on Office of Surface Mining teams to provide advice and assistance on approaches Indonesia might use during decentralization and to develop a Central/Regional Government cooperative program. Ministry of Energy and Mineral Resources staff have visited the United States to see firsthand how the state/federal partnership works and examples of the results that can be achieved. The Office of Surface Mining and State Regulatory Authority teams have visited Indonesia to assist the Ministry Team rewriting the Indonesian Mining Law.

This latest cooperation between the Office of Surface Mining and Indonesia follows two highly successful technical assistance agreements. The first was a 3-year project from 1995 to 1998, in which the Office of Surface Mining provided technical assistance to

improve Indonesia's capacity to regulate the surface coal mining industry and reclaim mined lands in an economical and environmentally sound manner. The World Bank funded the project and fully reimbursed the Office of Surface Mining for all costs. Under the second project, during 1998 and 1999, the Office of Surface Mining provided training in fighting forest fires sparked by dozens of burning outcrops of exposed coal and peat that dot the mountainous regions of Indonesia. The coal fire-suppression project was entirely funded by the State Department's Southeast Asia Environmental Initiative.

#### **Technical Training Program**

The Office of Surface Mining continued its emphasis on providing technical assistance to the states and tribes by enhancing the technical skills of regulatory and reclamation staff through the National Technical Training Program. In 2000, the program offered 45 sessions of 29 different courses. In addition to regularly scheduled courses, in response to requests, a special session of the Abandoned Mine Land Reclamation Projects course was held for Pennsylvania, and development of a new course on subsidence commenced. A new workshop on Permit Findings was developed and piloted to enhance the skills of state and federal permitting staff. This class will

Carefully positioned and properly sized riprap is one of the most effective techniques for preventing channel erosion. Here, the drainage from a large area of reclaimed land flows over a riprapped channel into a permanent pond.



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contribute to the timely and efficient processing of coal mining permits. To facilitate implementation of the Government Performance Results Act, a session of the "SMCRA in the 21<sup>st</sup> Century" course was held for Eastern and Midwestern states. The course is designed to meet the needs of program managers and staff in developing and evaluating meaningful on-the-ground performance measures and results. This course also seeks to enhance outreach skills, and increase the effectiveness of regulatory and reclamation programs through sharing of information about emerging technologies.



Preventing off-site environmental damage is an important element of the Surface Mining Law. Here at this Kentucky mine site, a small berm is left at the base of a contour mining operation to prevent water from carrying sediment down the hillside and off the mine site. When mining is completed, the berm will be included in the reclamation and graded into the finished contour of the land.

All aspects of the training program, from identification of needs through course development and presentation, are cooperative efforts of state, tribal, and Office of Surface Mining offices. In 2000, there were 194 instructors, -- 50 percent from the Office of Surface Mining, 5 percent from the Interior Department's Solicitor's Office, 44 percent from the states, and the remaining one percent from other sources. The 45 sessions, which reached 902 students, were presented in 22 locations in 11 states. State and tribal students accounted for 79 percent of

students, Office of Surface Mining students for 20 percent, and one percent for non-government participants. The attendance goal of 900 students was met and the customer satisfaction rating of 94% exceeded the goal of 89% by 5%. Training courses offered in 2000 included:

Course Name	Sessions	Students
Acid-forming Materials: Fundamentals	1	22
Acid-forming Materials: Planning & Prevention	2	48
Acid-forming Materials for Program Staff	1	20
Administration of Reclamation Projects	2	52
Aml Design Workshop: Dangerous Highwalls	1	11
Aml Design Workshop: Fires	1	10
Aml Design Workshop: Landslides	1	9
Aml Design Workshop: Subsidence	1	10
Applied Engineering	2	33
Basic Inspection Workbook		1
Blasting and Inspection	4	70
Effective Writing	2	34
Enforcement Procedures	1	17
Enforcement Tools and Applications	2	32
Erosion and Sediment Control	3	55
Evidence Preparation and Testimony	1	17
Expert Witness	1	12
Historic and Archeological Resources	3	77
Instructor Training	0	0
NEPA Procedures	1	27
Permit Findings Workshop	2	33
Permitting Hydrology	1	28
Principles of Inspection	1	16
SMCRA in the 21 <sup>st</sup> Century	1	76
Soils and Revegetation	2	44
Spoil Handling and Disposal	1	16
Surface and Groundwater Hydrology	2	39
Underground Mining Technology	1	15
Wetlands Awareness	4	78
<b>TOTALS</b>	<b>45</b>	<b>902</b>

### Applicant/Violator System (AVS)

One of the underlying principles in the Surface Mining Law is that those who benefit from mining are responsible for returning the land and water to productive use. Section 510(c) of the Law prohibits the issuance of new permits to applicants who own or control unabated or uncorrected violations. Determining whether an applicant owns or controls operations with violations is often difficult, largely due to the complexities of corporate relationships and inconsistencies in interpreting the applicable regulations.

The primary purpose of the Applicant/Violator System is to provide state regulatory authorities with a centrally-maintained database of application, permit,



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ownership and control, and violation information. State officials review system data when evaluating an applicant's eligibility for new permits. The system is also used to determine the eligibility of potential recipients of Abandoned Mine Land reclamation contracts and for inspection and oversight purposes.

During 2000, the Office of Surface Mining responded to 3,732 requests for Applicant/Violator System data evaluations from state and federal regulatory authorities, state abandoned mine land program officials, and others who use the system to check violations. The Office of Surface Mining collected and/or settled payments of civil penalties and

reclamation fees in the amount of \$1,064,549 partially due to violation information in the system.

On December 21, 1998, the Office of Surface Mining published a proposal to redesign its ownership and control, permit information, and related regulations. A final rule was published December 19, 2000.

Access to the Applicant/Violator System is available to the public, coalfield citizens, coal companies, and

This permanent impoundment on the reclaimed mine site provides a valuable source of water for the agricultural postmining land use. At this Ohio site the water provides an outstanding wildlife habitat for geese, ducks, herons, and a host of fish, while ensuring a dependable source of water for grazing livestock.





This mine inspector is checking soil acidity on a reclamation site. While measuring the acidity he is also recording the location with a global positioning system receiver.

industry representatives through public domain software, the Internet, or by direct dial-in. As needed or requested, the Office of Surface Mining provides training to system users on how to access and interpret information as well as system demonstrations. Instruction is tailored to meet the needs of the target audience. For example, inspectors, auditors, investigators, coal industry representatives, and citizens are provided training to meet their specific needs. New initiatives completed this year include obtaining feedback from the customers who use the system. Customer surveys showed that the Applicant/Violator System Office averaged an approval rating of 97 percent during 2000 (up from 96.1 percent in 1999). General information about the system, including access information, instructions for downloading access software, and how to obtain customer assistance can be found on the web page [www.avs.osmre.gov](http://www.avs.osmre.gov).

### Prime Farmland

Successful reclamation of prime farmland has been a major concern to coal mine operators and citizens in the Midwest since before passage of the Surface Mining Law.

Successful reclamation, to prime farmland standards, is now standard operating procedure where mining disturbs prime farmland. The Office of Surface Mining is in the process of updating its prime farm-

land regulations to incorporate the latest versions of the U.S. Department of Agriculture *Handbook 436: Soil Taxonomy* (U.S. Department of Agriculture, 1999) and *Handbook 18: Soil Survey Manual* (U.S. Department of Agriculture, 1993) which are used to determine the status of prime farmland before mining.

### Interactive Forum

An Interactive Forum, Approaching Bond Release: Cumulative Hydrologic Impact Assessment and Hydrology Topics for the Arid and Semi-Arid West was held in Billings, MT, August 27 through September 1, 2000 (the fourth in a series of six planned annual forums on bond release topics in the arid and semi-arid west). Hydrology topics included: required pre-mine data, reclamation planning, design, and modeling, databases, and postmining hydrologic assessments. The forum provided an opportunity for industry and the regulators to openly discuss hydrology issues by sharing information and interacting with all the interested parties in the coal mining community. The four day forum was supplemented by two field trips and three workshops: Spatial Data for Hydrology Modeling, Surface and Sub-surface Modeling with Geographic Information Systems, and Coalbed Methane. The 118 forum participants were from 15 States and two Indian tribes. Two additional Interactive Forums on Bond Release are planned for years 2001 and 2002.

### Revised Universal Soil Loss Equation

Guidelines for the Use of the Revised Universal Soil Loss Equation (RUSLE) on Mined Lands, Construction Sites, and Reclaimed Lands, along with the public domain software (RUSLE Version 1.06) were distributed on a CD-ROM. With the addition of new weather station data, and extension of existing databases, the software is now a more powerful tool that is being used to estimate soil loss under a wide variety of site conditions. The new guidelines are providing information for maximizing the accuracy of soil-loss prediction estimates, recommending procedures ensuring soil-loss estimates calculations that are generally reproducible, and identifying critical areas for future research. During 2000, the Office of Surface Mining sponsored two RUSLE presentations and supported a workshop.

### Coal Combustion By-Products

Office of Surface Mining staff serve on the newly formed National Steering Committee for the Emission Control By-Products Consortium that is attempting to develop technologies for use by the coal utilities and their suppliers that will be useful in solving problems related to the handling of by-products from their clean coal processes. The main strategy of the consortium is to: (1) characterize product streams from flue gas desulfurization materials and low nitrous oxide burners; (2) develop a list of potential market opportunities and disposal options; and (3) develop and implement research and demonstration programs around identified priority topics. During 2000, the steering committee selected and recommended \$1.29 million be awarded by the Department of Energy to 17 research projects including several with direct application to coal mining.

#### *Technical Interactive Forum*

A technical interactive forum on "The Use and Disposal of Coal Combustion By-Products at Coal Mines" was held in Morgantown, West Virginia on April 10-13, 2000 (the second national forum conducted by the Office of Surface Mining on this topic). Twenty-four summary talks were presented in four sessions on the basics of coal combustion by-

This bat gate, used to close a Colorado underground mine portal, has openings at the top to let bats fly in and out. The metal grate allows ventilation; but, keeps people safely out.



products, regulatory perspectives, beneficial uses at the mine site, and hydrologic long term monitoring. The purpose of this forum was to provide: (1) an organized format for discussion of issues concerning the use and disposal of coal combustion by-products at coal mines; (2) an easily understood, state of the art summary talk by knowledgeable speakers; (3) a published proceedings that summarizes the presentations and participant discussions; (4) access to the discussions for all interested participants at the forum; (5) opportunity for poster presentations on projects and research; (6) opportunity for exhibits of coal combustion by-product use, technology, services, and equipment; and (7) permitting workshops and field trips. The 140 participants were from 20 states and one Indian tribe. An additional forum is being planned for 2002.

Proceedings are currently being prepared for publication in 2001. In addition to the papers presented at the forum, the publication will include a subject guide to the edited discussion, recommendations by the participants and the steering committee, and an evaluation of the forum and speakers by the participants.

For additional coal combustion by-product information see [www.mcrcc.osmre.gov/ccb](http://www.mcrcc.osmre.gov/ccb).

### The Bat Conservation and Mining Technical Interactive Forum

One bat weighs approximately one ounce and will consume one-half its body weight in insects each night. The mathematical result is that one colony of bats can consume many tons of insects each night. In addition to their role as primary predators of a wide variety of insects that cost farmers and foresters billions of dollars, these flying mammals are also instrumental in the pollination and seed dispersal of numerous plant species.

Contrary to their much-maligned image, bats are ecologically and economically critical to the well being of the nation. And yet, over half of the 43 species living in the U.S. are endangered or on the candidate list for endangered species. As their traditional habitats such as caves and tree hollows are being disturbed by human intrusion, bats are becoming more and more dependent on abandoned mine sites



for suitable habitat. Many of the 43 species, including endangered species, have been observed using abandoned mines either as permanent roosts or temporary stops during migration. Abandoned mines provide microclimates similar to caves, suitable for rearing young, hibernation, and rest stops during migration in the spring and fall. Closure of mine openings without a biological survey can trap and destroy an entire colony of bats.

The Office of Surface Mining and the states, through their Abandoned Mine Land programs, are committed to the protection and preservation of bats, their habitat, and their ecosystems. Although procedures may differ from program to program, a biological survey normally is conducted in coordination with wildlife departments to check for bat habitation prior to closure of a mine opening. If bat activity is confirmed, the typical response is to construct a bat gate. Bat gates may be different sizes, shapes, or designs but usually involve a steel grid with openings large enough to allow passage for the bats, yet small enough to prevent human entry. Gates often are

installed on mine openings with no visible signs of bat habitation in order to maintain ventilation patterns which may be essential to adjacent or connecting areas which do contain bats.

A technical inactive forum on “Bat Conservation and Mining” was held in St. Louis, Missouri on November 14-16, 2000. Forty-seven summary talks were presented in six sessions on why we need to protect bats, interest group perspectives, bat protection at underground mines, bat protection at surface mines, program development, and interest group recommendations. Proceedings are currently being prepared for publication in 2001.

A description of the importance abandoned mines have in the survival of bats and other related information can be found at [www.osmre.gov/bats.htm](http://www.osmre.gov/bats.htm).

Grazing is one of the most important land uses in the West, and at this reclaimed Montana mine site the land has been returned to its pre-mining grazing land use. Native plants were used to reestablish this vegetation, and monitoring shows the levels of cover and production to be equal to or better than native vegetation adjacent to the reclaimed site.



# FINANCIAL MANAGEMENT AND ADMINISTRATION

## A REPORT ON THE BUDGET, MANAGEMENT, AND OPERATIONS OF THE OFFICE OF SURFACE MINING

The measure of successful reclamation is the suitability of the land for long-term uses. At this Ohio site the farm was mined and reclaimed and in a few years operating just as it had before mining. Coal mining was a temporary use of the land. The disturbed areas have been reclaimed, topsoil replaced, vegetation replanted, and ponds constructed. A few years ago this scene was an active mine site; today it is difficult to distinguish from the surrounding rural landscape.

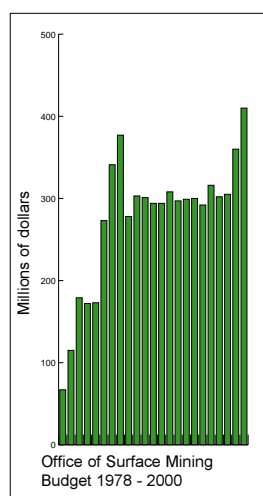






Office of Surface Mining financial management consists of three program activities: fee compliance, grants management, and revenue management. Fee compliance covers the collection, accounting, audit, and investment of abandoned mine reclamation fees. Grants management includes accounting for and reporting on grants awarded to states and tribes for Abandoned Mine Land and regulatory purposes. Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under federal citations of mining violations and federal performance bonds forfeited by coal mine permittees.

## Budget and Appropriations



The Department of the Interior and Related Agencies Appropriations Act of 2000 (Public Law 106-113) appropriated \$95,585,000 from the General Fund for the Office of Surface Mining's regulation and technology activities (\$2,552,500 more than 1999). The Emergency Supplemental Appropriation Act, (Public Law 106-246) provided an additional \$9,821,000 to respond to

concerns that West Virginia lacked adequate funds to carry out its regulatory responsibilities under the Surface Mining Law. Of this sum, \$6,222,000 is (no-year, non-matching funding) for enhancing program capabilities. The remaining \$3,599,000 is provided to address the state's staffing deficiencies and requires the state to match this sum. In addition, \$195,873,000 was made available for obligation from the Abandoned Mine Reclamation Fund (\$10,481,500 more than 1999). And, as authorized by Public Law 102-468, \$108,959,942 of interest (\$27,193,617 more than 1999) was transferred to the United Mine Workers of America Combined Benefit Fund.

The 2000 Regulation and Technology appropriation included the following provisions:

- Where the Office of Surface Mining is the regulatory authority, proceeds of performance bonds

forfeited under Section 509 of Surface Mining Law can be used to reclaim lands where the mine operator did not meet all the requirements of the Law and the permit. In 2000, one performance bond forfeiture resulted in revenue collections of \$2,868.

- Federal civil penalties and related interest collected under Section 518 of Surface Mining Law can be used to reclaim coal mine lands abandoned after August 3, 1977. In 2000, a total of \$31,500 of civil penalties (base penalty and interest) was deposited into the Civil Penalty Fund for reclamation purposes. During 2000, \$108,644 from this fund was obligated for post-Surface Mining Law reclamation projects.

- State regulatory program grants were funded at \$52,156,000 which was \$1,500,000 more than 1999. These grants are used to fund state regulatory program payroll and other operational costs.

The Abandoned Mine Land appropriation included the following provisions:

- State reclamation grants were funded at \$154,802,000, which was \$9,550,000 more than in 1999.

At this Southern Indiana reclaimed coal mine the soil was removed and replaced to prime farmland depths (48 inches), even though most of the site was on non-prime farmland and could have been replaced at the required 12-inch depth. The operator's commitment to extra soil replacement has restored the land to a level capable of supporting a wide variety of future agricultural uses.



## FINANCIAL MANAGEMENT AND ADMINISTRATION

■ Expenditures up to \$8,000,000 were authorized for supplemental grants to states for the reclamation of abandoned sites with acid mine drainage through the Appalachian Clean Streams Initiative.

■ Up to \$18,000,000 was authorized for the emergency program associated with section 410 of the Surface Mining Law, of which no more than 25 percent shall be used for emergency reclamation projects in any one state.

■ Federally administered emergency reclamation project expenditures were limited to \$11,000,000, which was the same amount appropriated in 1999.

■ Prior year unobligated funds appropriated for the emergency reclamation program are not subject to the 25 percent limitation per state and may be used without fiscal year limitation for emergency projects.

All appropriations provisions were met.

### Debt Collection

When unpaid Abandoned Mine Land reclamation fees are identified, or civil penalties are assessed for mine site violations, the Office of Surface Mining takes appropriate collection actions. Delinquent debt information is retained in the Applicant/Violator System. When necessary, and after all of the agency debt collection avenues have been exhausted, delin-

**Table 14: Collections Management**

Category	Amount Collected	Balance Owed
AML Fees	\$274,297,102	\$4,365,498
Civil Penalties	35,022	1,276,424
Administrative	0	0
<b>Total</b>	<b>\$274,332,124</b>	<b>\$5,641,922</b>

**TABLE 13: APPROPRIATIONS<sup>1</sup>**

	2000	1999
<b>Regulation &amp; Technology</b>		
Environmental Restoration	133,732	144,000
Environmental Protection	71,948,404	70,440,000
Regulatory Grants	(52,156,000)	(51,156,000)
Technology Dev. & Transfer	11,746,031	11,050,000
Financial Management	520,562	511,000
Executive Dir. & Admin	11,236,271	10,887,500
Executive Direction	(2,224,000)	(2,172,525)
Administrative Support	(3,838,271)	(3,644,975)
General Services	(5,174,000)	(5,070,000)
Subtotal:	95,585,000	93,032,500
West Virginia Emergency Supplemental	9,821,000	0
<b>Abandoned Mine Reclamation Fund</b>		
Environmental Restoration	180,799,000	167,716,784
Reclamation Grants	(154,802,000)	(144,802,677)
Environmental Protection	0	0
Technology Dev. & Transfer	3,756,000	5,896,216
Financial Management	5,205,000	5,860,000
Executive Dir. & Admin	6,113,000	5,918,500
Executive Direction	(1,233,000)	(1,188,935)
Administrative Support	(2,090,000)	(1,997,565)
General Services	(2,790,000)	(2,732,000)
Subtotal:	195,873,000	185,391,500
Transfer to United Mine Workers Fund	108,959,942	81,766,325
<b>Total</b>	<b>410,238,942</b>	<b>360,190,325</b>

1. The appropriation figures for both years include reprogramming and rescissions.

quent accounts are referred to the Department of Treasury for additional collection efforts, or to the Interior Department's Solicitor's Office for appropriate legal action or bankruptcy proceedings. The current accounts receivable balance is \$5.6 million. The Office of Surface Mining has referred \$3.1 million of this amount to the Office of the Solicitor for legal action, \$1.5 million under bankruptcies, and \$1.6 million for litigation. Another \$1.4 million has been referred to the Department of Treasury for collection, and the remaining \$1.1 million is being pursued internally by the Office of Surface Mining. Table 14 shows 2000 collections and year-end debt balances.

