



Office of Surface Mining
1951 Constitution Ave., N.W.
Washington, DC 20240
www.osmre.gov

Office of Surface Mining

1998 Annual Report



TODAY'S COAL MINE RECLAMATION

A look at the successful Office of Surface Mining programs and our new improvement initiatives that will 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.

Partnerships with states.

How can an agency as small as the Office of Surface Mining (about 650 employees nationwide) succeed in such a challenging responsibility? Only by partnerships with the states where coal is mined. The Surface Mining Law gives primary responsibility for regulating surface coal mine reclamation to the states themselves, a responsibility that 24 coal states have chosen to exercise. On federal lands and Indian Reservations (Navajo, Hopi, Crow), and in the coal states that have not set up regulatory programs of their own, the Office of Surface Mining or states with cooperative agreements issue the coal mine permits, conduct the inspections, and handle the enforcement responsibilities.

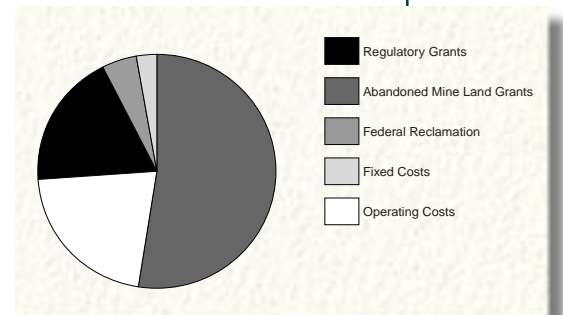


Citizen Participation.

The Surface Mining Law was written to ensure that coal is mined under stringent public safety and environmental protection standards. To help make sure there was compliance, the public was provided unprecedented citizen rights to participate at every step of the process. The architects of the law said, *"The success or failure of a national coal mining regulation program will depend, to a significant extent, on the role played by citizens in the regulatory process (H.R.95-218)."* Today citizens participate in mine permitting, inspection and enforcement during mining, review of Notices of Violation and Cessation Orders, and bond release. In addition, citizens report abandoned mine hazards and complete on-the-ground reclamation projects through the Appalachian Clean Streams Initiative.

Funds for mine reclamation.

The Office of Surface Mining's current annual budget is approximately \$278 million. That sum enables the Office of Surface Mining to support the states' mining programs by matching their regulation and enforcement costs dollar for dollar. 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 mines.



On-the-ground results.

Past coal mining abuses have been halted. Coal mine operators now reclaim the land as they go. Mined lands are no longer abandoned without proper reclamation. More than 19,000 acres of pre-1977 dangerous abandoned mine waste piles have been restored to productive use. Over 2.7 million linear feet of dangerous cliff-like highwalls have been eliminated. More than 20,000 dangerous abandoned portals and hazardous vertical openings have been sealed.



Reclaimed abandoned mine

The 24 primacy states.