### Financial Systems: Electronic Improvements

The Office of Surface Mining is pursuing the following initiatives to improve its financial and administrative management. Added improvements in 2000 include:

■ **Financial Statements/Accounting Standards.** The Office of Surface Mining's managerial cost accounting program made advances in 2000. Cost accounting information was produced for each of the major program activities and distributed to managers. The information links expenditures to productivity, so that costs and outputs can be compared. The 2000 data establishes a baseline that can be used to evaluate trends and efficiency in future years.

■ **Financial Management Systems.** The Comprehensive On-Line Document Reconciliation System, which is a sub-system for processing the integrated credit card centrally-billed transactions continues to be improved. In 2000, over 96 percent of all transactions were processed through this system. The cardholder inputs transactions which are matched against the invoice downloaded from the Bank of America to allow daily payment of the invoice. Unmatched transactions are automatically paid against default accounts selected by the user. The system is fully integrated with the accounting system and permits the cardholder to adjust the accounting information at any time. The system also has a selection of reports available to monitor usage and data accuracy.

■ **The Management Accounting and Performance System** was upgraded during 2000. This system is an on-line reporting tool that utilizes a parallel data source that is the core accounting and reporting system for the Office of Surface Mining. The system provides information on the status of funds, labor and payroll, grant, and personnel management. The upgrades include adding reports for personnel data and budgetary monitoring were added, and system security was upgraded. This system will continue to be enhanced each year based on customer requests so it will become more effective.

■ **Electronic Filing of Coal Reclamation Fee Reports.** During 2000, two methods were developed to allow coal companies to file Coal Reclamation Fee Reports electronically. Companies that report on less than 20 permits will be able use the internet to file quarterly reports on-line. Companies that



The Surface Mining Law requires careful planning to prevent off-site degradation of surface water resources. At this Pennsylvania site, a remining operation located along the banks of the river, there was not any environmental degradation or violations throughout the mining and reclamation process.

report on large numbers of permits will be able to transmit an electronic file. The intent of this project is to reduce the reliance on paper, increase efficiency, and give companies a convenient electronic alternative for reporting reclamation fee information. Testing of electronic filing will extend into 2001, and electronic filing will be available for companies to use on a pilot basis in January 2001.

■ **Payments and Business Methods.** Prompt Payment Act interest was reduced from 0.26 percent in September 1999 to a cumulative rate of 0.15 percent in September 2000. The aggressive policy to comply with the Electronic Funds Transfer provisions of the Debt Collection Improvement Act of 1996 continued during 2000. Vendor compliance ranged from 73.5 percent to 87.7 percent, averaging 81.5 percent for 2000, and travel payments increased from 99.5 to 99.8 percent. In 2000, 99.9 percent of all dollars paid by the Office of Surface Mining were paid by electronic transfer.



■ **Use of the Purchase Cards** continued to increase dramatically during 2000. Total transactions paid by credit card increased from 17,995 transactions in 1999 to 24,929 in 2000. Dollars spent increased from \$3,544,363 in 1999 to \$4,359,282 in 2000. Dollars spent using the credit card amounted to 25.8 percent of all dollars obligated in 2000.

### Audited Financial Statements

Since 1990, the Office of Surface Mining has prepared an Annual Financial Statement after the close of each fiscal year, as required by the Chief Financial

Wildlife habitat has a particularly rich and diverse ecology. Creation or reestablishment of wetlands on reclaimed mine land is a high priority in many areas of the country where the post-mining use is suitable. At this Alabama site, the mine operator established the wetland during the reclamation of a large sediment pond.



Officers Act of 1990 (Public Law 101-576). The statements are audited by the Department of the Interior's Office of Inspector General to ensure that financial results are fairly stated and conform with generally-accepted accounting principles for federal agencies. In 2000, the Office of Surface Mining received its tenth consecutive "clean" audit opinion.

### Information Technology

The Office of Surface Mining uses information technology to be more efficient, support program functions, and provide better information access for other federal agencies, coal industry, states, tribes, and the public. A telecommunications network is maintained to electronically transmit and receive information from sources both inside and outside of the agency.

During 2000, improved safeguards and increased security of automated systems have been implemented. With increased security threats from both internal and external sources, a security directive was developed and risk assessments conducted for automated systems. This ensures that any security weaknesses in automated systems are identified and eliminated.

The expansion and improvement of the Wide Area Network continued. This expanded network provides improved telecommunications support to accommodate the increased volume of electronic transactions. Both public and private sources connecting to the Office of Surface Mining via the Internet benefit from the increased processing speed of the expanded network.

### Human Resources Management

During 2000, the automated recruitment, rating, and ranking system was put into use. This system has reduced the time and resources needed to determine highly-qualified applicants. The system is Web based, allowing applicants to apply on-line, and providing a list of eligible candidates almost immediately after a vacancy has closed. The system also provides historical information concerning applicant pools and responses so that successful and unsuccessful recruitment efforts can be measured. The Office of Surface Mining on-line job application web site can be accessed at [www.osmre.gov/applyforjobs.htm](http://www.osmre.gov/applyforjobs.htm).

As part of the Succession Planning process, data from the national survey is being used to analyze workload and workforce requirements. Using this data, determinations on projected retirement dates, skill levels of current employees, and skills required for future employees are being made.

The Office of Surface Mining continued to provide personnel policy guidance and operational services to the Bureau of Indian Affairs, Washington, D.C. This included managing a large transfer of function of Bureau of Indian Affairs employees from Albuquerque, New Mexico to Reston, Virginia.

During 2000, Quality of Worklife Seminars were held on income tax preparation, breast cancer, prostate cancer, census 2000, retirement, and self-defense.

### Monitoring Potential Conflicts of Interest

Sections 201(f) and 517(g) of the Surface Mining Law prohibit any federal or state employee “performing any function or duty under this Act” from having “direct or indirect financial interests in underground or surface coal mining operations.” The Office of Surface Mining monitors compliance to prevent conflicts with an employee’s official duties. In 1999<sup>1</sup>, 633 Office of Surface Mining, 989 other federal, and 3,308 state employees filed financial disclosure statements. Five violations were identified and resolved by the head of the state regulatory authority.

### Labor-Management Partnership

The Office of Surface Mining maintains two labor-management partnerships, created in response to Executive Order 1287. The first was established in 1994 at Washington, D.C., headquarters with the National Federation of Federal Employees, Local 1993. Since June 1995, Local 2148 of the National Federation of Federal Employees and the Albuquerque Field Office have also maintained a partnership.

There are three other exclusive recognitions, although partnerships have not yet been established. They are located at the Casper Field Office (Wyoming); Lexington Field Office (Kentucky); and Division of Compliance Management-Region II (Lexington, Kentucky).

The Office of Surface Mining, under a Memorandum of Agreement with the Bureau of Indian Affairs, continues to provide labor relations support throughout the Bureau of Indian Affairs. The results of a 1999 election to determine Bureau of Indian Affairs



Coal mining at this North Dakota site was a temporary use of the land. In the first step of the mining operation, the topsoil was removed. During reclamation the soil was restored, and today is the land is as productive as it was before mining.

employee representatives was contested by the National Federation of Federal Employees. In May 2000, the Federal Labor Relations Authority rendered a decision on the outcome of this election and named the Indian Education Federation as the exclusive representative.

### Equal Opportunity

The Office of Surface Mining is in its third year of implementing its Strategic Plan for Improving Diversity. The Plan contains objectives to address the recruitment of women, minorities, persons with disabilities, reasonable accommodation issues, employee development, retention, zero tolerance of discrimination, quality of work life, management training and accountability. Even though success was achieved in the recruitment and employee development initiatives, there was no significant change in the representation of women and minorities due to the large number of separations (35) during 2000.

The Office of Surface Mining hired 26 new employees during 2000. These new employees included 15 women (11 men) and 12 minorities (14 non-minorities). However, significant gains were achieved by improving diversity through internal actions. For example, there were 62 promotions in

1. Data for 1999 are reported here because 2000 federal statistics will not be available until January 2001 and state statistics until May 2001.

## FINANCIAL MANAGEMENT AND ADMINISTRATION

2000, women received 44 (18 men) and minorities received 21 (41 non-minorities) of the promotions. It is also significant that women and minorities received 8 of the 13 promotions at the GS-13 and 14 grade levels. In addition, two disabled students were hired through the Defense Department's summer program.

Effective January 1, 2000, the changes to the Complaints Processing Regulation, 29 CFR Part 1614, dictated that all agencies must have an established Alternative Dispute Resolution program in place. The Office of Surface Mining along with the Bureau of Land Management, and the Minerals Management Service, and the Office of the Secretary, developed the Land and Minerals Mediation Program. Under this program, there were four mediations, and all of them were settled prior to the employee filing a formal complaint. Alternative Dispute Resolution is a timely and cost effective preference to the more conventional processes of resolving disputes.

During 2000, 11 discrimination complaints were filed. This was a decrease of 2 complaints from the previous year and represents the third consecutive year that the number of complaints filed in the Office of Surface Mining has decreased. At the end of the year, there were 18 complaints being processed, a decrease of 12 complaints (40 percent) over the previous year. These 18 complaints include: 7 pending investigations and 11 pending hearings by the Equal Employment Opportunity Commission. This was the second consecutive fiscal year with no complaints over 180 days old without the issuance of a Report of Investigation.

One of the basic objectives of the Surface Mining Law is to see that operators return mined land to its original condition so it can support the pre-mining land use or a higher alternative use. This Kentucky mine was reclaimed to farm land that is completely integrated into the existing agricultural landscape. Slopes were graded to provide gently rolling hay fields draining into a permanent impoundment that is stocked with fish. This is the quality of reclamation envisioned by the architects of the Surface Mining Law.





## DIRECTORY: OFFICE OF SURFACE MINING

### Headquarters

*Kathrine L. Henry, Acting Director*  
1951 Constitution Ave., N.W.  
Washington, D.C. 20240  
khenry@osmre.gov  
(202) 208-4006

### Albuquerque Field Office

(Arizona, California, New Mexico, Navajo Tribe,  
Hopi Tribe, and Ute Tribe)  
*Willis L. Gainer, Director*  
505 Marquette Ave., NW, Suite 1200  
Albuquerque, NM 87102  
wgainer@osmre.gov  
(505) 248-5070

### Appalachian Regional Coordinating Center

(Maryland, Michigan)  
*Allen D. Klein, Regional Director*  
Three Parkway Center  
Pittsburgh, PA 15220  
aklein@osmre.gov  
(412) 937-2828

### Anthracite Team

*Michael Kuhns, Team Leader*  
Suite 308  
7 North Wilkes-Barre Blvd.  
Wilkes-Barre, PA 18702-5203  
mkuhns@osmre.gov  
(570) 830-1403

### Appalachia Team

*John Sefton, Team Leader*  
1405 Greenup Ave., Rm 224  
Ashland, KY 41101  
jsefton@osmre.gov  
(606) 324-2828, ext. 19

### Applicant Violator System Office

*Earl D. Bandy, Chief*  
2679 Regency Road  
Lexington, KY 40503  
ebandy@osmre.gov  
(859) 260-8427

### Beckley Area Office

*Jack Nelson, Manager*  
313 Harper Park Dr.  
Beckley, WV 25801  
jnelson@osmre.gov  
(304) 255-5265

### Big Stone Gap Field Office

(Virginia)  
*Robert A. Penn, Director*  
1941 Neeley Road, Suite 201  
Compartment 116  
Big Stone Gap, VA 24219  
rpenn@osmre.gov  
(540) 523-0001

### Birmingham Field Office

(Alabama and Mississippi)  
*Arthur Abbs, Director*  
135 Gemini Circle, Suite 215  
Homewood, AL 35209  
aabbs@osmre.gov  
(205) 290-7282, ext. 16

### Casper Field Office

(Idaho, Montana, North Dakota, South Dakota,  
Wyoming, Crow Tribe, Northern Cheyenne Tribe,  
Cheyenne River Sioux Tribe)  
*Guy Padgett, Director*  
100 East B St., Rm. 2128  
Casper, WY 82601-1918  
gpadgett@osmre.gov  
(307) 261-6550

### Charleston Field Office

(West Virginia)  
*Roger W. Calhoun, Director*  
1027 Virginia Street, East  
Charleston, WV 25301  
rcalhoun@osmre.gov  
(304) 347-7162

### Columbus Team

(Ohio)  
*George Rieger, Manager*  
4480 Refugee Road, Suite 201  
Columbus, OH 43232  
grieger@osmre.gov  
(412) 937-2153 (Pittsburgh, Penna.)

### Division of Financial Management

*JoAnn Hagan, Accounting Officer*  
P.O. Box 25065  
Building 20, Rm. B 2125  
Denver Federal Center  
Denver, CO 25065  
hagan@osmre.gov  
(303) 236-0330, ext 301

### Harrisburg Field Office

(Massachusetts, Pennsylvania, and Rhode Island)  
*Bob Biggi, Director*  
Harrisburg Transportation Center  
415 Market Street, Suite 3C  
Harrisburg, PA 17101  
bbiggi@osmre.gov  
(717) 782-4871

### Indianapolis Field Office

(Indiana and Illinois)  
*Andrew R. Gilmore, Director*  
Milton-Capehart Fed. Bldg.  
575 North Pennsylvania St., Rm 301  
Indianapolis, IN 46204  
agilmore@osmre.gov  
(317) 226-6700

### Johnstown Area Office

*Joe Geissinger, Manager*  
Richland Professional Bldg.  
334 Bloomfield St., Suite 104  
Johnstown, PA 15904  
jgeissin@osmre.gov  
(814) 533-4223

### Knoxville Field Office

(Georgia, North Carolina, and Tennessee)  
*George Miller, Director*  
530 South Gay St., Suite 500  
Knoxville, TN 37902  
gmiller@osmre.gov  
(865) 545-4103

### Lexington Field Office

(Kentucky)  
*Bill Kovacic, Director*  
2675 Regency Road  
Lexington, KY 40503-2922  
bkovacic@osmre.gov  
(859) 260-8402

### London Area Office

*Patrick Angel, Team Leader*  
P.O. Box 1048  
London, KY 40743  
pangel@osmre.gov  
(606) 878-6440

### Madisonville Area Office

*Michael Vaughn, Team Leader*  
100 YMCA Drive  
Madisonville, KY 42431  
mvaughn@osmre.gov  
(270) 825-4500

### Mid-Continent Regional Coordinating Center

(Iowa, Kansas, and Missouri)  
*Rick Seibel, Acting Regional Director*  
Alton Federal Bldg.  
501 Belle Street, Rm 216  
Alton, IL 62002  
rseibel@osmre.gov  
(618) 463-6460

### Morgantown Area Office

*Jack Nelson, Supervisor*  
P.O. Box 886  
75 High Street, Rm. 229  
Morgantown, WV 26507-0886  
jnelson@osmre.gov  
(304) 255-5265 (Beckley, West Virginia)

### Olympia Office

*Glen Waugh, Manager*  
Evergreen Plaza Bldg.  
711 South Capitol Way, Suite 703  
Olympia, WA 98501  
gwaugh@osmre.gov  
(360) 753-9538

### Pikeville Area Office

*Patrick Angel, Team Leader*  
Matewan Bank Bldg.  
334 Main Street, Rm. 409  
Pikeville, KY 41501  
pangel@osmre.gov  
(606) 878,6440

### Tulsa Field Office

(Arkansas, Louisiana, Oklahoma, and Texas)  
*Michael C. Wolfrom, Director*  
5100 E. Skelly Dr., Suite 470  
Tulsa, OK 74135-6548  
mwolfrom@osmre.gov  
(918) 581-6430, Ext. 23

### Western Regional Coordinating Center

(Alaska, Colorado, Utah, Washington,  
and Indian Lands)  
*Brent Wahlquist, Regional Director*  
1999 Broadway, Suite 3320  
Denver, CO 80202  
bwahlqui@osmre.gov  
(303) 844-1401

## DIRECTORY: STATE REGULATORY AUTHORITY

### Alabama

*Randall C. Johnson, Director*  
Alabama Surface Mining Commission  
P.O. Box 2390  
1811 Second Avenue, 2nd Floor  
Jasper, AL 35502-2390  
E-mail: None available  
(205) 221-4130

### Alaska

*Ed Fogels, Manager*  
Alaska Division of Mining, Land and Water  
3601 C Street, Suite 800  
Anchorage, AK 99503-5935  
edf@dnr.state.ak.us  
(907) 269-8600

### Arkansas

*Floyd G. Durham, Chief*  
Dept. of Environmental Quality  
P.O. Box 8913  
8001 National Drive  
Little Rock, AR 72219-8913  
druham@adeq.state.ar.us  
(501) 682-0809

### Colorado

*Michael B. Long, Director*  
Office of Active and Inactive Mines  
Division of Minerals and Geology  
Department of Natural Resources  
1313 Sherman Street, Rm. 215  
Denver, CO 80203  
long.michael@state.co.us  
(303) 866-3567

### Illinois

*Brent Manning, Director*  
Department of Natural Resources  
524 South Second Street  
Springfield, IL 62701-1787  
bmanning@dnrmail.state.il.us  
(217) 782-6791

### Indiana

*Larry Macklin, Director*  
Department of Natural Resources  
402 W. Washington St., Rm. W256  
Indianapolis, IN 46204  
lmacklin@dnr.state.in.us  
(317) 232-4020

### Iowa

*Kenneth Tow, Chief*  
Department of Agriculture &  
Land Stewardship  
Division of Soil Conservation  
Wallace State Office Building  
Des Moines, IA 50319  
ktow@osmre.gov  
(515) 281-6147

### Kansas

*Murray J. Balk, Section Chief*  
Surface Mining Section  
Department of Health & Environment  
4033 Parkview Drive  
Frontenac, KS 66763  
mbalk@kdhe.state.ks.us  
(316) 231-8540

### Kentucky

*James E. Bickford, Secretary*  
Natural Resources and  
Environmental Protection Cabinet  
5th Floor, Capital Plaza  
Frankfort, KY 40601  
james.bickford@mail.state.ky.us  
(502) 564-3350

### Louisiana

*Tony Duplechin*  
Department of Natural Resources  
Office of Conservation  
Injection and Mining Division  
P.O. Box 94275  
Baton Rouge, LA 70804-9275  
tonydu@dnr.state.la.us  
(504) 342-5528

### Maryland

*C. Edmon Larrimore, Mining Program Manager*  
Department of the Environment  
2500 Broeing Highway  
Baltimore, MD 21224  
elarrimore@mde.state.me.us  
(410) 631-8055

### Mississippi

*S. Cragin Knox, Director*  
Department of Environmental Quality  
2380 Highway 80 West  
P.O. Box 20307  
Jackson, MS 39289-1307  
cragin.knox@deq.state.ms.us  
(601) 961-5500

### Missouri

*Larry Coen, Director*  
Land Reclamation Program  
Department of Natural Resources  
Jefferson State Office Building  
P.O. Box 176  
Jefferson City, MO 65102  
nrcoen@mail.dnr.state.mo.us  
(573) 751-4041

### Montana

*Steve Welch, Chief*  
Industrial and Energy Minerals Bureau  
Department of Environmental Quality  
P.O. Box 200901  
Helena, MT 59620-0901  
swelch@state.mt.us  
(406) 444-4964

### New Mexico

*Doug Bland, Director*  
Mining and Minerals Division  
Energy, Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, NM 87505  
dbland@state.nm.us  
(505) 827-5988

### North Dakota

*Jim Deutsch, Director*  
Reclamation Division  
North Dakota Public Service Commission  
Capitol Building  
Bismarck, ND 58505  
jrd@oracle.psc.state.nd.us  
(701) 328-2251

### Ohio

*Tom Tugen, Deputy Chief*  
Field Operations and Permitting  
Division of Mineral Resources Management  
Department of Natural Resources  
1855 Fountain Square, Bldg. H-3  
Columbus, Oh 43224  
tom.tugend@dnr.state.oh.us  
(614) 265-6901

### Oklahoma

*Mary Ann Pritchard, Director*  
Oklahoma Department of Mines  
4040 N. Lincoln Blvd., Suite 107  
Oklahoma City, OK 73105  
maryann@guinan.osmre.gov  
(405) 521-3859

### Pennsylvania

*Bob Dolence, Deputy Secretary for  
Minerals Resource Management*  
P.O. Box 2063  
Harrisburg, PA 17105-2063  
dolence.robert@a1.dep.state.pa.us  
(717) 783-5338

### Texas

*Melvin B. Hodgkiss, Director*  
Surface Mining and Reclamation Division  
Railroad Commission of Texas  
P.O. Drawer 12967, Capitol Station  
Austin, TX 78711-2967  
melvin.hodgkiss@rrc.state.tx.us  
(512) 463-6900

### Utah

*Lowell P. Braxton, Director*  
Utah Division of Oil, Gas, and Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114-5801  
nrogm.lbraxton@state.ut.us  
(801) 538-5370

### Virginia

*O. Gene Dishner, Director*  
Department of Mines, Minerals and Energy  
Ninth Street Office Bldg., 8th Floor  
202 N. 9th Street  
Richmond, VA 23219  
ogd@mme.state.va.us  
(804) 692-3202

### West Virginia

*Michael C Castle, Director*  
Division of Environmental Protection  
10 McJunkin Road  
Nitro, West Virginia 25143-2506  
mcastl@mail.dep.state.wv.us  
(304) 759-0515

### Wyoming

*Dennis Hemmer, Director*  
Department of Environmental Quality  
Herschler Bldg., 4th Floor West  
122 West 25th Street  
Cheyenne, WY 82002  
dhemmer@state.wy.us  
(307) 777-7682

## DIRECTORY: STATE ABANDONED MINE LAND RECLAMATION PROGRAMS

### Alabama

*Alice McKinney, Director*  
Department of Industrial Relations  
649 Monroe Street, Room 602  
Montgomery, AL 36131  
alstprog@zebra.net  
(334) 242-8265

### Alaska

*Brian McMillan, AML Prog. Coordinator*  
Division of Mining  
3601 C Street, Suite 800  
Anchorage, AK 99503-5935  
brianm@dnr.state.ak.us  
(907) 269-8625

### Arkansas

*Wayne Van Buren, Supervisor Environmental Quality*  
Dept. of Pollution Control and Ecology  
Russellville Field Office  
1220 West 2nd Street  
Russellville, AR 72801  
wwanbure@troi.csw.net  
(501) 968-7339

### Colorado

*David L. Bucknam, Supervisor*  
Inactive Mine Reclamation Program  
Department of Natural Resources  
Division of Minerals and Geology  
1313 Sherman Street, Rm. 215  
Denver, CO 80203  
david.bucknam@state.co.us  
(303) 866-3567

### Illinois

*Al Clayborne, Manager*  
Division of Abandoned Mine Land Reclamation  
Office of Mines and Minerals  
Department of Natural Resources  
524 South Second Street  
Springfield, IL 62701-1787  
aclayborne@dnrmail.state.il.us  
(217) 782-0588

### Indiana

*John Allen, Assistant Director-Restoration*  
Department of Natural Resources  
Division of Reclamation  
R.R. 2, Box 129  
Jasonville, IN 47438-9517  
jallen@kern.osmre.gov  
(812) 665-2207

### Iowa

*Erica Berrier, AML Coordinator*  
Division of Soil Conservation  
Dept. of Agriculture and Land Stewardship  
Wallace State Office Building  
Des Moines, IA 50319  
eberrier@osmre.gov  
(515) 281-5347

### Kansas

*Murray J. Balk, Mining Section Chief*  
Surface Mining Section  
Department of Health & Environment  
4033 Parkview Drive  
Frontenac, KS 66763  
mbalk@kdhe.state.ks.us  
(316) 231-8540

### Kentucky

*Steve Hohmann, Director*  
Division of Abandoned Mine Lands  
Department of Surface Mining  
Reclamation and Enforcement  
2521 Lamremebury Rd  
Frankfort, KY 40601  
shohmann@osmre.gov  
(502) 564-2141

### Louisiana

*Tony Duplechin*  
Dept. of Natural Resources  
Office of Conservation  
Injection and Mining Division  
P.O. Box 94275  
Baton Rouge, LA 70804-9275  
tonydu@dnr.state.la.us  
(225) 342-5528

### Maryland

*Fred Bagley, Supervisor*  
Abandoned Mine Lands Section  
Coal Mining Division  
Maryland Dept. of the Environment  
160 S. Water St.  
Frostburg, MD 21532  
fbagley@mde.state.md.us  
(301) 689-6764 Ext. 303

### Missouri

*Dennis Stinson, Chief*  
AML Section Land Reclamation Program  
Department of Natural Resources  
Division of Environmental Quality  
1738 East Elm Street  
Jefferson City, MO 65101  
dstin@mail.dnr.state.mo.us  
(573) 751-4041

### Montana

*Vic Anderson, Chief*  
Mine Waste Clean Up Bureau  
Department of Environmental Quality  
P.O. Box 200901  
Helena, MT 59620-0901  
vanderson@state.mt.us  
(406) 444-4972

### New Mexico

*Bob Evetts, AML Program Manager*  
Mining and Minerals Division  
Energy, Minerals & Natural Resources Dept.  
2040 South Pacheco Street  
Santa Fe, NM 87505  
revetts@state.nm.us  
(505) 827-5970 Ext 33

### North Dakota

*Lou Ogaard, Director*  
AML Division  
North Dakota Public Service Commission  
State Capitol  
Bismarck, ND 58505  
smail.lao@oracle.psc.state.nd.us  
(701) 328-4108

### Ohio

*Mike Sponsler, Chief*  
Mine Safety and Technical Services  
Division of Mineral Resources Management  
Department of Natural Resources  
1855 Fountain Square, Bldg. H  
Columbus, OH 43224  
(614) 265-6893  
mike.sponsler@dnr.state.oh.us

### Oklahoma

*Michael L. Kastl, Program Director*  
AML Program  
Oklahoma Conservation Commission  
2800 N. Lincoln Blvd., Suite 160  
Oklahoma City, OK 73105  
mkastl@occgis.occ.state.ok.us  
(405) 521-2384

### Pennsylvania

*Roderick Fletcher, Director*  
Bureau of Abandoned Mine Reclamation  
Department of Environmental Protection  
P.O. Box 8476  
Harrisburg, PA 17105-8476  
fletcher.roderick@a1.dep.state.pa.us  
(717) 783-2267

### Texas

*Melvin B. Hodgkiss, Director*  
Surface Mining and Reclamation Division  
Railroad Commission of Texas  
P.O. Drawer 12967, Capitol Station  
Austin, TX 78711-2967  
melvin.hodgkiss@rrc.state.tx.us  
(512) 463-7313

### Utah

*Mark Mesch, Chief*  
Abandoned Mine Reclamation Program  
Utah Division of Oil, Gas and Mining  
1594 West North Temple, Suite 1210  
Salt Lake City, UT 84114-1203  
nrogm.mmesch@state.ut.us  
(801) 538-5349

### Virginia

*Roger L. Williams, AML Manager*  
Division of Mine Land Reclamation  
P.O. Drawer 900  
Big Stone Gap, VA 24219  
rlw@mme.state.va.us  
(540) 523-8208

### West Virginia

*Patrick C. Park, Assistant Chief*  
Office of Abandoned Mine Lands  
and Reclamation  
Division of Environmental Protection  
10 McJunkin Road  
Nitro, WV 25143-2506  
ppark@mail.dep.state.wv.us  
(304) 759-0521

### Wyoming

*Evan Green, AML Administrator*  
Abandoned Mine Lands Program  
Herschler Building - 4th Floor West  
122 West 25th Street  
Cheyenne, WY 82002  
egreen@state.wy.us  
(307) 777-6145

### Crow Tribe

*Hugh Whiteclay*  
Crow AML Program  
P.O. Box 460  
Crow Agency, MT 59022  
E-mail: None available  
(406) 638-2894

### Hopi Tribe

*Riley Balenquah, Acting Manager*  
Abandoned Mine Land Program  
Department of Natural Resources  
The Hopi Tribe  
P.O. Box 123  
Kykotsmobi, AZ 86039  
rbalenqu@osmre.gov  
(520) 734-7145

### Navajo Nation

*Madeline Roanhorse, Director*  
Abandoned Mine Land Reclamation Department  
Navajo Nation  
P.O. Box 1875  
Window Rock, AZ 86515  
E-mail: None available  
(520) 871-7593

### Northern Cheyenne

*Jason Whiteman, Director*  
Northern Cheyenne Dept. of Natural Resources  
P.O. Box 128  
Lame Deer, MT 59043  
E-mail: None available  
(406) 477-6503





OFFICE OF SURFACE MINING  
1951 CONSTITUTION AVE. N.W.  
WASHINGTON, DC 20240  
[WWW.OSM.GOV](http://WWW.OSM.GOV)  
(202) 208-2719  
JANUARY 9, 2001

*U.S. Department of the Interior  
Office of Surface Mining*

# ACCOUNTABILITY REPORT

## **Fiscal year 2000**

**THE OFFICE OF SURFACE MINING IS A BUREAU OF THE U.S. DEPARTMENT OF THE INTERIOR WITH RESPONSIBILITY, IN COOPERATION WITH THE STATES AND INDIAN TRIBES, TO PROTECT CITIZENS AND THE ENVIRONMENT DURING COAL MINING AND RECLAMATION, AND TO RECLAIM MINES ABANDONED BEFORE 1977.**





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## MESSAGE FROM THE ACTING DIRECTOR AND CHIEF FINANCIAL OFFICER

I am pleased to present OSM's Accountability Report for Fiscal Year (FY) 2000. The Report provides a thorough description of OSM's program performance and financial accountability in meeting its mission and strategic goals. The Report also provides information on OSM's progress in meeting those goals and demonstrates our commitment in administering our programs.

During FY 2000, OSM made great strides in addressing several high priorities: increasing funds available for more abandoned mine reclamation; assuring program integrity; providing responsive service to the public; meeting our obligations to the United Mine Workers of America Combined Benefit Fund; strengthening our long term planning and improving our policy making process. We continue to actively educate the public on the mission and programs at OSM.

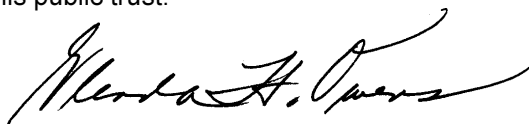
I am very pleased to report that this is the tenth consecutive "clean" audit opinion. This demonstrates that OSM is accountable and assures the Department, Congress and the Office of Management and Budget that we can manage the resources provided us for carrying out our mission. In addition, the Office of Inspector General found that we comply in all material respects with accounting and internal control objectives. The auditors did find a reportable condition in FY 1999 involving the general and application controls over automated information systems. OSM corrected this issue in FY2000.

OSM was at the forefront of addressing Year 2000 computer issues. We were the first agency at the Department of the Interior to become Year 2000 compliant. This was not an easy task. But it was one accomplished because of the hard work, long

hours, and dedication of a team of OSM employees.

FY 2000 brought increased funding for abandoned mine reclamation. The states and tribes had nearly eleven million more dollars to use for this vital work. More streams are being treated to combat the effects of past mining and more land is being put back into productive use for recreation, economic development, and community enjoyment. The Watershed Cooperative Agreement Program, begun in FY 99, more than doubled in size during this past year. This increase means that local not-for-profit organizations are leveraging funds from many sources in order to restore abandoned mine lands and make their communities better places to live. In addition, OSM is actively seeking partners to plant trees on abandoned mine lands. Our reforestation initiative has the dual effect of better reclamation and increased opportunities for carbon sequestration.

During the past twenty-three years, OSM has made a difference in the lives of citizens in the nation's coalfields. We have set ambitious goals for the future, and we will work hard to achieve them. OSM is prepared to meet the challenges we face and serve the American people as responsible stewards of this public trust.

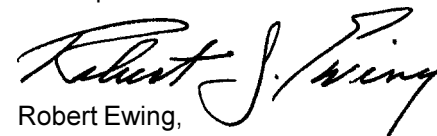


Glenda Owens,  
Acting Director

The Office of Surface Mining Reclamation and Enforcement (OSM) was one of the first Department of Interior Bureaus to combine the Annual Report with the audited financial statements. For fiscal year 2000, we are issuing an Annual Report and a separate Accountability Report because the two reports have different purposes and audiences. The Accountability Report consolidates the mandatory reporting requirements of various statutes and summarizes OSM's program accomplishments and its stewardship over budget and financial resources.

OSM is reporting on two primary mission goals, Environmental Restoration and Environmental Protection, and one statutory requirement to transfer money to the United Mine Workers of America Combined Benefit Fund. This year's Accountability Report includes performance reporting for two mission goals and identification of costs for one goal. OSM continues to encourage partnership participation with the states and tribes. This strategy lowers federal surface mining program costs by leveraging federal funds with contributions from state and local sources, community groups, and non-profit organizations.

I appreciate the dedication and professionalism of OSM employees, both programmatic and financial, who have worked to make our operations a success. I especially appreciate the teamwork of the financial management staff and field office personnel who perform the budgeting and accounting work throughout the year in order to achieve the "clean" audit opinions.



Robert Ewing,  
Chief Financial Officer



## INTRODUCTION

This report describes the operations of the Interior Department's Office of Surface Mining (OSM) for the period October 1, 1999, through September 30, 2000 (Fiscal Year 2000). This Accountability Report was compiled to meet the specific requirement of Section 306 of the Chief Financial Officers Act of 1990. A separate Annual Report to Congress contains details about the programs and information describing the operation of the Office of Surface Mining to meet the requirements of Section 706 of the Surface Mining Law.

This report includes financial accounting for activities carried out under several parts of the Law: Title IV, Abandoned Mine Reclamation; Title V, Control of the Environmental Impacts of Surface Coal Mining; and Title VII, Administrative and Miscellaneous Provisions. Surface Mining Law responsibilities of other bureaus and agencies have been omitted. These responsibilities include Title III, State Mining and Mineral Resources and Research Institutes program, which was administered by the now abolished U.S. Bureau of Mines; Titles VIII and IX, the University Coal Research Laboratories and the Energy Resources Graduate Fellowships, which are administered by the Secretary of Energy, and Section 406, the Rural Abandoned Mine Program (RAMP), which is administered by the Secretary of Agriculture. Financial information about those activities is reported directly to Congress by the agencies responsible for them.

The Inspector General's audit statement which gives the Office of Surface Mining a "clean" audit opinion for its FY 2000 financial reporting – the tenth consecutive year – is also included in this report.

For information about Office of Surface Mining activities, news releases, and publications, and for copies of the Annual Report to Congress, visit the Office of Surface Mining web site at [www.osmre.gov](http://www.osmre.gov) or contact:

Office of Communications  
Office of Surface Mining  
1951 Constitution Ave., N.W.  
Washington, D.C. 20240  
[www.osmre.gov](http://www.osmre.gov)  
(202)208-2719  
e-mail: [getinfo@osmre.gov](mailto:getinfo@osmre.gov)

## OFFICE OF SURFACE MINING AT A GLANCE

The Office of Surface Mining was established with the signing of the Surface Mining Control and Reclamation Act (SMCRA) of 1977, Public Law 95-87, August 3, 1977.

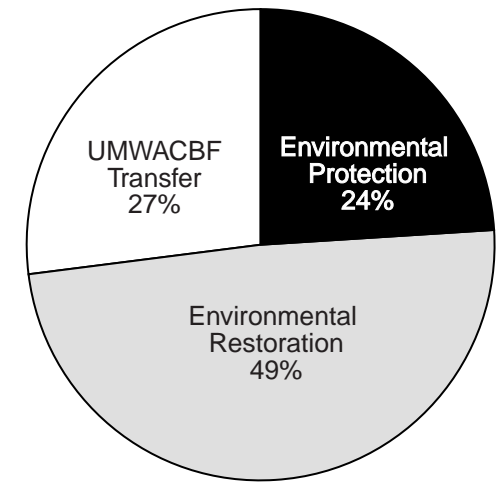
The Office of Surface Mining's mandates are carried out primarily through grants and cooperative agreements with states and tribes that implement regulatory and reclamation programs in accordance with standards in the Surface Mining Law and its implementing regulations. When the Law was enacted and the Office of Surface Mining subsequently established, a unified level of environmental performance standards was created for the coal industry. Residents of coalfield communities were to be protected from the negative safety, health, and environmental effects of coal mining.

Currently, 24 states have "primacy," or approved State regulatory programs. Each state program includes key elements such as permitting and bonding requirements, on-the-ground performance standards which mining operations must meet, mine inspection and enforcement requirements, and procedures for designating lands as unsuitable for mining. In primacy states, the Office of Surface Mining's mission is oversight. OSM provides financial, programmatic, and technical assistance to the states.

In the absence of a state program or a cooperative agreement with a state to regulate mining on federal lands, the Office of Surface Mining serves as the regulatory authority. The Office of Surface Mining also provides funds to Tribes to develop regulatory programs on Indian lands.

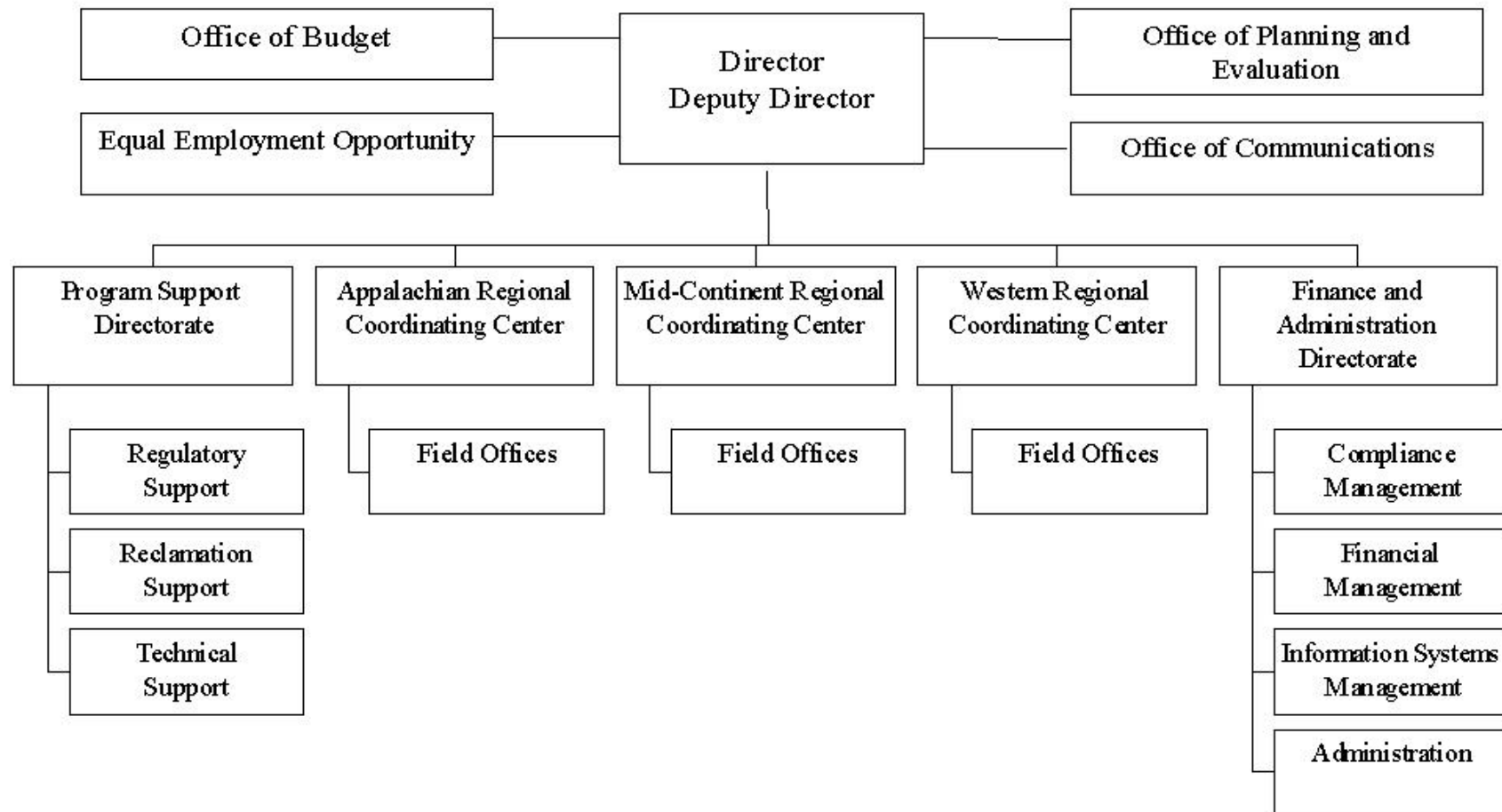
The Surface Mining Law provides the means for restoring abandoned coal mines by establishing the Abandoned Mine Reclamation Fund. The Fund is based on the collection of a reclamation fee assessed on current coal production. Each year, Congress appropriates monies from the Fund which are used primarily by 23 Abandoned Mine Land program states and three Indian programs for on-the-ground reclamation projects. Through these projects, safety hazards are removed, highwalls eliminated, and causes of water and air pollution are treated or eliminated. Additionally, monies are used to fund federal and state Abandoned Mine Land programs aimed at addressing emergency situations; for example, subsidence and landslides and the damages these events cause to people and property. The Office of Surface Mining conducts similar activities in non-program states and on federal and other Indian lands. For states and Indian tribes having approved Abandoned Mine Land programs, the Office of Surface Mining conducts oversight activities and provides programmatic and technical assistance to the states and tribes.