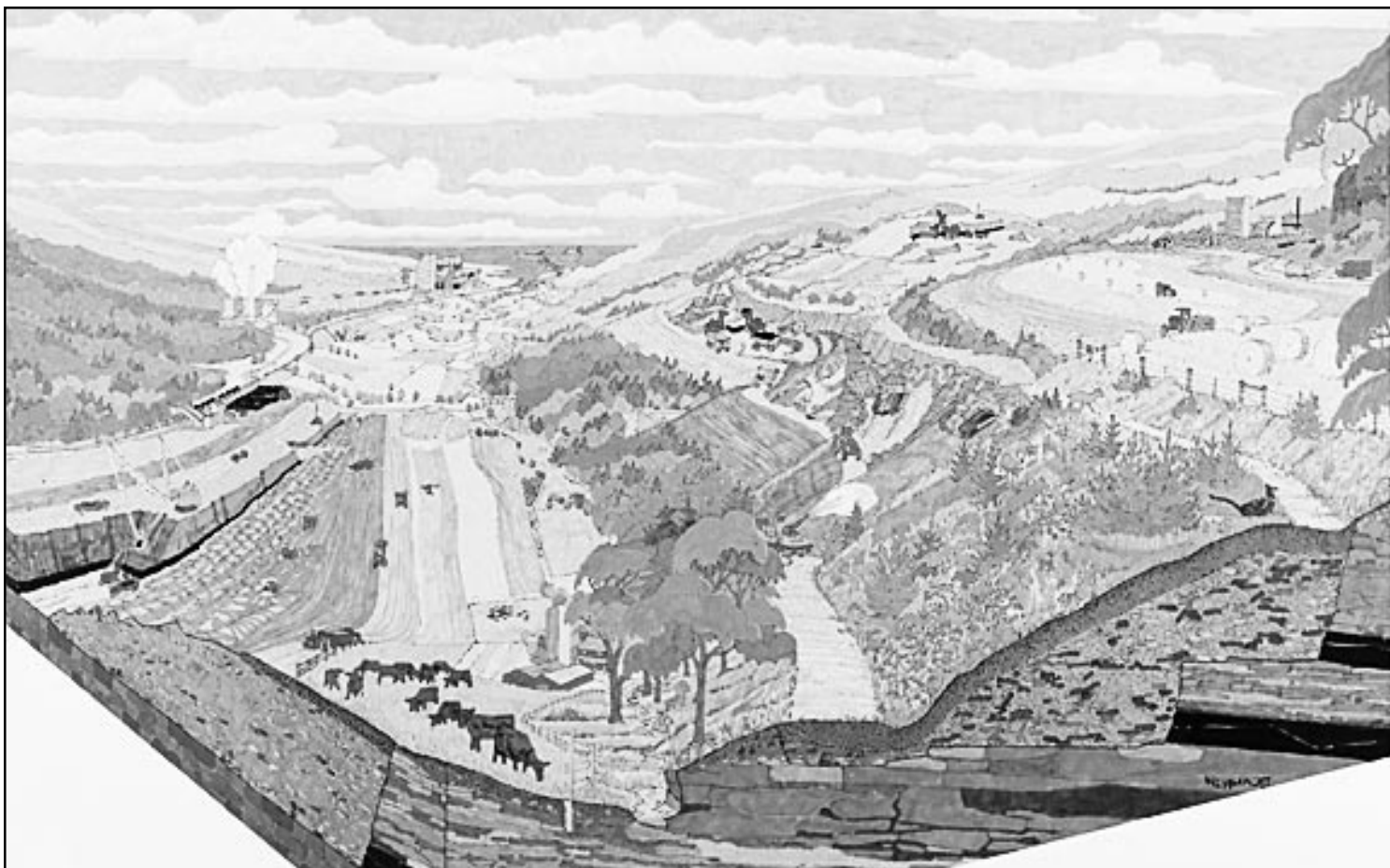
Alabama, Alaska, Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wyoming.

Organization.

Functionally, the Office of Surface Mining is organized around the two principal requirements of the Surface Mining Law: regulating active coal mining and reclaiming abandoned mines. It is a field-oriented organization, with headquarters in Washington, D.C., three regional coordinating centers, 10 field offices, and six area offices.



Coal mining and reclamation under the Surface Mining Law



Mining and reclamation procedures that meet the Surface Mining Law's requirements are illustrated above for each of the three major surface coal mining methods: area mining, contour mining, and mountaintop removal mining. The three methods involve the same basic procedures: Clearing the land of trees and other vegetation, removing the topsoil and overburden, removing the coal, and reclaiming the land. Although all three methods would not likely be seen in one view such as this, the mining and reclamation methods can be compared to get a basic understanding of reclamation processes under the Surface Mining Law.

Area Mining

The area mining method is commonly used to mine coal in the flat to moderately rolling terrain found principally in the Western and Midwestern States. This method is shown on the left side of the illustration where the overburden is excavated down to a coal seam and then the mining area is enlarged horizontally to expose and remove the coal. The area mining operation in the illustration is on land that was formerly used for farming. As can be seen, the agricultural use is being reestablished immediately following reclamation. The mining is proceeding across the land toward the left side of the area. The initial excavation was made far enough away from the stream along the right edge of the area to prevent damage to the stream. The coal under most of the area has been removed, and reclamation has been completed on some of the land. For example, some of the cattle in the foreground and those in the feedlot behind the silo are grazing on reclaimed land that was previously mined by this operation.

Contour Mining

The contour mining method is typically used in the mountainous terrain of the Eastern U.S., where coal seams are exposed in outcrops on mountainsides. This method can be seen in the center of the illustration. The contour mining operation in the illustration is removing multiple seams of coal. Reclamation has been completed in the foreground. Active mining is proceeding around the hill in the middle foreground. In the completed reclamation area shown in the center foreground of the illustration, seedling trees and shrubs were hand planted to enhance the wildlife habitat, stabilize the site, and provide a long-term economic return from the reclaimed land.