The Office of Surface Mining is field-oriented, with headquarters in Washington, D.C., three regional coordinating centers, ten field offices, and six area offices. The budget is structured into two appropriations: Abandoned Mine Reclamation and Regulation and Technology. The two appropriations include the Office of Surface Mining's major functions, reclamation of abandoned mine land (Environmental Restoration), and regulation of active coal mining and reclamation (Environmental Protection).



Office of Surface Mining 2000 Budget Authority

# Office of Surface Mining Reclamation and Enforcement





## MISSION AND VISION STATEMENT

### Mission

Our mission is to carry out the requirements of the Surface Mining Law in cooperation with states and tribes. Our primary objectives are to ensure that coal mines are operated in a manner that protects citizens and the environment during mining and assures that the land is restored to beneficial use following mining, and to mitigate the effects of past mining by aggressively pursuing reclamation of abandoned coal mines.

### Vision

In regulating active coal mining, we will maintain compliance at high levels and ensure that all mines are properly operated and promptly reclaimed to the standards established under the Law. We will emphasize prevention and ensure that long-term environmental problems do not occur. We will ensure that the pre-mining productivity of the land is restored.

In reclaiming abandoned mine lands, we will aggressively pursue reclamation with a primary emphasis on correcting the most serious problems related to public health, safety, and the general welfare. We will ensure maximum public benefit through the prompt and fair distribution of public funds.

In cooperating with state regulatory authorities, the primary enforcers of the Surface Mining Law, and with tribes, we will promote a shared commitment to the goals of the Law. We will develop a comprehensive understanding of the fairness, effectiveness, and efficiency of the Surface Mining Law programs. We will provide constructive program reviews, oversight monitoring, and technical assistance that focus on results. We will act independently to protect the public interest in situations of imminent harm or when a state does not implement an approved regulatory program.

In dealing with those who are affected by mining and reclamation, we will ensure the protection of citizens from abusive mining practices, be responsive to their concerns, and allow them full access to information needed to evaluate the effect of mining on their health, safety, general welfare, and property.

In our relations with the coal industry, we will have clear, fair, and consistently applied policies and will respect the importance of coal production as a source of our Nation's energy supply.

In all communications, we will maintain open, courteous, constructive, and timely dialogue and will use information to understand and improve our programs and those of our state and tribal partners.

In demonstrating leadership in mining and reclamation, we will promote the development of the highest quality technical information and research and will seek the transfer of technology to those who would benefit.

In meeting our responsibilities, we will be a diverse, competent, innovative, and highly-trained work force. We will serve with integrity, and demonstrate technical, legal, administrative, and professional excellence at all times. We will constantly strive to create a more responsive, efficient, and effective process for achieving the objectives of the Surface Mining Law.

## STRATEGIC PLANNING PROCESS

The Office of Surface Mining (OSM) has followed the criteria of the Government Performance and Results Act of 1993 (GPRA), the Office of Management and Budget (OMB) guidelines and the Department of the Interior's guidance in implementing its planning and management processes. OSM is recognized by the Department of the Interior as one of the lead bureaus in implementing planning processes and establishing financial integrity.

The Office of Surface Mining developed a mission statement reflective of the mandate of the Surface Mining Control and Reclamation Act of 1977 and a vision statement reflective of values, service and assistance afforded to its customers, stakeholders and partners. The mission statement reflects OSM's mandate to reclaim abandoned mine lands and provide safety for the environment and society during current mining activities, and the subsequent reclamation of those lands. The vision statement reflects the commitment and strategies of OSM in providing equitable and fair treatment to all of its customers and stakeholders in carrying out its mission.

An obvious outgrowth from the mission statement was OSM's two results-oriented mission goals, whose outcomes indicate the mandate of Environmental Restoration (restoring and reclaiming as much land and water as possible from past mining lands that have been abandoned) and Environmental Protection (ensuring that the environment and society are protected during current mining activities). OSM's mission and goals also support the Department of the Interior's goal of "Protecting the Environment and Preserving our Natural and Cultural Resources."



OSM then developed "business lines" in support of the mission, vision and goals that it identified. These business lines are the core activities the organization does to accomplish its mission. The two primary business lines, Environmental Restoration and Environmental Protection, are directly linked to OSM's goals. The three remaining business lines: Technology Development and Transfer, Financial Management, and Executive Direction, support the two primary business lines by providing the infrastructure of the organization. These business lines became the basis for restructuring OSM's budget, allocation and funding of OSM's activities. In addition, OSM implemented a cost accounting system to account for the work performed and funds expended in these business lines.

Progress in developing, implementing and evaluating a planning process in OSM has been an evolving exercise. The greatest impediment is instituting a culture change within the organization. OSM's planning process has followed acceptable, recognized guidelines for key steps and critical practices for implementation:

### Define Mission and Desired Outcomes

OSM defined its mission, vision and desired outcomes through consensus of its management council in conjunction with coordinated efforts from its customers and stakeholders. OSM has held numerous public meetings with its partners, the states and tribes, with whom it carries out the mandates of the Act and the mission of the program. Agreed upon goals and measures have been established through these coordination meetings. The Environmental Protection goal and measures of off-site impacts and bond released land were established as the best indicators for this goal through these coordination efforts. The States are the primary data source for the measure of acres reclaimed for the goal under Environmental Restoration.

OSM has aligned its business lines, program activities, core processes, and resources through its budget structure, allocation process, and cost accounting system.

### Measure Performance

OSM has developed goals and measures at every level of the organization. Through the Strategic and Annual Performance Plans, mission goals, and long-term goals, OSM established performance measures to indicate progress toward results-oriented outcomes. OSM developed internal directorate and office plans to measure the activities to support the mission goals and maintain the infrastructure. OSM collects data in support of the measures and reports

its success or shortcomings through Annual Performance Reports.

### Use Performance Information

OSM intends for its performance information to be used in decision-making, issue identification, problem-solving and re-evaluation of critical processes in reaching the desired outcomes of the organization. The establishment of reliable, verifiable and accurate data and systems has been, and continues to be, a priority.

### Reinforce Planning Implementation

Immediate efforts to reinforce implementation of its planning process has been/or will require:

- establishing a National Planning Group made up of managers and staff of OSM;
- establishing Directorate Planning Teams;
- developing individual performance plans for employees; and
- educating/training program managers in the need and advantages of cost accounting.

The planning process is an ever-evolving cycle that OSM will continually attempt to improve in order to provide itself with the best indicators and tools to carry out its mission and to provide the best service and assistance to its customers and stakeholders.

## ANNUAL PLANNING CYCLE





## SOURCES OF FUNDS

### Sources of Funds for Fiscal Year 2000

#### *Appropriations*

- **Regulation and Technology.** This appropriation finances the regulatory functions of the Surface Mining Law as administered by the states and tribes and Office of Surface Mining. Federal activities related to the administration and monitoring of state regulatory programs and the Office of Surface Mining's technical training, assistance, and transfer activities related to environmental protection are also financed by the appropriation. The total FY 2000 appropriation for Regulation and Technology was \$95.6 million from the General Funds of Treasury to fund the Environmental Protection program.
- **An additional \$9.8 million** was made available from the General Fund for the West Virginia regulatory program via Public Law 106-246. These funds are available until expended.
- **Abandoned Mine Reclamation Fund.** This appropriation supports the reclamation program functions carried out by the states and tribes and Office of Surface Mining. The Fund is derived from a fee levied on coal production sales, use, and transfers. The bulk of the appropriation finances grants to states to implement reclamation programs. The Fund also supports federal administration and monitoring of state programs, as well as, Office of Surface Mining's technical training, assistance, and transfer activities related to environmental reclamation including the Small Operator Assistance Program. The total appropriation for the Environmental Restoration Program in FY 2000 was \$195.9 million from the Fund.

#### *Receipts (Subject to appropriation)*

The Office of Surface Mining is authorized by appropriation language each fiscal year to utilize all of the federal civil penalties collected under Section 518 of SMCRA to reclaim lands mined and abandoned after passage of SMCRA (August 3, 1977). Civil penalty collections vary. A budget estimate is included in OSM's budget justification to Congress each year. The total budget authority from prior year (FY 1999) and current year (FY 2000) available for obligation in FY 2000 was \$228,088.

#### *Offsetting Collections (Not subject to appropriation)*

Forfeited reclamation bonds on Federal and Indian lands are authorized by appropriation language each fiscal year for the reclamation of orphaned lands. The value of forfeited bonds authorized is an indefinite amount not to exceed the actual amounts forfeited in current and prior years and is available until spent for the reclamation of specific sites. In FY 2000, \$1.1 million was available for this program.

#### *Interest*

The Abandoned Mine Reclamation Act of 1990, PL 101-508, authorized the United States Treasury to pay interest on the Abandoned Mine Reclamation Fund. The Energy Policy Act of 1992, PL 102-486, authorized the transfer of interest earned on the Abandoned Mine Reclamation Fund to the United Mine Workers of America Combined Benefit Fund (CBF) to defray the annual cost of providing continued health benefits to unassigned, retired coal miners and their dependents. In FY 2000, \$109 million was transferred including adjustments for prior years.

#### *Donations*

In the FY 1999 appropriation, OSM was thereafter authorized to receive and utilize donations under the Clean Streams Initiative and the Western Mine Land Restoration Partnerships without further appropriation for the purposes of these programs. In FY 2000, \$600 was available for this purpose. Of this, \$500 was donated in FY 2000.

## ENVIRONMENTAL RESTORATION PROGRAM

### Description

The Abandoned Mine Land Program provides for the restoration of eligible lands mined and abandoned or left inadequately restored before passage of the Surface Mining Law.

Fees of 35 cents per ton of surface mined coal, 15 cents per ton for coal mined underground, and 10 cents per ton of lignite mined are collected on all active coal mining operations. The fees are deposited in the U.S. Treasury's interest-bearing Abandoned Mine Reclamation Fund. These fees are then used to pay reclamation costs of AML projects. Expenditures from the fund are controlled through the regular congressional budgetary and appropriations process. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each state with an approved reclamation program, and from Indian lands where the tribe has an approved reclamation program, are to be allocated to that state or tribe for use in its reclamation program. The remaining 50 percent is used by the Office of Surface Mining to fund emergency projects and high-priority projects in states or tribes without approved Abandoned Mine Land programs; to fund the Rural Abandoned Mine Program (RAMP), administered by the U.S. Department of Agriculture; to fund the Small Operator Assistance Program (SOAP); to fund additional reclamation of abandoned mine problems directly through state reclamation programs and to pay collection, audit, and administrative costs.

By the end of FY 2000, we collected more than \$5.8 billion cumulatively for the Abandoned Mine Reclamation Fund, with more than \$4.3 billion cumulative appropriated. Of this we transferred an additional \$301 million of AML interest to the CBF.

### *Abandoned mine land grants to states and Indian tribes*

In some states, particularly in the West, problems stemming from abandoned non-coal mines are more severe than those caused by coal mines. If the governor of a state or the equivalent head of an Indian tribe requests that AML funds be used in these instances, the Office of Surface Mining may approve the expenditure of Abandoned Mine Land funds to abate hazards on those lands. Once all known coal problems have been funded, the State or Indian tribe can certify this fact and then use all AML grant funds for eligible non-coal reclamation, with the provision that if coal problems are discovered; they are addressed first.

As soon as states establish approved regulatory programs, they are eligible to submit Abandoned Mine Lands reclamation programs to the Secretary of the Interior for approval. Beginning with Texas in 1980, The Office of Surface Mining has approved state reclamation programs so that currently all primacy states except Mississippi have approved Abandoned Mine Land reclamation programs. During FY 1988 and FY 1989, the Navajo, Hopi, and Crow Tribes received approval for their Abandoned Mine Land programs which were authorized by a special act of Congress in July, 1987, even though they did not have a regulatory program. Once states and tribes gain approval of their reclamation programs, funds are distributed in the form of grants to correct abandoned mine problems through reclamation. In FY 2000, the states and tribes received grants totaling \$186.1 million to carry out reclamation programs.

A minimum-level program was established by Congress in FY 1988 to ensure funding of existing

high priority projects in states where the annual distribution is too small for the states to administer a program. During FY 2000, eight were eligible for minimum-level funding of \$1.5 (as authorized by the FY 2000 appropriation law) and received grants during the year. The eight eligible state programs received supplemental funding totaling \$7.6 million in FY 2000.

Beginning in FY 1987, states could set aside up to 10 % of the state-share portion of their annual grants. Set-aside money was deposited into special trust funds along with interest earned, and became available to the state for reclaiming abandoned mine land problems after August 3, 1992. A new set-aside program that does not supersede the transfer of funds deposited under the original FY 1987 program made funds available beginning in FY 1996. In FY 2000, nine states set aside \$5.3 million.

### *Emergency program*

Emergency projects are those involving abandoned coal mine lands that present an immediate danger to the public health, safety, or general welfare that cannot be addressed through the normal grants process. Typically, emergencies include landslides near homes and across roads, subsidence occurring under houses and public buildings, mine and coal waste fires, and open shafts discovered near populated areas. Because public health, safety, and property can be seriously threatened by abandoned mine emergencies, the capability for rapid response is critical. Reported emergencies are usually investigated within 24 hours and abated in less than a month. Emergencies are addressed through the Office of Surface Mining's three Coordinating Centers (in Pittsburgh, Pennsylvania; Alton, Illinois; and Denver, Colorado) and by states which have

established their own emergency reclamation programs (Alabama, Alaska, Arkansas, Illinois, Indiana, Kansas, Missouri, Montana, North Dakota, Ohio, Oklahoma, Virginia, and West Virginia). In FY 2000, states obligated \$9.3 million for emergency abatement while the Office of Surface Mining obligated \$7.1 million for emergency projects.

### *Non-Emergency program*

The Law sets out five priorities of eligibility for reclamation funding. The highest-priority projects protect public health, safety, general welfare, and property from the extreme danger and from the adverse effects of abandoned coal mining problems. The Law requires that these priorities be reflected when selecting the order of reclamation projects. During FY 2000 the states and tribes were awarded \$176.8 million for non-emergency reclamation programs and the Office of Surface Mining obligated an additional \$1.9 million for non-emergency reclamation projects.

### *Subsidence insurance program*

The Surface Mining Law authorizes states and tribes with approved reclamation programs to use Abandoned Mine Land funds to establish self-sustaining, individually administered programs to insure private property against damage caused by land subsidence resulting from abandoned underground coal mines. Such programs are in operation in Colorado, Indiana, Kentucky, Ohio, West Virginia, and Wyoming and have been granted a total of \$11.8 million through FY 2000 for this purpose.

### *Appalachian Clean Streams initiative*

The Appalachian Clean Streams Initiative was started in the fall of 1995 by OSM. The Initiative supports local efforts to eliminate environmental and economic impacts of acid mine drainage from abandoned coal mines. The mission of the Initiative is to facilitate the efforts of citizen groups, university researchers, the coal industry, corporations, the environmental community, and local, state, and federal government agencies in cleaning streams polluted by acid mine drainage.

OSM's goal for the clean-up of acid mine drainage problems, through the Appalachian Clean Streams Initiative projects, is based on leveraging two-thirds of the funds from outside sources. Therefore, the success of this goal depends on outside funding commitments. Also, additional OSM funds for the Appalachian Clean Streams Initiative projects are needed to provide seed money for more projects.

To date 12 states have been awarded \$14.3 million in funding. A growing number of citizen groups are becoming involved with this unique stream restoration program.

In FY 2000, the Office of Surface Mining realized 83 percent of its anticipated goal for funding of projects under the Appalachian Clean Streams Initiative.

### **Appalachian Clean Streams Initiative**

*Acid mine drainage (AMD) is the number one water pollutant in the coal fields of the Appalachian area causing major environmental and public health problems. OSM's emphasis on the Appalachian Clean Streams Initiative combined with increasing watershed stewardship at the community level, and more sophisticated and cost-effective treatment technology, has promoted increased water restoration projects. OSM has partnered with over 100 government agencies, private watershed groups, environmental groups, private foundations, coal producers, and private individuals on these projects. To further these type projects, in 1999, OSM implemented the Watershed Cooperative Agreement Program. The program allows OSM to award money directly to private not-for-profit agencies, such as small watershed organizations, to undertake local AMD reclamation projects. This program is intended to provide "finishing" money; that is, the final amount necessary to complement the contributions of other supporting partners so that actual construction can proceed.*

### **Fee Compliance and Debt Management**

OSM collected 99.6 % of the reclamation fees due during the fiscal year, for a total of over \$273 million. An additional \$1 million in prior year fees, interest and late charges was also collected, bringing the total to over \$274.4 million. Although the percent of fees collected (99.6 percent) is the same as in 1999, the amount collected declined by \$2.2 million. This was due to a decrease in the amount of coal produced this year. The total amount of tons on which fees were paid this year is shown below:



## ENVIRONMENTAL RESTORATION PROGRAM

### Millions of tons of Coal by Type\Year

	2000	1999	Difference
Surface	608.9	608.6	0.3
Underground	377.1	394.2	<17.1>
Lignite	85.1	86.9	<1.8>
Other	1.3	0.9	0.4
Total*	1,072.4	1,090.6	<18.2>

\*Note: Figures exclude "no value" coal that is not assessed a reclamation fee.

OSM also measures how promptly companies report and pay reclamation fees. Ninety-two percent of mining permits reported and paid on time during the year. Over the years, the coal industry and the Office of Surface Mining have gradually improved compliance with the Surface Mining Act's quarterly reporting requirement. After follow-up by OSM, the final compliance rate this year was 99.8 %. Each additional percent of fee compliance this year equated to \$2.7 million in extra collections. OSM will continue to work with the industry to ensure the companies have a complete understanding of all reclamation fee requirements, and that a high level of compliance is achieved.

OSM is working to raise the initial compliance rate and to make it easier for companies to report coal production and pay fees. OSM is developing an Internet based reporting website to allow companies to file their quarterly reports electronically. The website will provide automatic calculations of moisture deductions and amounts due, as well as provide on-line help and reporting instructions. Electronic filing will eliminate paper and the associated problems that can occur in a paper-based reporting system. A pilot test is planned for the first calendar quarter in 2001.

### Budget

In FY 2000, Congress appropriated \$195,873,000 from the Abandoned Mine Reclamation Fund to OSM to address its environmental restoration activities. These funds are used by the States who operate their reclamation programs, by OSM who operates the emergency and high priority project programs in other mining States, and by OSM to support these and other restoration activities.

Additionally, OSM has authority to accept and use contributions to the AML fund to provide for reclamation programs. OSM also charges a fee for certain parties who request maps and related information from the mine map repository.

All of these funds are available until expended.

### Performance goals

Abandoned mine lands pose hazards for people and the environment. It is the goal of OSM and the states, working together, to eliminate these hazards with the most serious being addressed on a priority basis. Utilizing a nationwide inventory of abandoned mine hazardous sites, the coal program states and OSM have, since the passage of SMCRA, utilized the AML funding to eliminate these hazards. The states and OSM have formalized the reclamation of abandoned mines as their GPRA performance goal. For the purposes of reporting our accomplishments and for consistency, OSM developed a procedure that converts the reclamation results for each of the hazards eliminated to "acres reclaimed".