Mountaintop Removal Mining

The mountaintop removal method is used predominantly in the East to remove coal underlying the tops of mountains. Instead of mining along the contour around the perimeter of a mountain, the top of the mountain is area mined and either returned to its approximate original contour or removed entirely. Either procedure results in almost 100 percent removal of the coal seam. The flat or very gently rolling area on the right side of the illustration is land reclaimed after a mountaintop removal operation was completed. The illustration shows a mined area reclaimed for agricultural use in the foreground, and for the site of a new village in the background. In the far background to the left of this reclaimed operation, another mountaintop removal operation is underway on an adjacent hilltop.

A color poster of this illustration can be ordered directly from the Office of Surface Mining web site (www.osmre.gov/poster) or calling (202) 208-2719.

1998 IMPLEMENTATION OF STATUS OF ACTIVE COAL MINING

	Permitted Acreage	Disturbed Acreage	Mines Free of Offsite Impacts	Percent of mines free of offsite impacts	Acres of Phase I Bond Release	Acres of Phase II Bond Release	Acres of Phase III Bond Release
Alabama	90,614	NA	243	87	2,451	2,535	5,744
Alaska	8,393	1,189	6	100	0	0	0
Arkansas	1,395	1,387	12	75	0	0	0
California	0	0	0	0	0	0	0
Colorado	192,849	22,010	56	92	3,985	484	5,203
Crow Tribe	5,439	2,655	1	100	0	0	0
Georgia	NA	141	4	67	0	0	0
Hopi Tribe	6,152	65	2	100	0	0	0
Idaho	0	0	0	0	0	0	0
Illinois	142,500	73,494	100	93	2,135	2,279	1,877
Indiana	266,100	147,633	224	92	8,549	8,080	5,500
Iowa	8,600	2,876	13	46	0	0	0
Kansas	6,200	4,801	15	94	0	0	3
Kentucky	1,617,513	NA	2,728	96	13,899	9,104	20,639
Louisiana	45,100	17,200	1	50	0	0	0
Maryland	6,500	6,253	60	94	85	244	257
Michigan	0	0	0	0	0	0	0
Mississippi	1,908	0	1	100	0	0	0
Missouri	13,900	13,788	62	93	879	1,312	411
Montana	59,012	26,061	10	100	0	0	0
Navajo Tribe	80,877	30,523	8	100	0	0	0
New Mexico	74,074	19,661	15	100	0	0	0
North Carolina	0	0	0	0	0	0	0
North Dakota	70,100	43,442	12	100	738	925	1,360
Ohio	134,800	79,300	535	94	6,546	9,069	5,778
Oklahoma	36,600	35,944	98	93	1,776	1,557	3,758
Oregon	0	0	0	0	0	0	0
Pennsylvania	482,000	NA	2,194	91	9,023	15,032	19,065
Rhode Island	0	0	0	0	0	0	0
South Dakota	0	0	0	0	0	0	0
Tennessee	27,044	15,465	358	96	3,422	2,336	1,295
Texas	244,500	130,875	9	43	11,010	10,727	6,519
Utah	146,248	2,530	26	87	0	0	123
Virginia	59,410	40,837	603	89	800	598	2,306
Washington	14,582	6,774	2	100	0	0	0
West Virginia	286,400	NA	2,909	95	9,374	7,064	6,559
Wyoming	319,470	62,043	36	90	0	0	0
CERT ¹	0	0	2	0	0	0	0
Total	4,448,280	786,947	10,345	93	74,672	71,346	86,394