Measuring the final results of the AML Program, the aim of which is to restore a safe and clean environment, is a difficult task. OSM uses intermedi-

ate measures, such as the number of acres reclaimed, as an indicator of success. It is estimated that over 1.5 million acres of land have been disturbed and over 11,500 miles of streams polluted by coal mining. Since 1977, over 140,000 acres of health and safety coal related problems such as underground fires, subsidence, landslides, open shafts, and unstable man-made cliffs (highwalls) have been reclaimed and over 455 miles of streams have been reclaimed.

OSM's annual performance goals are incremental annual estimates of the overall long-term goals set for the duration of the strategic plan. In some cases, the annual outputs may not be accomplished on a yearly basis, but the overall trend for the goal in the life of the strategic plan is what is important and will reflect successful accomplishment of the outcome of the long-term and mission goals of OSM. Long-term targets are based on past program performance. Reclamation projects can take up to three years to complete, decreasing the accuracy of projecting annual targets. Therefore, more weight is given to achieving the long-term goals rather than accomplishment of a single annual performance goal.

AML coal problems are classified by SMCRA into the following five priorities:

Priority 1	extreme danger of adverse effects to public health, safety, general welfare, and property;
Priority 2	adverse effects to public health, safety, general welfare, and property;
Priority 3	environmental hazards;

## ENVIRONMENTAL RESTORATION PROGRAM

- Priority 4      public facilities such as utilities, roads or recreation areas adversely affected by coal mining practices; and
- Priority 5      development of publicly owned land adversely affected by coal mining practices.

The states and Indian tribes are an integral part of achieving the goals for the Surface Mining Program. It is these partners that carry out the mandates of the Act as the reclamation authorities in their respective jurisdictions and with whom OSM developed the outcome goals for the restoration of the environment. The success of the program would be jeopardized without their cooperation and commitment.

OSM manages the Abandoned Mine Land Inventory System (AMLIS) to help identify AML impacts. Only Priority 1 and 2 coal problem areas are required to be included in AMLIS. Other problem areas may be included if a state or Indian tribe elects to include or undertake a lower problem priority. It is estimated that \$2.9 billion in coal health and safety problem areas remain to be addressed and currently there is a balance of approximately \$1.5 billion in the Fund. Through FY 2000, \$1.4 billion had been spent on coal health and safety problems by participating states and Indian tribes.

### **AML Acres Reclaimed**

*OSM uses the intermediate measure of "acres reclaimed" as an indicator of lands being restored creating a safer and cleaner environment. Reclamation problems can involve 17 different types of priority 1 and 2 hazards using five different units of measure: miles; acres; feet; counts; and gallons per minute. For GPRA purposes, all reclamation efforts are converted to "acres reclaimed" based on standardized conversion factors.*

### **Performance Results**

In FY 2000, OSM, along with its partners the states and Indian tribes, conducted an analysis of the indicators; the results of which follow.

*Acres Reclaimed* - OSM's goal for FY 2000 was to reclaim 8,100 acres. OSM exceeded the goal: 12,176 acres were reclaimed.

These performance results represent cumulative acres reclaimed. The number of acres reclaimed is reported by states and Indian tribes, usually between two and four years after they receive the initial grant funding. Thus, results reported this year represent funds provided to states and tribes during fiscal years 1996-1998. Because OSM started using acres reclaimed to measure our success, in FY 1999 we improved our computer inventory system which records acres reclaimed. This improvement allowed for better reporting by the states and Indian tribes. Because of this improved reporting, the FY 2000 results were much larger than the goal. We expect that the backlog of reporting was completed in FY 2000, and that FY 2001 results will more closely match the FY 2001 goal.

### *Cost to reclaim an acre:*

In accordance with the Statement of Federal Financial Accounting Standards Number 4 (SFFAS 4) - Managerial Cost Accounting "outputs produced by responsibility segments should be accumulated and, if practicable, measured in units (and) the full costs... should be assigned to outputs...". OSM has attempted to comply with this standard by computing the "cost per acre reclaimed". For FY 2000 this cost was determined to be \$13,463, measured on a "full cost basis". Full costs include operating costs in addition to "other costs" such as depreciation, bad debt, and future funding expenses. Costs utilized in determining the cost per acre reclaimed represent approximately 91% of the total restoration responsibility segment "net cost of operations". (See Supplementary Statement of Net Cost). This approach corresponds to the number of reported acres reclaimed which includes priority 1, 2 and 3 problems for pre-SMCRA grant programs, coal interim sites, and acid mine drainage. It excludes federal emergencies, non-coal projects, and non-AML funded reclamation.

## ENVIRONMENTAL PROTECTION PROGRAM

### Description

A primary objective of the Surface Mining Law is to establish uniform national regulatory standards for protecting the environment during mining and for reclaiming land after it is disturbed by current and future surface coal mining. In recognition of the wide range of climatic and geologic conditions in coal-producing areas, Congress provided that, with Interior Department approval, individual states may establish their own programs for regulating surface and underground coal mining and reclamation on private land. The standards for state programs must be in accordance with the Surface Mining Law and consistent with the Federal regulations.

Congress recognized the importance of establishing regulations to implement the Law as quickly as possible, while recognizing that the preparation of such complex regulations would be a lengthy process following enactment. Consequently, a two-phase schedule was established. An abbreviated initial program was put in place immediately, followed by a more extensive and detailed permanent regulatory program. The initial program regulations were published in December 1977, and mine permits issued by states after February 1978 were required to conform with those regulations. Permanent program regulations were published in March 1979, following extensive review and comment from the public, including the coal industry and environmental groups. The regulatory provisions in the permanent program expanded upon those in the interim program. The regulations for the permanent program have been revised several times since 1979; more revisions can be made as needed or when new mining and reclamation techniques are developed. Such changes were anticipated by

Congress; in fact, a provision in the Law for experimental practices encourages advances in mining and reclamation techniques, and people can petition the Office of Surface Mining to consider regulations they think are needed.

#### *State regulatory programs*

States have the principal role in implementing the Law. For a state to have primacy (authority to regulate coal mining operations within its borders), it must enact a program that demonstrates its capability to carry out the provisions of the Law. Specifically, states are required to develop state programs to include:

- a state law which provides for the regulation of surface coal mining and reclamation operation in accordance with the requirements of the Surface Mining Law, to include requirements for permitting, bonding, inspection and enforcement.
- rules and regulations consistent with the permanent program regulations; and
- sufficient administrative and technical personnel to regulate surface coal mining and reclamation operations in accordance with the requirements of the Act.

Once a state's program is approved by the Secretary of the Interior, the state has primacy—that is, the state becomes the regulatory authority for surface and underground mining of coal on private (non-federal and non-Indian) lands within its borders. From February 1980 to March 1983, 25 (Tennessee later relinquished primacy) states passed legislation and developed regulations consistent with the

federal requirement and thus attained primacy. The expenses primacy states incur in operating their approved regulatory programs are shared by the Office of Surface Mining on a 50-50 basis.

Since 1977, the states have obligated \$918.4 million in federal funding for the operation of regulatory programs, and in FY 2000 received \$52.1 million.

The Office of Surface Mining is required to make inspections as necessary to evaluate the administration of approved state programs. Using a results-oriented oversight strategy, the primary focus is on measuring whether state programs are successfully achieving the purposes of the Surface Mining Law.

Two major goals of SMCRA are (1) to return lands after mining to a condition capable of supporting the land uses these lands were capable of supporting prior to mining in a timely manner and (2) to protect adjoining areas, people and other resources from negative impacts during mining. OSM established these goals as the primary measures of the success in the implementation of State and Federal mining programs.

The timely return of land capability is measured by the release of the final reclamation bond, defined as Phase III bond release, for each acre of successfully reclaimed lands. OSM has adopted the maximization of the annual Phase III bond released acres. Phase III bond release acres are the number of acres that have been fully reclaimed from current mining operations, meet the performance standards, and released as useful and productive restored land. This performance measure is the acres of land that is released every year by active coal mine operators (and is dependent on the operator to file application



## ENVIRONMENTAL PROTECTION PROGRAM

for the release). This is done through a series of bond releases. The bonds are required to assure that funds are available for reclamation in case the operator fails to reclaim the mined land. OSM is also reporting the acreage of Phase I and Phase II bond release in order to show the progression of reclamation toward Phase III in the reporting year.

Two thirds of the goal for released acreage from Phase III performance bonds was realized this year. The shortfall may be attributed to the lack of administrative processing of bond releases rather than land not being reclaimed adequately and promptly. With bond release, a major focus of oversight, OSM is exploring strategies to improve performance in this area by working with the operators and states to develop mechanisms which reclaimed lands can be better and consistently identified.

### *Federal regulatory program*

The Surface Mining Law encourages state authority over mining and reclamation. However, if a state chooses not to develop its own program, the Office of Surface Mining is required to regulate all surface and underground coal mining and reclamation operations within that state. The Office of Surface Mining is also required to regulate all such operations if the state does not implement, enforce, or maintain its program adequately.

Eleven states with coal reserves elected not to establish their own regulatory programs. Of these, only Washington has active surface coal mining. Tennessee repealed its regulatory program in 1984, and there are currently 12 states (Arizona, California, Georgia, Idaho, Massachusetts, Michigan, North

Carolina, Oregon, Rhode Island, South Dakota, Tennessee, and Washington) with federal programs in effect.

### *Federal and Indian lands program*

The Surface Mining Law requires the Secretary of the Interior to implement a program for all surface and underground coal mining and reclamation on federally owned land—a feature that is significant because the federal government owns vast coal reserves. In the West, 60% of the 234 billion tons of identified coal reserves is federally owned. However, any state with an approved regulatory program may enter into a cooperative agreement with the Secretary of the Interior to regulate surface coal mining and reclamation on federal lands within the state. Currently 14 states (Alabama, Colorado, Illinois, Indiana, Kentucky, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Utah, Virginia, West Virginia, and Wyoming) have signed cooperative agreements to regulate mining and reclamation operations on Federal land.

The Office of Surface Mining also regulates surface coal mining on Indian lands and is assisting four tribes (Crow, Hopi, Navajo, and Northern Cheyenne) in developing programs for regulating coal mining operations on Indian lands, in anticipation of future authority from Congress to approve Indian primacy programs.

### *Small operator assistance program*

The Surface Mining Law authorized up to ten percent annually of the fees collected for the Abandoned Mine Reclamation Fund to be used to help qualified small mine operators obtain technical data needed for mine permit applications. During FY

2000, \$1.7 million was granted to the states for this program.

### **Budget**

In FY 2000, the Congress appropriated \$95,551,000 from the General Treasury to OSM to fund its environmental protection activities. These funds are used by the states to operate their own regulatory programs, by OSM to operate regulatory programs in states lacking primacy, and by OSM to support these activities. The funds not obligated by the end of the fiscal year lapse and are returned to the Treasury. Congress augmented the appropriation by \$9.8 million, Public Law 106-246, for West Virginia regulatory programs. These funds remain available until spent.

Additionally, OSM is authorized to collect and use civil penalty receipts. Total budget authority for obligation was \$228,089. These funds are used to fund post Act reclamation; that is, they are used to address reclamation needs that resulted from coal mining operations that occurred after SMCRA was enacted. These funds are available until expended.

### **Performance goals**

On-the-ground results are measured by the percentage of inspectable units that are free of off-site impact during each evaluation year. This measure is adopted as our GPRA goal for active mining areas.

As part of each Federal and State mine inspection, a determination is made whether any negative off-site impacts have occurred or are occurring at that mine site. These are recorded on an annual basis for

### **Off-site Impacts**

*Protecting the environment, people and property is measured by the number of times incidents occur outside the boundaries of the permitted areas being mined. These are known as off-site impacts and ideally the goal is to have no incidents occur. It is inevitable that some impacts will occur - 100% compliance is not realistic. The impacts are damaging effects that would occur as a result of blasting, land stability, hydrology, encroachment, etc. that would affect people, land, water, or structures outside the permitted area of mining operations.*

each mine. It is the goal of OSM and its State partners to minimize off-site impacts at all mines. The measure of our success in meeting this goal is to assure a high percentage of all inspected mine sites are without negative off-site impacts throughout the year.

The Office of Surface Mining uses off-site impacts to measure success in protecting the environment and society from the hazards of current mining and the subsequent reclamation of these lands.

During active mining, the potential risk from safety and environmental hazards increases within the permitted site. However, because of required precautions, long-term effects are minimized. It is the ultimate goal of the Surface Mining Program to have 100 % of mine sites free of off-site impacts.

OSM has taken the most important step towards this goal by evaluating off-site impacts where it is the regulatory authority and through the oversight process in states with primacy. The results have been tabulated for all mine sites nationwide for two consecutive years. To continue improving or reducing the number of off-site impacts, OSM needs to review and evaluate the location, numbers, and types of off-site impacts discovered and prescribe program improvements to minimize the impacts. This may include making permit adjustments, maximizing inspections and providing assistance and technical expertise.

### **Performance results**

To measure the outcomes of this goal - protecting the environment, people and property during and subsequent to current mining in order to provide safeguards - the Surface Mining Program looked at the one output that would indicate attainment of these desired results. It is:

The number of off-site impacts that occur - these are damaging effects that would occur as a result of blasting, land stability, hydrology or encroachment that would affect people, land, water, or structures outside the permitted area of mining operations.

In FY 2000, OSM, along with its partners the states and Indian tribes, conducted an analysis of the indicators, the results of which follow.

In FY 2000, the Surface Mining Program's goal was to have 94% of the mines free of off-site impacts and that goal was realized. Of the 6% of the sites that did have incidents occur off-site, 90% were in the minimum to moderate category of severity. In the future, OSM will be working with States, Indian tribes and coal industry to strive for and maintain, a minimum number of occurrences.

# UNITED MINE WORKERS COMBINED BENEFIT FUND PROGRAM

## Description

Public Law 102-486 was passed on October 24, 1992, and effective with FY 1996, OSM is required to transfer annually a portion of the interest earned from the AML Special Fund to the United Mine Workers of America Combined Benefit Fund (CBF). These AML interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents. Payments are made annually based on the number of beneficiaries and are made in advance based on an estimate. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid. Additionally, the number of beneficiaries can change from year to year based on court cases, bankruptcies, and mortality. The FY 2000 annual payment was \$42.5 million for 16,972 beneficiaries. Prior year adjustments decreased this payment by \$1.5 million. In addition to these payments, Public Law 106-113 required OSM to transfer an additional \$68 million to pay for any shortfall in any premium account in any plan year under the CBF.

## Budget

In FY 2000, OSM collected \$94.4 million in investment earnings. Those collections brought the cumulative investment collections to \$566.4 million. (In FY1992, \$39.3 million was collected and \$7 million was transferred to the Appalachian Clean Streams Initiative.) Of these cumulative collections, all but the FY 1992 collections of \$32.3 million are available to transfer to the CBF under PL 102-486. Cumulative transfers, including FY 2000, are \$301.8 million, leaving an interest balance of \$257.6 million (of which \$225.3 is available for appropriation and/or transfer under PL 102-486 and the Surface Mining Coal Reclamation Act.)

In FY 2000, the interest transfer was identified as indefinite budget authority from a special fund account, and marked as mandatory spending. Each year, the actual amount is limited pursuant to PL 102-486 and SMCRA, as well as limitations or conditions cited in annual Interior Appropriations Acts.

## Performance goals

OSM determined meaningful performance measures for this transfer are not possible. Once the transfer is made (five business days from the request by the CBF), OSM has limited authority over how the transferred money is used. OSM requested an audit of these funds from our Inspector General's office to ensure that the transferred funds were used in accordance with the provisions of PL 102-486, and SMCRA.

### Summary of Annual AML Interest Collection and Transfers to the UMWA Combined Benefit Fund

As of September 30, 2000  
(in thousands)

Year of Transfer	Interest Collected	FY 1996 Transfer	FY 1997 Transfer	FY 1998 Transfer	FY 1999 Transfer	FY 2000 Transfer	Transfers To-date	Interest Balance
1992	\$32,328	\$0	\$0	\$0	\$0	\$0	\$0	\$32,328
1993-95	132,453	0	0	0	0	68,000	68,000	64,453
1996	69,384	47,184	0	(10,721)	9,554	(2,535)	43,482	25,902
1997	81,007		31,374	7,034	15,129	(4,240)	49,297	31,710
1998	67,031			36,249	9,495	7,961	53,705	13,326
1999	82,830				47,588	(2,708)	44,880	37,950
2000	94,369					42,482	42,482	51,887
Total	\$559,402	\$47,184	\$31,374	\$32,562	\$81,766	\$108,960	\$301,846	\$257,556

## Technical Support

The Office of Surface Mining provides states, Indian tribes, federal agencies, the coal industry, and citizens with the technical information and tools they need to carry out their responsibilities under the Surface Mining Law. During FY 2000 this included:

- The National Technical Information Processing System (TIPS) Team is in the process of significantly increasing the scientific software available to users and, commensurately, expanding the training program. These efforts included:

- providing a comprehensive training program for software users—31 classes training 325 students;

- providing TIPS geospatial and CAD software to users' desktops;

- conducting the necessary research and development that will add 10 new scientific software applications in FY 2001; and

- providing technical assistance to states, tribes and OSM offices.

- Technical Training which provided assistance to the states and tribes program staff in the form of specialized training. During FY 2000, 45 courses were offered to 902 students. The students gave the courses a 94% satisfaction rate.

- An Applicant Violator System. One of the underlying principles in the Surface Mining Law is that those who benefit from mining are responsible for

returning the land and water to productive use. The Law also prohibits the issuance of new permits to applicants who are responsible for outstanding violations until those violations are corrected. To accomplish this, the Office of Surface Mining operates an Applicant Violator System of violation records. During FY 2000 the Office of Surface Mining responded to 3,732 requests for evaluation checks and collected and/or settled payments of \$1.1 million.

## Information technology

In addition to the traditional computer support program the Office of Surface Mining maintains a telecommunications network to electronically transmit and receive information from sources both inside and outside of the agency. Although much of this support service is centralized in the Washington, D.C. Headquarters, a substantial amount of the program staff and work is done at the Regional Coordinating Centers and the field offices.

## Human resources management

Located in Washington, D.C., Human Resources oversees and implements the Federal classification, compensation, employee/labor relations, Quality of Work Life/benefits, and recruitment programs for OSM. In FY2000, HR implemented an on-line recruitment system increasing efficiency/effectiveness of recruitment. Applicants can view vacancy announcements and apply on-line. This simplified application process has increased the number/diversity of applicants. The automated scoring process has provided management with applicants that better meet their needs and in less time.

Succession planning and increased workforce diversity drive OSM recruitment and retention efforts. Staff aggressively recruit at minority colleges and career fairs. The Quality of Worklife program provides employee oriented seminars drawing employees from other federal agencies. HR managed employee benefits and performance and instituted transportation and child care subsidies. The Alternative Dispute Resolution is a key part of employee management relations effectively resolving workplace disagreements.

## Equal opportunity

The Office for Equal Opportunity (OEO) reports to the Director of OSM. The staff is delegated service-wide responsibility to monitor and ensure compliance of equal opportunity laws and regulations for OSM employees and applicants for employment regardless of their race, color, sex (including sexual harassment), religion, age (40 and over), national origin, sexual orientation, physical/mental disability, reprisal, genetic information and status as a parent.

OEO provides technical guidance and assistance to Field Equal Opportunity managers and supervision to designated Equal Employment Opportunity (EEO) Counselors. The office issues and interprets equal opportunity policy and monitors compliance of pertinent equal opportunity laws, regulations and guidelines.

## ■ Affirmative Action/Diversity

OSM hired 26 new employees during FY2000, of which 15 (57.7%) were women and 12 (46.27%) were minorities. There were no new permanent hires of persons with disabilities. In addition, of the 62



promotions this fiscal year, women received 44 (71%) and minorities received 21 (33.9%).

■ *Discrimination Complaints*

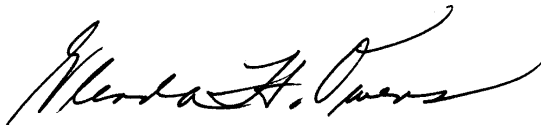
During FY-2000, 11 new discrimination complaints were filed in OSM. This was a decrease of two complaints (13 in FY99) over the previous year. This is the third consecutive year that the number of complaints has decreased. At the end of FY2000, there were a total of 18 complaints being processed at all stages, a decrease of 12 complaints over the previous fiscal year. There are no complaints over 180 days without the issuance of an investigative report.