THE SURFACE MINING LAW COST TO RECLAIM REMAINING ABANDONED MINE LAND HAZARDS²

Dangerous Highwalls	Dangerous Piles and Embankments	Hazardous Water Body	Portals	Polluted Water: Human Consumption	Subsidence	Underground Mine Fires	Vertical Openings	
\$19,322,409	\$2,621,543	\$680,404	\$449,600	\$565,000	\$1,575	\$0	\$82,500	Alabama
38,108,815	0	0	0	0	0	0	56,100	Alaska
9,724,959	1,322,000	4,445,615	47,000	0	150,000	0	35,000	Arkansas
0	0	0	0	0	0	0	10,000	California
30,000	0	0	134,060	0	13,130,000	10,900,000	1,240,967	Colorado
0	70,100	0	125,000	0	80,000	0	0	CrowTribe
325,000	0	0	39,000	0	0	0	0	Georgia
0	0	0	0	0	0	0	0	Hopi Tribe
0	0	0	0	0	0	0	5,000	Idaho
3,357,251	1,404,400	63,480	43,400	0	19,077,699	0	578,436	Illinois
1,055,123	175,000	376,500	24,000	0	3,199,632	0	112,000	Indiana
3,407,911	4,031,500	2,028,225	0	460,900	1,150,000	0	26,000	Iowa
2,327,839	8,912,889	36,000	0	262,500	55,801,950	0	510,800	Kansas
3,778,131	9,325,724	2,458,730	1,861,490	3,258,943	130,259,000	7,548,186	470,286	Kentucky
0	0	0	0	0	0	0	0	Louisiana
416,854	3,482,160	357,140	58,000	188,000	35,000	2,750,000	28,400	Maryland
0	0	0	0	0	86,000	0	1,305,000	Michigan
0	0	0	0	0	0	0	0	Mississippi
1,817,400	4,402,254	218,601	79,000	2,436,209	28,320,000	0	154,100	Missouri
150,000	140,000	0	18,000	0	0	260,000	12,000	Montana
0	0	0	0	0	0	0	0	Navajo Tribe
0	121,000	0	491,716	0	100,000	0	157,000	New Mexico
0	0	0	0	0	0	0	0	North Carolina
18,732,150	105,000	0	50,000	7,500	14,045,563	0	75,002	North Dakota
3,809,698	270,300	499,029	228,443	4,372,751	7,796,390	0	515,943	Ohio
72,267,212	2,455,750	9,325,861	317,000	430,000	5,275,000	0	204,000	Oklahoma
0	0	0	119,000	0	5,000	0	35,000	Oregon
112,439,638	157,595,721	24,547,162	1,537,611	4,268,662	43,684,580	592,538,800	3,438,046	Pennsylvania
0	0	0	0	0	0	0	0	Rhode Island
0	0	0	0	0	0	0	0	South Dakota
2,594,750	1,240,000	640,000	946,680	237,000	0	0	61,000	Tennessee
0	0	0	0	0	0	0	0	Texas
990,000	231,000	0	222,356	0	1,215,000	21,095,100	2,433	Utah
11,050,406	6,887,736	1,005,502	3,670,000	4,086,487	1,600,000	4,037,500	21,609,246	Virginia
1,100,000	4,850	0	363,500	0	1,567,500	0	696,250	Washington
202,519,804	64,481,087	288,744	8,399,722	105,581,204	49,154,708	8,305,315	1,732,675	West Virginia
0	0	0	6,000	0	21,000	73,000	0	Wyoming
0	100,000	0	38,000	0	0	0	13,000	CERT ¹
\$509,325,350	\$269,380,014	\$46,970,993	\$19,268,578	\$126,155,156	\$375,755,597	\$647,507,901	\$33,166,184	Total

1. CERT - Council of Energy Resources Tribes.

2. This is only a partial listing of remaining Abandoned Mine Land hazards.

Answers to the 10 most frequently asked questions

1. How many acres of land were disturbed by mining and how many were reclaimed last year?

Answer: Disturbed acreage has not been compiled in the past; however, in 1998 it was collected in most of the states¹ and 786,947 acres were disturbed by coal mining. The number of acres permitted and released from bond are the statistics currently used to describe the coal mining and reclamation. During 1998, 4,448,280² acres were under permit, and 86,394 acres were released from Phase 3 (complete reclamation) bond.

2. How many Notices of Violation (NOV's) and Cessation Orders (CO's) were issued to mine operators last year, and how does this compare with the previous year?

Answer: During 1998, state regulatory authorities (and the Office of Surface Mining in the federal program states of Tennessee and Washington) issued 4,840 NOV's and 388 CO's. The Office of Surface Mining issued an additional 48 NOV's and 17 CO's under its oversight responsibility. This compares with 5,577 NOV's and 534 CO's plus 47 oversight NOV's and 26 oversight CO's in 1997.

3. How much coal was produced last year, and how does this compare with the previous years?

Answer: In 1997³ U.S. coal production was 1,055,673,147 tons, an increase of 23,482,017 tons from 1996.

4. How many acres of (specific) abandoned mine problems have been reclaimed since 1978?

Answer: Abandoned mine land reclamation accomplishments for the period 1978-1998 are not all measured in acres. For example, open vertical mine shafts are one of the most dangerous abandoned mine land hazards; however, in most cases they cover less than 100 square feet. As a result, abandoned mine land hazards are reported in units of linear feet and miles, acreage, gallons/minute, and actual count. A complete listing of accomplishments since 1978 is reported in Table 4 (pages 12 and 13) of this Annual Report.

5. How many oversight inspections did the Office of Surface Mining complete last year?

Answer: In 1998 the Office of Surface Mining completed 2,495 inspections (1,143 complete/1,352 partial).

6. What published information is available from the Office of Surface Mining that shows mining and reclamation under the Surface Mining Law?

Answer: The Office of Surface Mining has several publications that describe and illustrate mining and reclamation under the Surface Mining Law. All are available at no cost by requesting copies.

Mining and Reclamation Poster. An educational poster containing text and an illustration of mining and reclamation under the Surface Mining Law.

1998 Reclamation Awards (video). An on-the-ground look at the 1998 award winning coal mining reclamation throughout the country.

20th Anniversary of the Surface Mining Law. An illustrated booklet briefly describes the Law, its implementation, and presents seven illustrated case studies showing on-the-ground reclamation under the Law.

7. I think a mine operator is (mining on my property, changing the contour of the land, etc.), can I see the mine plan that is being used for this operation?

Answer: Yes. Once the complete permit application has been submitted by the mine operator it is public information. Copies can be reviewed at local public libraries in the county where the operation is located or the state regulatory office in primary states or Office of Surface Mining offices in Tennessee and Washington.

8. How many dollars are currently in the Abandoned Mine Land Fund, and how many have been spent for reclamation?

Answer: From January 30, 1978, when the first fees were paid, through September 30, 1998, the fund collected \$5,096,777,642 and the balance as of September 30, 1998 was \$1,351,564,994. Since 1979, when states began receiving abandoned mine land reclamation grants, \$3,745,212,648 has been distributed from the fund, including \$111,119,084 that was distributed to the United Mine Worker's Combined Benefit Fund. Reclamation projects completed by the Office of Surface Mining since 1978 total \$690,479,333. The remaining expenditures included: the Rural Abandoned Mine Land Program, the Small Operator Assistance Program, technical support for state programs, fund administration, and fee compliance.

9. My company has a new product that greatly improves reclamation. Does the Office of Surface Mining have a list of recommended products and name and address of mining company contacts?

Answer: Office of Surface Mining does not endorse products. In addition, product recommendations are not made (verbally or in regulations) to state regulators or mine company employees. Lists containing coal mining company personnel and address are commercially available (e.g., Intertec Publishing Company's Keystone Coal Industry Manual). These lists are the best source for identifying industry contacts.

10. I do not think the (specific mine operation) is following the Surface Mining Law, who should I contact to give me information on this specific situation?

Answer: If you think a mine operator is not following the law you should contact your state regulatory office (see page 68), or the Office of Surface Mining if you are located in Tennessee, Washington, or the Crow, Navajo, Hopi, or Ute Indian reservations (see page 67).

1. Alabama, Kentucky, Pennsylvania, and West Virginia did not report disturbed acreage.

2. Permitted acreage was not reported for Georgia in 1998.

3. Fiscal Year 1998 coal production statistics will not be available until the end of the first quarter of 1999 (January 1, 1999).

What does coal mining and reclamation look like?



Most people have never viewed an active coal mine or had a chance to see its similarity to modern highway construction or other major earth-moving operations. These photos show the sequence of steps that are found at most coal mines. The photos are all taken from the same viewing point over a three-year period.

It is September and the photo to the left shows the first step in the mining process. The land in the foreground was cleared of trees and shrubs. Topsoil was removed and stored for use during reclamation. Overburden was removed to expose the coal

seam. The cliff-like highwall marks the boundary of the initial mining operation. The next cut will remove another section of overburden as the mine progresses toward the background.

By May (right) the mine had moved across the area and piled the rock overburden where the coal had been extracted.