### Federal Manager's Financial Integrity Act (FMFIA)

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to annually provide a statement of assurance of the effectiveness of internal controls in achieving reliability of financial reporting, compliance with applicable laws and regulations, and reliability of performance reporting.

#### FMFIA Assurance Statement

*Based upon OSM's comprehensive management control program, I am pleased to certify, with reasonable assurance, that OSM's systems of management, accounting, and administrative control achieve the objectives of Section 2 of the FMFIA. OSM can also provide reasonable assurance that its accounting and financial systems generally conform to the Comptroller General's principles, standards, and related requirements and achieve the objectives of Section 4 of the FMFIA.*



Glenda Owens,  
Acting Director

#### Management Control Review

The Office of Surface Mining conducted its annual assessment of agency programs and systems in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget Circular A-123. FMFIA requires us to conduct periodic reviews of our programs and

systems to provide assurance management controls are in compliance with the applicable laws, regulations, and policies. In 1999, the Office of Inspector General (OIG) conducted an audit of our automated information systems. The audit report identified a number of weaknesses in information system security. For FY 2000, a follow-up assessment of our computer centers, Appalachian Regional Coordinating Center and Headquarters local area networks was conducted to assure the weaknesses identified by the OIG had been corrected and there were no new weaknesses. In addition, we conducted assessments of selected programs and administrative functions. No material weaknesses were identified. Areas for improvement were identified and corrective actions are being implemented. In general we found our management controls adequate to safeguard our programs and systems against waste, fraud, abuse, and mismanagement.

In FY 2000, the Office of Financial Management (PFM) announced the creation of two new Department Functional Reviews (DFR) SmartPay and Cash Management. Both reviews were conducted by PFM using the automated assessment tool.

#### Computer Systems Security

The Office of the Inspector General has reviewed OSM's financial management systems and controls and has concluded that they provide reasonable assurance that the accounting systems comply with appropriate Federal requirements, as evidenced in the "clean" audit opinions. However, in a December 1999 audit of OSM's automated information systems, the Office of the Inspector General stated that the weaknesses found in OSM's general controls over its automated information systems should be a

"reportable condition" in OSM's annual financial statements for FY 1999. OSM has made substantial progress in implementing the audit recommendations. Specifically, OSM has conducted risk assessments on its systems, developed appropriate security plans to address the risks, and issued an Information Systems Security Directive. OSM has implemented an effective information systems security program to ensure that all agency data is protected from loss, misuse, or illegal disclosure. Based upon a followup audit performed in FY 2000 by OIG, the financial management systems at OSM are in compliance with the Federal financial management system requirements.

### Federal Financial Management Improvement Act (FFMIA)

This law requires agencies to report on their substantial compliance with federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger. It also requires agencies to provide full disclosure of financial data, which is accomplished through the financial statements included in this report. OSM substantially complies with the FFMIA, and has made the following improvements during the reporting year:

- OSM is developing an interface to the Department of Treasury's Automated Standard Application for Payments to use for grant payments. The interface standardizes the way that grantees request and receive payment. OSM issues over \$206 million a year in grant payments to 27 states and tribes and 30 watershed groups.

## COMPLIANCE WITH LEGAL AND REGULATORY FINANCIAL REQUIREMENTS

■ OSM is also improving the way it delivers information to managers by increasing the use of its Management Accounting and Performance System (MAPS). This system delivers financial, grants, and personnel data to agency managers and analysts. It provides desktop access to a suite of reports that give managers information whenever they want it.

### Prompt Payment Act

OSM substantially complies with the Prompt Payment Act as evidenced by the fact that 99 % of its payments are made on time. OSM took the following steps to ensure that this continues:

- Credit Cards were used to cut through red-tape and expedite payment. More than 96 % of purchase transactions were made with credit cards in FY 2000, and the agency continues to promote their increased use, and
- Electronic funds transfer (EFT) was used to make 81 % of the agency's vendor payments covering 99.9 % of the dollar amount paid.

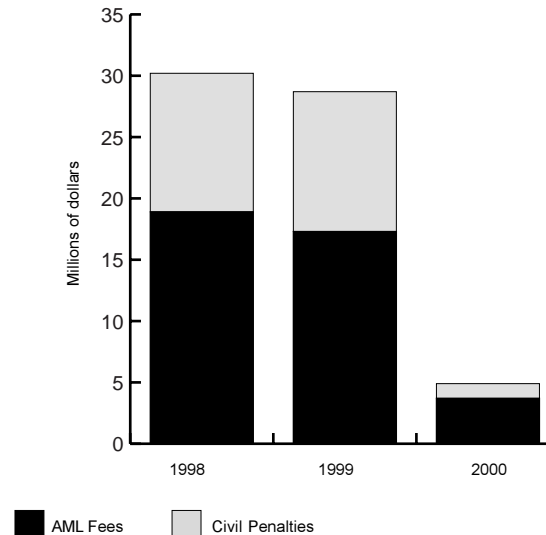
### Debt Collection Improvement Act

OSM collected over 99.6% of the Abandoned Mine Land Reclamation Fees due this year, and a total of \$274.4 million. This is the result of an integrated fee compliance program that works with the coal mining industry to provide clear guidance on fee payment and reporting issues, as well as active follow-up through audits.

The current uncollected outstanding accounts receivable balance is \$5.6 million, comprised of \$4.3

million in AML Fees and Audit debt, and \$1.3 million in civil penalties. The \$5.6 million balance represents an overall 80% decrease in outstanding debt from FY 1999, as illustrated in the Accounts Receivable chart below.

*Accounts Receivable*



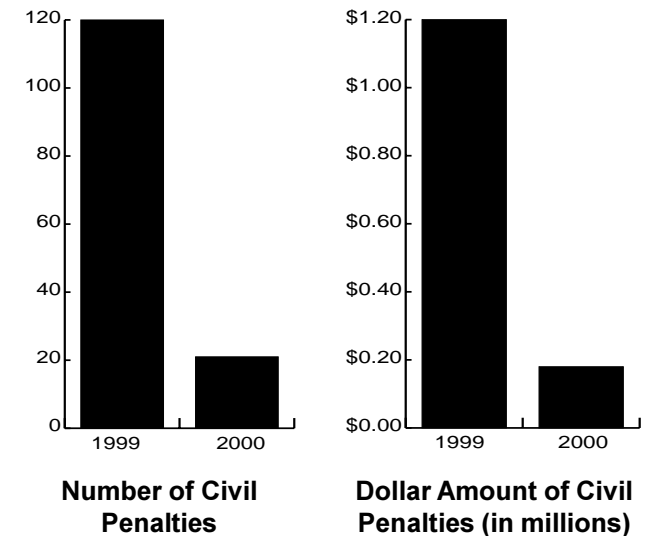
This substantial decrease in accounts receivable is the result of new government write-off standards which allow agencies to write-off debts that are currently not collectible. Nevertheless, the remaining balance of \$5.6 million still includes accounts that may not be collectible. After deducting a \$3.2 million estimate for uncollectible receivables, we estimate that \$2.4 million of this amount should be collectible.

OSM is in substantial compliance with the Debt Collection Improvement Act and has referred 100%

of its eligible, uncollected debts to the Department of Treasury for collection.

### Civil Monetary Penalty Act

OSM has increased the assessment amounts of civil monetary penalties in accordance with the Act, and is in compliance. The agency issues civil monetary penalties for violations of the Surface Mining Control and Reclamation Act. However, due to the agency's proactive approach to working with companies to prevent problems, the dollar amount and number of civil penalties continues to drop, as shown in the figure below.



**Stewardship of the Abandoned Mine Land  
Reclamation Fund**

OSM invests the cash balance of the Abandoned Mine Land Reclamation Fund in Treasury securities. The interest earnings are used to pay for reclamation and to pay the health benefits of unassigned beneficiaries under the United Mine Workers of America Combined Benefit Fund. The current invested balance is \$1.8 billion, this includes the \$1.5 billion unappropriated fund balance plus \$300 million appropriated but not yet spent. The fund earned an average rate of 5.15 % for a total of \$94.4 million this year.



### Increased Abandoned Mine Land Funding

The highlight to the FY 2001 President's Budget is the continuation of the Administration's commitment for a multi-year effort to fund the Abandoned Mine Lands program at a level equal to fee receipts by 2003. The FY 2000 budget provided the initial increment of \$10.5 million to achieve this commitment. The FY 2001 budget provided an additional 19.2 million. Of this sum, the FY 2001 appropriation provided an additional \$12.6 million specifically earmarked for additional Pennsylvania reclamation activities. It also provided \$3.7 million for grants to States, \$2 million for the Appalachian Clean Streams Initiative, and \$0.9 million for uncontrollable cost increases. This increase in project funding will result in a concurrent increase in reclaimed acreage over the next several years and will also provide a major beneficial impact to the citizens of the coal fields and the lands and waters in their communities.

billion dollars of Priority 1 and 2 health and safety problems still will not be reclaimed, assuming the ratio of inventory reduction to dollars remains the same. The key issues that Congress and the Executive Branch must consider are 1) when enough fees will be collected to fund reclamation of the remaining problems that are determined to be necessary to reclaim, 2) the impact of the fee on coal's competitiveness, and 3) regional equity.

### Reauthorization of AML Fee

Congress established the Abandoned Mine Reclamation Fund to be used for the reclamation and restoration of areas affected by past mining. The Fund is derived from a reclamation fee collected from coal mine operators on a per ton basis of coal sold, used, or transferred since the passage of the Surface Mining Control and Reclamation Act, and has been extended twice. It is now set to expire on September 30, 2004. The fund's cumulative balance as of September 2000 was over \$ 1.5 billion, but an estimated \$2.9 million is needed to reclaim all of the priority one and two health and safety problems. OSM estimates that after the funds collected through 2004 are expended, and the unappropriated balance in the Fund is spent, approximately \$1.5

**ASSETS**

With the Federal Government	
Fund Balance with Treasury (Note 2)	\$44,699
Investments (Note 3)	1,832,171
Accounts Receivable (Note 4A)	9
Total Federal	<u>\$1,876,879</u>
With the Public	
Accounts Receivable (Note 4B)	2,118
Interest Receivable (Note 4C)	375
Physical Assets (Note 5)	2,891
Total Public	<u>\$5,384</u>
<b>Total Assets</b>	<u><b>\$1,882,263</b></u>

**LIABILITIES**

With the Federal Government	
Accounts Payable	119
Federal Employee Benefits	463
Unfunded Liabilities	669
Amounts Held for Others (Note 6A)	342
Other	22
Total Federal	<u>\$1,615</u>
With the Public	
Accounts Payable	2,441
Federal Employee Benefits	2,334
Amounts Held for Others (Note 6B)	529
Accrued Unfunded Employee Benefits	4,150
Actuarial Liabilities	2,485
Estimated Future Liability (Note 7)	120,677
Total Public	<u>\$132,616</u>
<b>Total Liabilities (Note 8)</b>	<u><b>\$134,231</b></u>

**NET POSITION**

Unexpended Appropriations (Note 9 & Note 16)	38,438
Cumulative Results of Operations	1,709,594
<b>Total Net Position</b>	<u><b>\$1,748,032</b></u>

<b>TOTAL LIABILITIES AND NET POSITION</b>	<u><b>\$1,882,263</b></u>
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The accompanying footnotes are an integral part of these financial statements.

**COSTS**

## Operating Costs

Paid to the Federal Government (Note10)	\$19,671
Paid to the Public	
UMWA Combined Benefit Fund Transfer (Note 11)	108,960
Paid to the Public	263,099
Total Paid to the Public	372,059
Total Operating Costs	\$391,730

## Other Costs

Interest Expense	1
Future Funding Expenses (Note 12)	199
Depreciation and Amortization	625
Net Loss on Disposition of Assets	99
Bad Debt Expense	2

<b>Total Costs</b>	<b>\$392,656</b>
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**LESS EARNED REVENUE**

From the Federal Government (Note 13A)	1,999
From the Public (Note 13B)	61

<b>Total Earned Revenues</b>	<b>\$2,060</b>
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<b>NET COST OF OPERATIONS</b>	<b>\$390,596</b>
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The accompanying footnotes are an integral part of these financial statements.

<b>NET COST OF OPERATIONS</b>	<u>\$390,596</u>
<b>FINANCING SOURCES</b>	
Appropriated Capital Used	96,376
Donations	1
Interest Revenue	97,819
Other Non-Exchange Revenue (Note 14)	275,257
Imputed Financing Sources (Note 15)	3,661
Financing Sources Transferred-In/Out	(20)
Fines and Penalties - Public	85
Financing Sources	<u>\$473,179</u>
<b>Net Results of Operations</b>	<u>\$82,583</u>
Change in Accounting for Non-Appropriated Financing (Note 16)	289,066
Prior Period Adjustments (Note 17)	14
<b>Net Change in Cumulative Results of Operations</b>	<u>\$371,663</u>
Change in Unexpended Appropriations	(283,700)
<b>Change in Net Position</b>	<u>\$87,963</u>
Net Position-Beginning of Period	<u>1,660,069</u>
<b>NET POSITION - END OF PERIOD</b>	<u><u>\$1,748,032</u></u>

The accompanying footnotes are an integral part of these financial statements.



**BUDGETARY RESOURCES**

Budget Authority	\$410,945
Appropriations Available for Investment but Not Obligation (Note 18)	1,507,745
Unobligated Balances - Beginning of Period	61,302
Spending Authority from Offsetting Collections	2,086
Adjustments	32,962
Appropriations Available for Investment but not Obligation (Note 18)	(1,507,745)
<b>Total Budgetary Resources Made Available</b>	<b>\$507,295</b>

**STATUS OF BUDGETARY RESOURCES**

Obligations Incurred	\$437,137
Unobligated Balances Available	65,462
Unobligated Balances Not Available (Note19)	4,696
<b>Total Status of Budgetary Resources</b>	<b>\$507,295</b>

**OUTLAYS**

Total Obligations Incurred	\$437,137
Spending Authority from Offsetting Collections and Adjustments	(39,387)
Obligated Balance Net-beginning of Period	268,889
Obligated Balance Net-End of Period	(277,325)
<b>Total Outlays</b>	<b>\$389,314</b>

The accompanying footnotes are an integral part of these financial statements.

**OBLIGATIONS AND NONBUDGETARY RESOURCES**

Obligations Incurred	\$437,137
Less Spending Authority for Offsetting Collections and Adjustments	(39,386)
Imputed Financing	3,661
Exchange Revenue Not in the Budget	(14)
<b>Total Obligations as Adjusted and Non Budgetary Resources</b>	<b>\$401,398</b>

**RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS**

Change in Amount of Goods, Services, and Benefits	
Ordered but not yet Received or Provided	\$(11,195)
Change in Unfilled Customer Orders	39
Costs Capitalized on the Balance Sheet	(569)
Financing Sources That Fund Costs of Prior Periods	(1)
Other (Donations)	1
<b>Total Resources That Do Not Fund Net Cost of Operations</b>	<b>\$(11,725)</b>

**COSTS THAT DO NOT REQUIRE OR GENERATE RESOURCES**

Depreciation and Amortization	\$625
Revaluation of Assets and Liabilities	99
Other	(89)
<b>Total Costs That Do Not Require or Generate Resources</b>	<b>\$635</b>

<b>FINANCING SOURCES YET TO BE PROVIDED</b>	<b>\$288</b>
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<b>NET COST OF OPERATIONS</b>	<b>\$390,596</b>
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The accompanying notes are an integral part of these financial statements.

## Note 1.

### Summary of Significant Accounting Policies:

#### A. Basis of Presentation

These financial statements have been prepared to report the financial position, the net cost of operations, the changes in net position, the budgetary resources, and the statement of financing of the Office of Surface Mining Reclamation and Enforcement (OSM), as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of OSM in accordance with generally accepted Accounting Principals (GAAP) using guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB) and OSM's accounting policies which are summarized in this note. These financial statements present proprietary and budgetary information while other financial reports also prepared by OSM pursuant to OMB directives are used to monitor and control OSM's use of budgetary resources.

These are the financial statements of a component of the United States Government, a sovereign entity. One implication of this is that liabilities cannot be liquidated without legislation that provides the resources and the legal authority to do so.

The accounting structure of OSM is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary

accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

The accounting principles and standards applied in preparing the financial statements and described in this note are in accordance with the following hierarchy of accounting principles:

- Statements of Federal Financial Accounting Standards (SFFAS). These statements reflect the accounting principles, standards, and requirements recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Comptroller General of the United States, the Director of the Office of Management and Budget (OMB) and the Secretary of the Treasury.
- Form and content requirements for financial statements, as presented in OMB Bulletin No. 97-01 (Form and Content of Agency Financial Statements).
- The accounting principles and standards contained in departmental and bureau accounting policy and procedures manuals, and/or related guidance.
- Statements of Federal Financial Accounting Concepts (SFFAC). These concepts are not authoritative, per se, and do not have required implementation dates. However, they do contain very useful guidance regarding the completeness of the presentation of financial information.

#### B. Reporting Entity

OSM was established as a regulatory agency in the Department of the Interior by Public Law 95-87, also known as the Surface Mining Control and Reclamation Act of 1977 (SMCRA). SMCRA was passed by Congress on August 3, 1977, and has since undergone several revisions, the most recent being the Energy Policy Act of 1992 (Public Law 102-486). Although SMCRA initially empowered OSM with the authority to collect a statutory coal reclamation fee through FY 1992, a 1992 revision extended this authority through the year 2004.

The main purpose of this fee is to fund the reclamation of abandoned mine lands. OSM's mission is further defined by SMCRA to include the administration of programs designed to (1) protect society and the environment from the effects of coal mining operations, (2) reclaim existing and future mined areas which pose both a hazard to public health and safety and affect the quality of the nation's natural resources, and (3) provide technical and financial assistance to states with primary regulatory authority over jurisdictional coal mining activities.

Budget authority of funds appropriated for SMCRA is vested in OSM, which is also responsible for the administrative oversight and policy direction of the program. OSM is required by the U.S. Department of the Treasury (Treasury), the General Accounting Office (GAO), and OMB to report on the accounting of SMCRA funds. The Treasury acts as custodian over all monies appropriated and collected by OSM.

**C. Responsibility**

**1. Fund Accounting**

OSM is responsible for segregating accounting entries by category of source or use, otherwise known as funds. For reporting purposes, OSM has consolidated accounting data into three types:

**Regulation and Technology** — These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations to spend general revenue. This category supports the financing of state regulatory grants, oversight of state regulatory programs, research and development facilitating the transfer of reclamation expertise to states, and the partial financing of all OSM operations and maintenance costs. Funding is appropriated on an annual basis.

**Reclamation Programs** — Funds for these programs come from revenues collected from fees (AML Fund) and civil penalty assessments and are used for the purpose of reclamation projects.

■ **AML Funds** - These funds were established by SMCRA for the deposit of coal reclamation fees, related late payment interest, and administrative charges recovered in pursuing collections. Available reclamation fees are used solely to finance the Abandoned Mine Lands (AML) Reclamation program. However, before AML funds can be used, a Congressional appropriation is necessary to authorize yearly spending limits.

■ **Civil Penalty Funds** - Penalties are assessed for violations and are used to reclaim mining sites.

■ **Bond Forfeiture** - Companies sometimes forfeit bonds and the money is used to reclaim the mine site.

■ **Investment Fund** - Available Special Fund balances, in excess of current cash requirements, are regularly invested in non-marketable federal securities as authorized under Public Law 101-508.

Other - These are temporary holding accounts for resources pending distribution. These are split between the regulation/technology and reclamation funds.

■ **Deposit Funds** — These funds account for receipts awaiting proper classification, amounts held in escrow, and proceeds from the sale of vehicles. Vehicle proceeds, which are reserved exclusively for the purchase of replacement vehicles, are not treated as earned until replacement vehicles are acquired.

■ **Receipt Funds** — The Office of Surface Mining's financial statements include: (1) miscellaneous judicial service fees, (2) fines, (3) administrative fees, (4) miscellaneous receipts, (5) interest, and (6) unclaimed monies which are credited annually to the Treasury's general government fund. In the billing and collection of these funds, OSM is merely acting as a collection agent for the Treasury.