During May the next year (lower, right), the land was being regraded to its original topography. In the foreground the topsoil had been replaced and a grass cover crop planted. This step in the reclamation had been planned to coincide with the spring season, and grass will soon cover the reclaimed hillside.



In August the next year (below) a grain crop was harvested from the reclaimed land. Although still in the final stages of reclamation the land is already looking more like a typical rural Ohio landscape than a surface coal mine. Operating under the Surface Mining Law this mine has removed the coal and returned the land to productive use. This is a

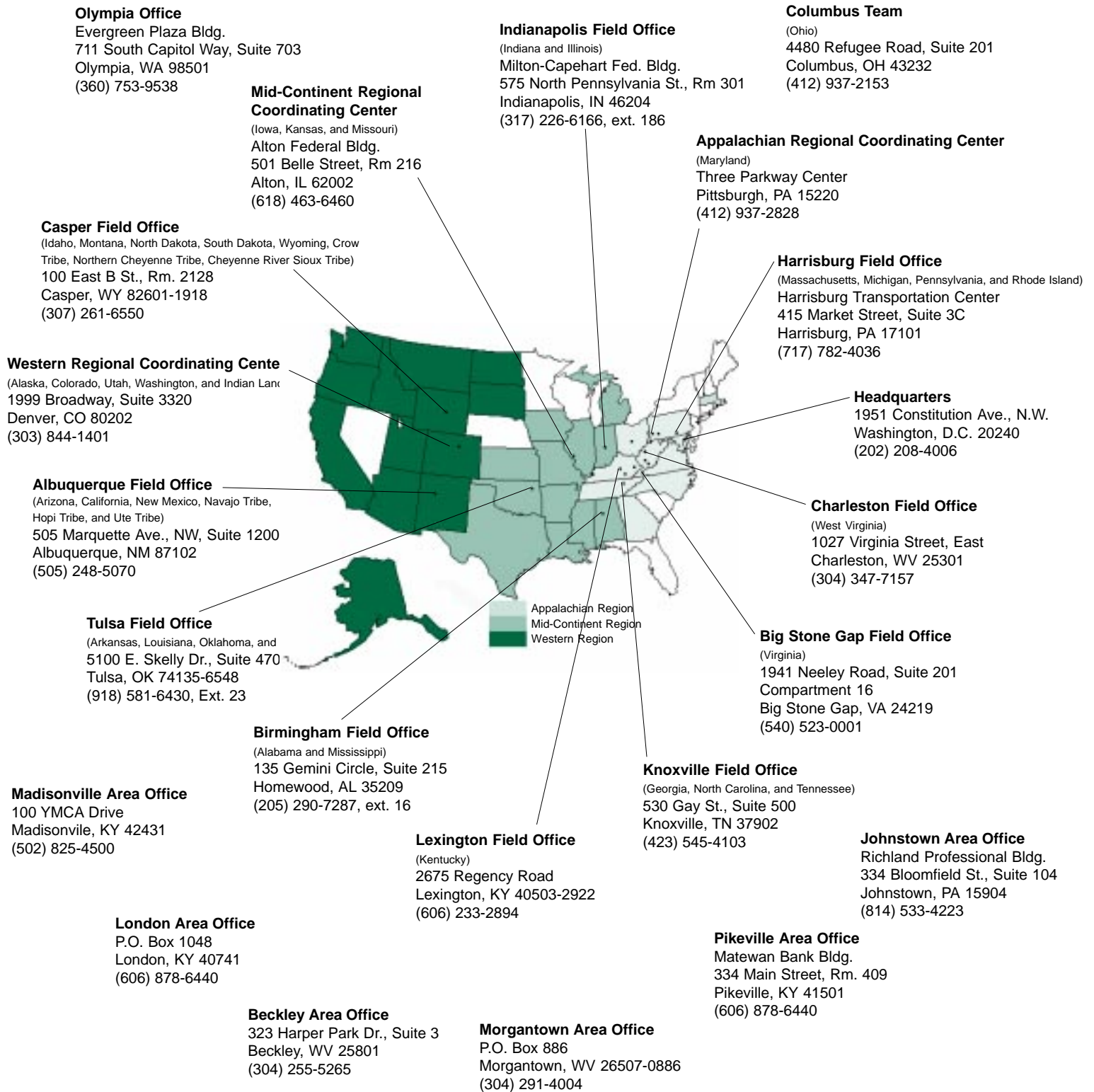


very different picture of coal mining and reclamation than people remember before the Surface Mining Law was passed in 1977.

Work of the Office of Surface Mining ensures that environmental standards are met and the land is restored to a condition that will support productive land uses in the future.

The Office of Surface Mining at a glance

Contact us for help or additional information



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A look at mine reclamation

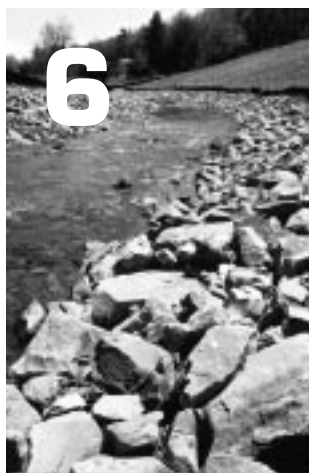
Twenty-one years ago, the Office of Surface Mining began its role of implementing the Surface Mining Law. Today, on-the-ground conditions are vastly improved in the coal fields and we are still focused on improving both the regulatory process and reclamation of abandoned mine hazards.

From its inception as a small regulatory bureau in the Department of the Interior, the Office of Surface Mining has struggled to change the way we thought about and accomplished coal mining and reclamation. It was difficult in the early years. The coal industry was required to prevent environmental degradation during mining and had to reclaim all mine sites. Citizens felt a sense of urgency and a need to quickly eliminate the traditional problems caused by coal mining. From this experience everyone learned and matured. And, today the idea of environmentally safe coal mining and reclamation is the accepted practice.

This report is not about the first 21 years of the Office of Surface Mining. It is about today and conditions at the active and abandoned mine reclamation sites throughout the country. In addition to the 1998 description of the activities, accomplishments, and finances, this report provides a picture of on-the-ground conditions at reclaimed active and abandoned coal mines that show the standard that is set for future operations.

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3 Director's Letter

Office of Surface Mining Director Kathy Karpan reviews 1998 and assesses the state of the agency.



5 Highlights of 1998

A summary of the actions and activities of the Office of Surface Mining

Implementation of the Surface Mining Law: the four principal activities of the Office of Surface Mining:

6 Environmental Restoration

(Abandoned mine land reclamation)

An update on the reclamation of land and water resources affected by mining that took place before the Surface Mining Law was passed in 1977.

16 Environmental Protection

A review of the federal/state/Indian regulatory enforcement program for active surface and underground coal mining and reclamation operations throughout the nation.



28 Technology Development and Transfer

A report on the technical support provided to protect the public, property, and environment during mining and reclamation and restoration of abandoned mine lands.

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A report on the budget, management, and operations of the Office of Surface Mining.



Introduction

This report describes the operations of the Interior Department's Office of Surface Mining (OSM) for the period October 1, 1997, through September 30, 1998 (Fiscal Year 1998)¹. The report combines the Office of Surface Mining's Annual Report to Congress with its Annual Financial Report, and was compiled to meet the specific requirements of Section 706 of the Surface Mining Control and Reclamation Act of 1977 (the Surface Mining Law) as well as Section 306 of the Chief Financial Officers Act of 1990. This report also includes the first results of the Office of Surface Mining's implementation of 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 is 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 comparison of statistics from year to year. Changes to the 1998 report include: reporting some additional tabular information (e.g., acres disturbed) and a special "tear-out" Office of Surface Mining at a glance section. In addition, the report is organized in chapters that correspond to the four Office of Surface Mining business lines with a Government Performance and Results Act report at the end of each chapter.

1. Environmental Restoration (Reclamation of Abandoned Mine Lands)
2. Environmental Protection (Regulation of active coal mines)
3. Technology Development and Transfer
4. Financial Management

Financial and accounting information is presented in a format similar to a traditional corporate annual report, and is contained in the financial section at the back of the report. The Inspector General's audit statement, which gives the Office of Surface Mining a "clean" audit opinion of its financial reporting for 1998, is included at the end of the financial section.

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 = Hectars
- Feet x 0.30473 = Meters
- Gallons x 0.37854 = Liters
- Tons x 0.90718 = 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.