**2. Responsibility Segments**

Beginning in Fiscal Year 1998, OSM is responsible for reporting costs by responsibility segments. OSM's responsibility segments are:

■ **Environmental Restoration** - This segment is responsible for the reclamation of abandoned mine land affected by mining that took place before the Surface Mining Law was passed in 1977. It includes grants to States and Indian Tribes, emergency projects, the Appalachian Clean Streams Initiatives, financial management of Abandoned Mine Land fees and investments, as well as funding of related OSM activities.

■ **Environmental Protection** - This segment is responsible for ensuring that the Surface Mining Law's goals are achieved, primarily through the States and Indian Tribes. It includes OSM rule making, grants to States and Indian Tribes to conduct and develop their regulatory programs, OSM regulatory operations in non-primacy states, and OSM state program evaluations and oversight.

■ **United Mine Workers of America Combined Benefit Fund Transfer** — This segment is for the transfer of funds to the United Mine Workers of America Combined Benefit Fund. This is an annual transfer required by the Energy Policy Act of 1992. The transfer is used to pay for health care benefits for certain coal miners and their beneficiaries.

The costs of the Executive Direction and Administration are allocated to the Restoration and Protection responsibility segments.



#### **D. Revenues and Financing Sources**

##### **1. Realized Operating Revenue**

Appropriations -The United States Constitution prescribes that funds must be made available by Congressional appropriation before they may be expended by a Federal agency.

Other Revenue -Additional funds are obtained through various sources including reimbursements for services performed for other Federal agencies and the public as well as fees and miscellaneous receipts derived from other OSM programs.

##### **2. Assessments**

The Bond Forfeiture Fund receives operating authority based on revenue provided from forfeited performance bonds. Regulations require that proceeds from this fund be used to reclaim lands that are specific to the forfeited bond.

The Civil Penalty Fund collects revenue from assessments levied against permittees who violate any permit condition or any other provision of Title 30 U.S.C. 1268. Regulations require that proceeds from this fund be used to reclaim lands adversely affected by coal mining practices on or after August 3, 1977.

##### **3. Abandoned Mine Land Fees (AML)**

The Abandoned Mine Land (AML) program is funded by a reclamation fee assessed on coal mine operators. The fee is based on the type and volume of coal produced for sale, transfer,

or use. As appropriated by Congress, monies received and deposited in this special fund are used to reclaim lands adversely affected by past mining.

Since the inception of SMCRA, the Act requires that half of the AML reclamation fees be set aside for the state of origin. The remaining collections—half of the AML and all interest, late-payment penalties, and administrative charges—are set aside without regard to the state from which the fees were collected. Annually, Congress provides grant monies in the OSM appropriation, typically much less than the annual collections, which are distributed to those states and tribes that have a state or tribal run AML program. Fees collected, but not yet appropriated, are held in trust for future appropriations.

##### **4. Transfers In/Transfers Out**

Beginning in fiscal year 1996, OSM has annually transferred a portion of the interest it has earned through investment of the AML Funds unexpended balance to the United Mine Workers of America Combined Benefit Fund (CBF). See Note 11 for additional information.

The Office of Surface Mining also administers and accounts for financial activity affecting no-year funds that, in earlier years, had been transferred to OSM from the U.S. Department of State (India Fund). The purpose of the India transfer was to fund research and development of India's reclamation program within the framework of SMCRA.

#### **E. Centralized Federal Financing Activities**

OSM's financial activities interact with and are dependent on the financial activities of the centralized management functions of the federal government that are undertaken for the benefit of the government as a whole. These activities include public debt and employee retirement and post-employment benefit programs. Employee retirement and post-employment benefit costs, along with an imputed financing source for these costs, are included in OSM's financial statements. Please see Note 15 for the breakdown of these assigned costs. Public debt activities that are performed for the benefit of the government as a whole are not included in these financial statements.

#### **F. Allowance for Doubtful Accounts**

OSM uses two different methodologies to recognize bad debts arising from uncollectible accounts receivable, the net of the allowance method and the specific analysis method. The net of the allowance method is used for special and civil penalty funds accounts receivable. Under this method, an allowance for doubtful accounts is calculated based upon OSM's past experience in successfully collecting delinquent accounts receivable by aging category. OSM's allowance methodology is representative of the collectability of delinquent debt. For all other types, the allowance is based on an analysis of each account receivable.

#### **G. Grant Expenditures**

OSM awards grants to states and Indian tribes to facilitate the accomplishment of its overall mission. To meet immediate cash needs, grantees draw down funds that are disbursed through an auto-

mated payment system. OSM accrues these draw-downs as expenditures because they are either reimbursements or the state or tribe immediately disburses the money on its program. All OSM disbursements are made by the Treasury. Either semiannually or annually, grantees report costs incurred to OSM.

***H. Administrative Expenses***

Executive and general administrative expenses incurred by OSM benefit both the Regulation and Technology and AML funds. Since there is no reasonable means to directly charge shared expenses, both Regulation and Technology and AML receive an equitable reallocation of indirect costs through a budget-based formula.

***I. Distribution of AML Appropriation for Reclamation Grants***

OSM distributes the Congressional appropriation from the collections of AML fees through grants to states and tribes. The distribution contains three main components: 1) state share distribution 2) federal share distribution 3) emergency program distribution. The state-share portion is based on the percentage of each state's balance in the AML Trust Fund. All states or tribes with a participating state or tribal reclamation program receive state share distributions on an annual basis if they have a balance in the trust fund. OSM distributes additional monies from the federal-share portion of the AML appropriation based upon state historical coal production prior to 1978. Under the minimum program provisions, OSM distributes at least \$1.5 million to states or tribes with qualifying reclamation projects. This provides additional funding for Priority 1 & 2 AML coal projects. OSM also distributes

monies to be used only for qualifying emergency programs from the federal-share portion of the appropriation.

***J. Fund Balance with Treasury and Cash***

OSM maintains all cash accounts with the Treasury. The account "Fund Balance with Treasury" represents appropriated and special fund balances, both available and unavailable. Cash receipts and disbursements are processed by Treasury. OSM reconciles its records with those of the Treasury on a monthly basis. Note 2 provides additional information on Fund Balances with Treasury.

***K. Investments***

OSM invests excess cash from AML fee collections in Treasury Bills. Note 3 provides additional information concerning investments.

Some of these investment earnings are transferred to the United Mine Workers of America Combined Benefit Fund. See Note 11 for additional information.

***L. Personnel Compensation and Benefits***

Annual leave is accrued as it is earned by employees. The accrual is reduced as leave is taken. Each year, the balance of accrued annual leave is adjusted to reflect current pay rates. Appropriations do not provide for leave as it is earned, only as it is used. Consequently, OSM has a liability for unused annual leave which is considered unfunded. Sick leave and other types of non-vested leave are expensed as used.

Office of Workers Compensation Program chargeback and unemployment compensation insurance are funded from current appropriations when paid. An unfunded liability is recognized for benefits received by employees, but not yet paid by OSM.

OSM employees participate in the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), which became effective on January 1, 1984. Most OSM employees hired after December 31, 1983 are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, could elect to either join FERS and Social Security or remain in CSRS.

OSM employees contribute seven percent of their gross pay to CSRS. OSM makes matching contributions to CSRS on behalf of CSRS employees. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS. CSRS employees, however, do contribute to Medicare. FERS employees are subject to social security and Medicare taxes. OSM also contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay for FERS employees. FERS employees can contribute up to ten percent of their gross earnings to the plan. CSRS employees have the option of contributing to the thrift savings plan up to five percent of their gross salary with no additional government matching.

These financial statements also reflect CSRS or FERS accumulated plan benefits and unfunded retirement liabilities, if any. These figures are calculated and provided to OSM by the Office of Personnel Management. Please see Note 15 for a further breakdown of these retirement and post-employment benefit costs.

**M. Income Taxes**

As an agency of the U.S. Government, OSM is exempt from all income taxes imposed by any governing body, whether it be a federal, state, Commonwealth of the United States, local, or foreign government.

**Note 2.**

***Fund Balance with Treasury:***

The Treasury performs cash management activities for all government agencies. The Fund Balance with Treasury under Current Assets represents the right of OSM to draw on the Treasury for allowable expenditures. The Fund Balance with Treasury represents OSM's unexpended, uninvested account balances. All funds reported on these statements are entity funds. Restricted amounts represent the AML fees collected but not yet made available for spending by Congress.

<b>Fund Balance</b>	
(Dollars in thousands)	
Available	\$347,482
Restricted	1,529,388
Subtotal Fund Balance	<u>\$1,876,870</u>
Less Invested Balance	
(See Note 3)	(1,832,171)
Total Fund Balance	<u>\$44,699</u>

**Note 3.**

***Investments:***

Effective October 1, 1991, OSM was given authority to invest the balance of the AML Special Fund in non-marketable federal securities under Public Law 101-508. The Bureau of Public Debt is the sole issuer of authorized non-marketable Federal securities, which are purchased by OSM directly from the Treasury. OSM may invest in bills, notes, bonds, par value special issues, and one-day certificates. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities.

When previously issued Treasury bills are purchased by OSM, the unamortized (discount) or premium is calculated by the Treasury at the time of purchase.

Investments are entered at the market value, with the discount accrued as amortization on premiums or discounts.

<b>Investments</b>	
(Dollars in thousands)	
Face Value	\$1,847,088
Unamortized Discount	(35,689)
Amortization on Premiums	
or Discounts	<u>20,772</u>
Net Investments	<u>\$1,832,171</u>

**Note 4.**

**Accounts Receivable:**

4A.

<b>Accounts Receivable with the Federal Government</b>	
(Dollars in thousands)	
BIA - Department of the Interior	\$6
Corps of Engineers	3
Net Receivables with the Government	\$9

There is no Allowance for Uncollectible Amounts recorded for receivables with other government agencies. All receivables with the government are either collected or reclassified at a later date.

4B.

<b>Accounts Receivable with the Public</b>						
(Dollars in thousands)						
	<b>Gross A/R</b>	<b>Allowance for Uncollectible Accounts</b>			<b>Ending Balance</b>	<b>Net A/R</b>
		<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>		
Total Accounts Receivable	\$4,219	\$13,848	\$46	(\$11,793)	\$2,101	\$2,118

Method of Determining Allowance for Uncollectible Accounts: The allowance for uncollectible accounts is determined by first aging the accounts receivable balance and the accounts that have been written off and collected in the past year. The amount of accounts receivable that have been written off as uncollectible in each age category is then divided by the total accounts receivable written off plus the total collected in that age category. The resulting percentage is the estimate of the percent of accounts receivable that are uncollectible for that age category. These percentages are then multiplied by the amount of accounts receivable currently outstanding in each age category. The resulting total is the estimated amount of accounts receivable that are uncollectible.



4C.

<b>Interest Receivable from the Public</b>						
(Dollars in thousands)						
		<u>Allowance for Uncollectible Accounts</u>				
	Gross Interest & Receivable	Beginning Balance	Additions	Reductions	Balance	Net Interest Receivable
Non- Entity	\$141	\$1,239	\$111	(\$1,231)	\$119	\$22
Entity	1,297	12,722	944	(12,722)	944	353
Total Interest Receivables	\$1,438	\$13,961	\$1,055	(\$13,953)	\$1,063	\$375

Non-entity receivables represent receivables which OSM has no statutory authority to retain. These are OSM's only non-entity assets. The collections on these receivables are transferred annually to Treasury. An intra-governmental payable is established at the same time the receivable is established.

## Note 5.

### *Physical Assets:*

OSM does not own any real estate or buildings. All property and equipment are valued at historical cost. Property and equipment are capitalized whenever the initial acquisition cost is \$15 thousand or more and the estimated useful life is two years or longer. This is a change from prior years where the capitalization threshold was \$5 thousand or more. Computer soft-

ware is not capitalized unless the acquisition cost is \$25 thousand or more.

All property and equipment is depreciated using the straight-line method and an assets useful life is determined using General Service Administration guidance.

<b>Physical Assets</b>				
(Dollars in thousands)				
	Service Life	Acquisition Value	Accumulated Depreciation	Book Value
ADP Equipment	15	\$2,501	(\$1,549)	\$952
Office Equipment	11-20	917	(220)	697
Vehicles	6-10	2,654	(1,412)	1,242
<b>Total Physical Assets</b>		<b>\$6,072</b>	<b>(\$3,181)</b>	<b>\$2,891</b>

## Note 6.

### *Amounts Held for Others:*

Deposits received by OSM are held in suspense pending legal action, identification, or other further action. These deposits have been identified as (1) Reimbursable advances - receipts from recipients of services yet to be performed; (2) Other escrows - permit fees held by OSM until the permit is issued; (3) Civil Penalties Escrow - funds collected from civil penalties held in escrow pending any appeal processes which will determine whether OSM will refund the collections or transfer the collections to appropriate accounts for use by the Federal Government; (4) Bonds - cash held by OSM until the coal operator has fully reclaimed the specific bonded site; (5) Other - misapplied deposits pending correction and deposits not applied due to timing, also pending correction; (6) Overpayments - excess AML fee payments due to be refunded or returned to Treasury.

6A.

<b>Amount held for Others with the Federal Government</b>	
(Dollars in thousands)	
Reimbursable Advance	\$294
Other Deposits	48
<b>Total</b>	<b>\$342</b>

6B.

<b>Amount Held for Others with the Public</b>	
(Dollars in thousands)	
Reimbursable Advance	\$303
Other Escrows	76
Civil Penalties Escrow	49
Bonds	10
Other Deposits	83
Overpayments	8
	<hr/>
Total	\$529

## Note 7.

### ***Estimated Future Liabilities:***

#### 1. Environmental Liabilities

The Congress has identified the reclamation of abandoned mine sites as an objective of providing for the general health and safety of the people. In order to finance the reclamation, OSM collects a fee for coal sold or used from current mining operations into a fund called the Abandoned Mine Land Fund. The purpose of this fee is to support, among other things, the reclamation of abandoned mine lands. Congress authorizes the funding for these projects on an annual basis through appropriations from this fund.

Although OSM's mission includes the administration of programs designed to protect society from the effects of coal mining operations, OSM

has no liability for future environmental cleanup. OSM does not own land or contribute to environmental contamination. However, OSM provides some funding, through grants for states and tribes and through contracting in states or tribal lands that do not have approved abandoned mine land programs, in order to reclaim eligible abandoned mine sites or to work on other qualified projects. All costs associated with these projects are accrued as the grantee incurs them.

#### 2. Contingent Liabilities

There have been claims filed against OSM with adjudications pending. As of September 30 an additional \$28,563 (for a total of \$120,677,448 million for all years) has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability has been established. Cash settlements of \$120,200,000 are expected to be paid out of the Judgment fund maintained by Treasury and settlements of \$477,448 from the operating resources of OSM.

No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. Sufficient information is not currently available to determine if the ultimate resolution of these proceedings, actions, and claims will materially affect OSM's financial position or results of operations.

**Note 8.**

<b>Liabilities</b>			
	Covered by Budgetary Resources	Not Covered by Budgetary Resources	Total
(Dollars in thousands)			
Accounts Payable – Federal	\$119		\$119
Federal Employee Benefits	463		463
Unfunded Accounts Payable – Federal		\$669	669
Amounts Held for Others	342		342
Other	22		22
<b>Total Liabilities with the Federal Government</b>	<b>\$946</b>	<b>\$669</b>	<b>\$1,615</b>
Accounts Payable - Public	\$2,441		\$2,441
Federal Employee Benefits	2,334		2,334
Amounts Held for Others (Note 6)	529		529
Accrued Unfunded Annual leave		4,150	4,150
Actuarial Liabilities		2,485	2,485
Estimated Future Liabilities (Note 7)		120,677	120,677
<b>Total Liabilities with the Public</b>	<b>\$5,304</b>	<b>\$127,312</b>	<b>\$132,616</b>
<b>Total Liabilities</b>	<b>\$6,250</b>	<b>\$127,981</b>	<b>\$134,231</b>

**Note 9.**

<b>Unexpended Appropriations</b>	
(Dollars in thousands)	
Unobligated and Available	\$9,944
Unobligated and Unavailable	4,696
Obligated	23,798
<b>Total Unexpended Appropriations</b>	<b>\$38,438</b>



## Note 10.

<b>Costs Paid to Federal Agencies</b>	
(Dollars in thousands)	
Department of the Interior:	
Bureau of Reclamation	\$21
Bureau of Land Management	4
Minerals Management Service	57
National Park Service	3
Office of the Secretary	3,257
Fish and Wildlife Service	6
U.S. Geological Survey (USGS)	5
Total, Department of Interior	<u>\$3,353</u>
Other Federal Agencies:	
Office of Personnel Management	\$5,878
U S Postal Service	37
Department of Labor	258
General Services Administration	3,577
Department of Agriculture	714
U.S. Treasury	1,567
Government Printing Office	333
Department of State	179
Other	114
Total, Other Federal Agencies	<u>\$12,657</u>
Other - Imputed Cost	<u>3,661</u>
Total Costs Paid to Federal Agencies	\$19,671

## Note 11.

### UMWA CBF Transfers:

Presently, all earnings from AML investments are reinvested, thus providing a source of additional funding to enhance AML Special Fund equity. However, with the enactment of Public Law 102-486 on October 24, 1992, and effective with FY 1996, OSM is required to transfer annually a portion of the interest earned from the AML Special Fund to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). These AML interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents. The number of beneficiaries can change from year to year based on court cases, bankruptcies, and mortality.

<b>UMWA CBF Transfers</b>	
(Dollars in thousands)	
Total Number of Beneficiaries	16,972
Public Law 106-113	
FY 2000 Costs	42,482
FY 1999 Costs	(2,708)
FY 1998 Costs	7,961
FY 1997 Costs	(4,240)
FY 1996 Costs	<u>(2,535)</u>
Total Payment	\$108,960

## Note 12.

### Future Funding Requirements:

The Department of the Interior has provided OSM with its unfunded future liability for workers compensation benefits covered by the Federal Employees Compensation Act (FECA) and the Departmental payroll operation has provided data for accrued unfunded leave.

<b>Future Funding Requirements</b>	
(Dollars in thousands)	
Accrued Unfunded Leave	\$249
FECA Accrual	40
FECA Actuarial Changes	(118)
Contingent Legal Liabilities	<u>28</u>
Total Future Funding Requirements	\$199

## Note 13.

### Earned Revenue:

There are some types of receipts (e.g., reimbursable agreements with states and other federal agencies) that are recognized as revenues when earned. These revenues may be used to offset the cost of producing the product or providing the service for which they are received.

## Earned Revenue

(Dollars in thousands)

### 13A. Total Revenue from Federal Government

Bureau of Indian Affairs	\$992
Bureau of Land Management	71
Minerals Management Service	130
Office of the Secretary - DOI	8
Environmental Protection Agency	48
Department of Energy	17
Department of State	623
Office of Solicitor	4
Corps of Engineer	11
USDA-forest Service	25
National Endowment of the Arts	20
Vehicle Sales	50
Total Revenue from Federal Government	<u>\$1,999</u>

### 13B. Total Revenue from the Public

Bond Forfeitures	\$3
Indonesia	33
Copy Fees	2
Blaster Fees	2
Permit Fees	13
Mine Map Sales and FOIA	8
Total Revenue from the Public	<u>\$61</u>

Total	\$2,060
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## Note 14.

### Other Revenues and Financing Sources:

Accrual-based accounting includes both collected and uncollected revenue as a financing source:

### Other Revenues and Financing Sources

(Dollars in thousands)

Administrative Revenue from AML fees	\$275,194
Civil Penalty Revenue	63
Total Other Revenues and	
Financing Sources	<u>\$275,257</u>

## Note 15.

### Imputed Financing Sources

Prior to 1997, Department of the Interior agencies did not report or record an assigned expense or assigned financing source for retirement and post-employment benefits borne by the Office of Personnel Management. Because of new guidance issued by the Federal Accounting Standards Advisory Board, effective in 1997, these assigned expenses and financing sources are reported and recorded. This allows agencies to more accurately reflect the benefit expenses created by the agency's operations. The following table details the expenses incurred for retirement and post-employment benefits.

**Assigned Retirement and Post-Employment Benefits Cost**

(Dollars in thousands)

	Base Salary of Eligible Employees	OSM Percentage of Cost	Assigned Cost
Civil Service Retirement System Pensions	\$23,461	8.29%	\$1,945
Civil Service Retirement System Offset Pensions	2,139	9.84%	210
Federal Employee Retirement System Position	12,686	(0.4%)	(50)
Retirement Life Insurance	31,630	0.02%	6
Retirement Health Benefits	567 employees (yearly average) multiplied by \$2,733.00 per employee		1,550
<b>Total Assigned Benefits Cost</b>			<b>\$3,661</b>

Please see Note 1L for further explanation of the Civil Service Retirement System.

**Note 16.**

***Change in Accounting for Non-Appropriated Financing:***

Treasury issued new guidance for FY2000 which changed how equity is reported in certain funds. This affected funds in which appropriations are not received from the Treasury General Fund. The equity in these funds is now accounted for as cumulative results of operations instead of unexpended appropriations.

**Note 17.**

***Prior Period adjustments:***

This year's prior period adjustments of \$14,155 are all related to corrections of recording capitalized property.

**Note 18.**

***Appropriations Available for Investment but not Obligation:***

The Abandoned Mine Land Fund constitutes the largest portion of the Office of Surface Mining's assets. This fund consists of available and restricted balances as summarized in Note 2. available balances are those which have been previously authorized by Congress to finance reclamation of abandoned mine lands. The restricted balance refers to the amount of fee collections and investment interest income which are yet to be authorized by Congress for use by the Office of Surface Mining or transferred to other agencies per the Abandoned Mine Land Reclamation Act of 1990 and the Energy Policy Act of 1992. The restricted balances for FY2000 are detailed below:

**Appropriations Available for Investment**

(Dollars in thousands)

Beginning Balance	\$1,443,912
Add: Fee Collections	274,297
Add: Investment Interest	94,369
Less: Appropriations	196,208
Add: Appropriation Rescission	335
Less: Transfers Out	108,960
	<hr/>
Ending Balance	\$1,507,745

**OFFICE OF SURFACE MINING  
RECLAMATION AND ENFORCEMENT**

Fiscal Year 2000 Financial Statements  
and  
Accompanying Footnotes  
Prepared in accordance with  
Federal Accounting Standards Advisory Board  
Guidance

Note: Public Law 106-113 reduced the current year appropriation by \$335,000. This rescission action returned those funds to the AML restricted balance. Please refer to Note 2 for further information on restricted and unrestricted asset balances

**Note 19.**

***Expired Unobligated Balances:***

To properly report the financial position of the bureau, these financial statements include expired appropriated accounts which are unavailable for new obligations. These unavailable funds are canceled and returned to the Treasury five years after the appropriation was authorized. The current balance of unavailable (or expired) appropriations is approximately \$4.7 million.



	<b>Environmental Protection</b>	<b>Environmental Restoration</b>	<b>UMWA CBF Transfer</b>	<b>Total</b>
<b>COSTS</b>				
Operating Costs				
Paid to the Federal Government	\$9,000	\$10,671	\$0	\$19,671
Paid to the Public				
UMWA Combined Benefit Fund Transfer	0	0	108,960	108,960
Paid to the Public	93,334	169,765	0	263,099
Total paid to the Public	93,334	169,765	108,960	372,059
Total Program Costs	\$102,334	\$180,436	\$108,960	\$391,730
Other Costs				
Interest Expense	1	0	0	1
Future Funding Expenses	141	58	0	199
Depreciation and Amortization	444	181	0	625
Net Loss on Disposition of Assets	70	29	0	99
Bad Debt Expense	1	1	0	2
<b>Total Costs</b>	<b>\$102,991</b>	<b>\$180,705</b>	<b>\$108,960</b>	<b>\$392,656</b>
<b>LESS EARNED REVENUE</b>				
From the Federal Government	1,748	251	0	1,999
From the Public	41	20	0	61
<b>Total Earned Revenues</b>	<b>\$1,789</b>	<b>\$271</b>	<b>\$0</b>	<b>\$2,060</b>
<b>NET COST OF OPERATIONS</b>	<b>\$101,202</b>	<b>\$180,434</b>	<b>\$108,960</b>	<b>390,596</b>

The accompanying footnotes are an integral part of these financial statements.

	<b>Environmental Protection</b>	<b>Environmental Restoration</b>	<b>UMWA CBF Transfer</b>	<b>Total</b>
<b>NET COST OF OPERATIONS</b>	\$101,202	\$180,434	\$108,960	\$390,596
<b>FINANCING SOURCES</b>				
Appropriated Capital Used	96,376	0	0	96,376
Donations	0	1	0	1
Interest Revenue	0	97,819	0	97,819
Other Non-Exchange Revenue	0	275,257	0	275,257
Imputed Financing Sources	2,599	1,062	0	3,661
Financing Sources Transferred-In/Out	1,500	(110,480)	108,960	(20)
Fines and Penalties - Public	0	85	0	85
Financing Sources	\$100,475	\$263,744	\$108,960	\$473,179
<b>Net Results of Operations</b>	(\$727)	\$83,310	\$0	\$82,583
Change in Accounting for Non-Appropriated Financing	0	289,066	0	289,066
Prior Period Adjustments	11	3	0	14
<b>Net Change in Cumulative Results of Operations</b>	(\$716)	\$372,379	\$0	\$371,663
Change in Unexpended Appropriations	5,366	(289,066)	0	(283,700)
<b>Change in Net Position</b>	\$4,650	\$83,313	\$0	\$87,963
Net Position-Beginning of Period	30,698	1,629,371	0	1,660,069
<b>NET POSITION - END OF PERIOD</b>	\$35,348	\$1,712,684	\$0	\$1,748,032

The accompanying footnotes are an integral part of these financial statements.

**MANAGEMENT REPRESENTATION LETTER**

Memorandum

To: Earl E. Devaney, Inspector General  
Office of the Inspector General

From: Robert J. Ewing, Chief Financial Officer

Subject: Management Representation for Office of Surface Mining (OSM)  
Fiscal Year 2000 Financial Statements



Date: December 30, 2000

This memorandum is in connection with your audit of the Office of Surface Mining Principal Statements (also referred to as “financial statements”)—the Statement of Financial Position as of September 30, 2000, and the related Statements of Net Cost of Operations, Changes in Net Position, Budgetary Activity, and Financing for the fiscal year then ended, and other information presented in the financial report for the purposes of: (1) expressing an opinion as to whether the Principal Statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and (2) reporting whether the agency’s financial management systems substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level as of September 30, 2000.

We confirm, to the best of our knowledge and belief, the following representations made to you during the audit, that these representations are as of the date of your auditor’s report, and pertain to the periods covered by the financial statements. These representations update the representations we provided in conjunction with your audit of the financial statements as of and for the year ended September 30, 1999.

1. We are responsible for the presentation of the Principal Statement and Required Supplementary Information in conformity with generally accepted accounting principles.
2. The financial statements and supplemental reports are fairly presented in conformity with Federal accounting standards.
3. We are responsible for the identification of and compliance with pertinent laws and regulations and for establishing and maintaining an internal control structure.

## MANAGEMENT REPRESENTATION LETTER

4. We have made available to the auditors all:
  - a. Financial records and related data, and
  - b. Communications from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices.
5. There are no significant transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the Notes to the financial statements.
6. Related party transactions and related accounts receivable or payable, including assessments, have been properly recorded and disclosed.
7. All significant intra-bureau transactions and balances have been appropriately identified and eliminated for financial reporting purposes, unless otherwise noted. All intra-governmental transactions and balances have been appropriately recorded, reported, and disclosed. We have reconciled significant intra-governmental transactions and balances with the appropriate trading partners for the four fiduciary transactions identified in Treasury's *Intra-governmental Fiduciary Transactions Accounting Guide*, and other intra-governmental asset, liability, and revenue amounts as required by OMB Bulletin 97-01, as amended.
8. We have complied with all aspects of contractual agreements that would have a significant effect on the financial statements in the event of noncompliance.
9. There has been no significant fraud (intentional misstatements or omissions of amounts or disclosures in the financial statements and misappropriation of assets that could have a significant effect on the Principal Statements or Required Supplementary Information) or any fraud involving management or employees who have significant roles in internal control .
10. There have been no communications from regulatory agencies or oversight agencies, such as the Office of Management and Budget, the Department of the Treasury, and the U.S. General Accounting Office, concerning noncompliance with, or deficiencies in, financial reporting practices that could have a significant effect on the Department's financial statements.
11. We have no plans or intentions that may significantly affect the carrying value or classification of assets and liabilities.
12. Where significant, accounts receivable have been reduced to their estimated net realizable value.

13. The DOI administers approximately four hundred million acres of real property, with title held in the name of the United States, that is not considered an asset for purposes of this memo. This includes, but is not limited to, lands within the National Park System, National Wildlife Refuge System, Public Lands, and other Federal lands and interests in land. Accordingly, except as disclosed in the Notes to the Financial Statements, the Bureau, either in its name or that of the United States, as appropriate, holds satisfactory title to the assets that it owns or administers, and there are no material liens or encumbrances on such assets inconsistent with such Federal ownership interest.
14. There are no:
  - a. Possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency,
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed, except for unresolved recommendations in prior OIG and General Accounting Office audit reports.
  - c. Unasserted claims or assessments that are probable of assertion and must be disclosed, that have not been disclosed.
15. We are responsible for establishing and maintaining internal controls.
16. Pursuant to the Federal Managers Financial Integrity Act, we have assessed the effectiveness of the Bureau's internal controls in achieving the following objectives:
  - a. Reliability of financial reporting— transactions are properly recorded, processed, and summarized to permit the preparation of the Principal Statements and Required Supplemental Information in accordance with generally accepted accounting principles and ensure that assets are safeguarded against loss from unauthorized acquisition, use, or disposition;
  - b. Compliance with applicable laws and regulations—transactions are executed in accordance with: (i) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements, and (ii) any other laws, regulations, and governmentwide policies identified by the OMB in Appendix C of OMB's Audit Bulletin; and
  - c. Reliability of performance reporting—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.



## MANAGEMENT REPRESENTATION LETTER

17. Those controls in place on September 30, 2000, provided reasonable assurance that the foregoing objectives are met.
18. We are responsible for implementing and maintaining financial management systems that comply substantially with Federal financial management systems requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger (SGL) at the transaction level.
19. We have assessed the financial management systems to determine whether they comply substantially with these Federal financial management systems requirements. Our assessment was based on guidance issued by OMB.
20. The financial management systems complied substantially with the Federal financial management systems requirements, applicable Federal accounting standards, and the SGL at the transaction level as of September 30, 2000.
21. We are responsible for the compliance with the applicable laws and regulations.
22. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
23. We have disclosed to you all known instances of noncompliance with laws and regulations.
24. No events or material transactions have occurred subsequent to September 30, 2000, that have not been properly recorded in the Principal Statements and Required Supplementary Information or disclosed in the Notes thereto.

If you have any questions with respect to this memorandum, please contact Robert Ewing at (202) 208-2560.

cc: Acting Assistant Secretary  
Policy, Management and Budget

# INSPECTOR GENERAL AUDIT OPINION

C-IN-OSM-024-00-R



## United States Department of the Interior

OFFICE OF INSPECTOR GENERAL  
Washington, D.C. 20240

MAR - 7 2001

### Memorandum

To: Director, Office of Surface Mining Reclamation and Enforcement

Subject: Independent Auditors Report on Office of Surface Mining Reclamation and Enforcement Financial Statements for Fiscal Year 2000 (No. 01-I-273)

We found that the Office of Surface Mining Reclamation and Enforcement's (OSM) principal financial statements<sup>1</sup> for fiscal year 2000 were fairly presented in all material respects. Our tests of the OSM's internal controls identified no material weaknesses, reportable conditions, or problems in performance measure reporting. In addition, our tests of the OSM's compliance with applicable laws and regulations found no instances of noncompliance that are required to be reported under the "Government Auditing Standards" or Office of Management and Budget Bulletin 01-02.

We also found that the information presented in the Management Discussion and Analysis section and the supplementary information sections of the OSM's Accountability Report for fiscal year 2000 were consistent with the principal financial statements.

Since this report does not contain any recommendations, a response to the Office of Inspector General is not required.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

The Independent Auditors Report is intended for the information of management of the Department of the Interior, the Office of Management and Budget, and the Congress. The report, however, is a matter of public record, and its distribution is not limited.

Roger La Rouché  
Assistant Inspector General  
for Audits

<sup>1</sup>The OSM's principal financial statements consist of the Consolidated Statement of Financial Position as of September 30, 2000 and the Consolidated Statement of Net Cost, the Consolidated Statement of Changes in Net Position, the Consolidated Statement of Budgetary Resources, and the Consolidated Statement of Financing for the fiscal year ended September 30, 2000.

## Independent Auditors Report Office of Surface Mining Reclamation and Enforcement Financial Statements Fiscal Year 2000

We have audited the Office of Surface Mining Reclamation and Enforcement's (OSM) principal financial statements for the fiscal year ended September 30, 2000. The OSM principal financial statements consist of the Consolidated Statement of Financial Position as of September 30, 2000 and the Consolidated Statement of Net Cost, the Consolidated Statement of Change in Net Position, the Consolidated Statement of Budgetary Resources, and the Consolidated Statement of Financing for the fiscal year ended September 30, 2000. These financial statements are the responsibility of the OSM, and our responsibility is to express an opinion, based on our audit, on these principal financial statements.

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Office of Management and Budget (OMB) Bulletin 01-02, "Audit Requirements for Federal Financial Statements." These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying principal financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the principal financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit work provides a reasonable basis for our opinion. The objective, scope, and methodology of our audit are discussed in the Appendix.

### Opinion on Principal Financial Statements

In our opinion, the principal financial statements audited by us and appearing on pages 24-42 present fairly, in all material respects, the financial position of the OSM as of September 30, 2000 and its consolidated net cost, changes in net position, budgetary resources, and financing activities for the fiscal year ended September 30, 2000 in conformity with generally accepted accounting principles.

As discussed in Note 16, the OSM changed its accounting for appropriations of trust and special receipt revenues in accordance with new guidance from the Department of Treasury. This change required a restatement of the beginning balances from Unexpended Appropriations to Cumulative Results.

Our audit was conducted to form an opinion on the principal financial statements taken as a whole, and our opinion relates only to the principal financial statements. The supplemental financial and management information contained in the OSM's Accountability Report is presented for the purposes of additional analysis and is not a required part of the principal financial statements but is supplementary information required by the Federal Accounting Standards Advisory Board or OMB Bulletin 97-01, "Form and Content of Agency Financial Statements," as amended. We applied certain limited procedures, including discussions with management, on the methods of measurement and presentation of this information to ensure compliance with OMB guidance and consistency with the financial statements. We found that the information presented in the Management Discussion and Analysis and the supplementary information sections of the OSM's Accountability Report for fiscal year 2000 were consistent with the principal financial statements. This information, however, has not been subjected to the auditing procedures applied in our audit of the principal financial statements, and accordingly, we express no opinion on it.

## Report on Internal Controls

Our audit was conducted in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Bulletin 01-02.

In planning and performing our audit, we considered the OSM's internal controls over financial reporting by obtaining an understanding of the internal controls, determining whether the internal controls had been placed in operation, assessing control risks, and performing tests of controls to determine our auditing procedures for the purpose of expressing an opinion on the principal financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in Bulletin 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal controls, and accordingly, we do not express an opinion on the internal controls.

Our consideration of the internal controls over financial reporting would not necessarily disclose all matters in the internal controls over financial reporting

that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls that, in our judgment, could adversely affect the OSM's ability to record, process, summarize, and report financial data consistent with the assertions made by management in the financial statements. Material weaknesses are reportable conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in internal controls, misstatements, losses, or noncompliance may nevertheless occur and not be detected.

We noted no matters involving internal controls and their operation that we consider to be material weaknesses or reportable conditions.

## Performance Measures

In addition, with respect to internal controls related to performance measures reported in the Management Discussion and Analysis, we obtained an understanding of the design of the significant internal controls relating to the existence and completeness assertions, as required by Bulletin 01-02. Our procedures were not designed to provide assurance over internal controls over reported performance measures, and accordingly, we do not provide an opinion on such controls.

## Report on Compliance With Laws and Regulations

We conducted our audit in accordance with the "Government Auditing Standards," issued by the Comptroller General of the United States, and with Bulletin 01-02.

Management of the OSM is responsible for complying with applicable laws and regulations. As part of obtaining reasonable assurance as to whether the OSM's financial statements are free of material misstatement, we performed tests of the OSM's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in Bulletin 01-02, including the requirements referred to in the Federal Financial Management Improvement Act (FFMIA) of 1996. We limited our tests of compliance to these provisions and did not test compliance with all laws and regulations applicable to the OSM.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph, exclusive of the FFMIA, disclosed no instances of noncompliance that are required to be reported under the "Government Auditing Standards" or Bulletin 01-02.

Under the FFMIA, we are required to report whether the OSM's financial management systems substantially comply with Federal financial management system requirements, applicable Federal accounting standards, and the U.S. Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with the FFMIA section 803(a) requirements.

The results of our tests disclosed no instances in which the OSM's financial management system did not substantially comply with the three requirements discussed in the preceding paragraph.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and accordingly, we do not express such an opinion.

## Prior Audit Coverage

We reviewed prior Office of Inspector General and General Accounting Office audit reports related to the OSM's financial statements to determine whether these reports contained any unresolved or unimplemented recommendations that were significant to the OSM's financial statements or internal controls. We found that there were no General Accounting Office audit reports that contained significant unresolved or unimplemented recommendations related to the OSM's financial statements or internal controls.

In December 1999, the Office of Inspector General issued the report "General and Application Controls Over Automated Information Systems, Office of Surface Mining Reclamation and Enforcement" (No. 00-I-138). The report contained 38 recommendations addressing the ineffectiveness of the general controls over the OSM's automated information systems. During 2000, the Office of Inspector General did a followup review of the OSM's general and application controls over automated information systems. The Office of Inspector General concluded that the OSM took corrective actions on the recommendations and significantly improved the general controls over its automated information systems and is now in substantial compliance with the Federal financial management systems requirements under the FFMIA.

Since this report does not contain any recommendations, a response is not required.

Section 5(a) of the Inspector General Act (5 U.S.C. app. 3) requires the Office of Inspector General to list this report in its semiannual report to the Congress. In addition, the Office of Inspector General provides audit reports to the Congress.

This report is intended for the information of management of the Department of the Interior, the OMB, and the Congress. This report, however, is a matter of public record, and its distribution is not limited.



Roger LaRouche  
Assistant Inspector General  
for Audits  
December 30, 2000

Appendix

## **Objective, Scope, and Methodology**

Management of the Office of Surface Mining Reclamation and Enforcement (OSM) is responsible for the following:

- Preparing the principal financial statements and the required supplementary information in conformity with generally accepted accounting principles and preparing the other information contained in the Accountability Report for fiscal year 2000.
- Establishing and maintaining an internal control structure over financial reporting. In fulfilling this responsibility, estimates and judgments are required to assess the expected benefits and related costs of internal control structure policies and procedures.
- Complying with applicable laws and regulations.

We are responsible for the following:

- Expressing an opinion on the OSM's principal financial statements.
- Obtaining an understanding of the internal controls based on the internal control objectives contained in Bulletin 01-02, which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial statements and the required supplementary information in accordance with Federal accounting standards; that assets be safeguarded against loss from unauthorized acquisition, use, or disposal; and that transactions and other data that support reported performance measures be properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.
- Testing the OSM's compliance with selected provisions of laws and regulations that could materially affect the principal financial statements or the required supplementary information.

To fulfill these responsibilities, we took the following actions:

- Examined, on a test basis, evidence supporting the amounts disclosed in the principal financial statements.

- Assessed the accounting principles used and the significant estimates made by management.

- Evaluated the overall presentation of the principal financial statements.

- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; financial reporting; and certain performance measure information reported in the Accountability Report.

- Tested relevant internal controls over the safeguarding of assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.

- Tested compliance with selected provisions of laws and regulations.

We did not evaluate all of the internal controls related to the operating objectives as broadly defined by the Federal Managers' Financial Integrity Act, such as those controls related to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to those controls needed to achieve the objectives outlined in our report on internal controls.





**OFFICE OF SURFACE MINING  
1951 CONSTITUTION AVE., N.E.  
WASHINGTON, D.C.  
20240  
WWW.OSMRE.GOV  
GETINFO@OSMRE.GOV**

**DECEMBER 30, 2000**