For information about Office of Surface Mining activities, news releases, and publications, and for additional copies of this report, visit the Office of Surface Mining web site at www.osmre.gov or contact:

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¹ Throughout this document "1998" refers to Fiscal Year 1998 (10/1/97 -9/30/98), unless otherwise noted.

Letter

to our constituents and customers

Just as the 21st year is important to a child becoming an adult, it was equally significant for the Surface Mining Law and its implementation. Since 1977, a maturity has been developing in the coal industry, with citizens, and throughout the Office of Surface Mining. The coal industry now plans for and builds in the cost of environmental protection. Citizens are more actively involved than ever before, and the Office of Surface Mining has evolved from being enforcement oriented to compliance oriented. We no longer see the old conflict of pro-industry or pro-environment. We have all changed our view points and the way we work together to meet the common goals of the Law.

Throughout the year I have traveled to the coal fields to meet with citizens and see the mining and reclamation first hand. I have talked about the important issues with people involved with the Surface Mining Law and have formulated a vision 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. You will see the beginnings of this vision throughout this report; but, I would like to just touch on a few of the highlights.



3

Better Abandoned Mine Land Reclamation

The Office of Surface Mining's Abandoned Mine Land reclamation program is an outstanding success. When Congress created the Abandoned Mine Land Fund, supported by fees collected from active coal mining operations, it set in motion a program with resources to eliminate the hazards caused by past mining. We have reclaimed more than 5,000 high priority sites. However, there are still about 5,000 high priority sites that require reclamation and we are setting a goal to reclaim as many of those sites as possible over the next five years. As remarkable as this successful program is, we are trying to improve it by providing better service, and better value for the dollars spent.

In addition, we are examining some innovative ways to achieve more reclamation for less cost to the Abandoned Mine Land Fund. For example, we began an Enhanced Abandoned Mine Land Reclamation Initiative that's aimed at eliminating lower priority hazards. When coal is found at or adjacent to these problem sites we would allow the recovery of coal to offset all or part of the cost of reclamation. To accomplish this we are considering a rule change to ease the 50-percent standard currently in effect for defining coal recovery that is "incidental" to government-financed construction.

Another success in this area is the Appalachian Clean Streams Initiative. Much of this success is due to the combined efforts of partner organizations -- the basic concept of the Initiative. Here the public as well as private organizations, plus local, state, and federal government all join together to achieve one goal -- to clean up acid mine drainage. The combined effort has magnified the effectiveness of any one group and it is now resulting in outstanding on-the-ground reclamation. For example, at the Patoka Valley Project in Indiana, citizens utilized the resources of the Office of Surface Mining, U.S. Environmental Protection Agency, and the Interior Department's Fish and Wildlife Service in a combination of federal programs that matched their specific project requirement. The result is an Appalachian Clean Streams Project that cleaned up the water and improved the fishery. We're excited about these successful projects and have requested \$7 million for the Appalachian Clean Streams Initiative in the 1999 budget.

Better Protection of people and the Environment

During 1998 we initiated an outreach plan for the Office of Surface Mining oversight guidance and process. This included working with the public and interested parties to gain their insight as we developed the 1999 Office of Surface Mining/state performance agreements. Another component of this plan

included an internal review with our inspectors and regulatory staff responsible for performing oversight. The observations and recommendations from these two activities will form the foundation of the oversight policy we will carry into the 21st century.

Better Service

Better service means extending the concept of "improvement" in every aspect of each program and activity that the Office of Surface Mining conducts. It starts with better service to coalfield citizens; but, extends to state agencies, coal companies, universities, research organizations, and the general public.

During 1998, we initiated an unprecedented effort to seek public involvement in the redesign and development of agency policy. By hosting a Coal Symposium and regional symposia we brought together other federal agencies, the coal industry, union officials, state representatives, and coalfield citizens to discuss achievement of common goals. In addition, we emphasized extensive outreach to stimulate a better understanding and more cohesive partnership among everyone involved with implementation of the Surface Mining Law. It just makes good sense to address major issues early in the process.

We also conducted a series of public meetings in the coal fields to describe the 1999 Office of Surface Mining budget proposal and to seek everyone's recommendations on planning priorities for the year 2000 budget. These are new activities for the Office of Surface Mining; however, they have been successful and are providing important ideas that result in our providing better service.

Another exciting customer service area is our world web site (www.osmre.gov). Last year we reported that through the Office of Surface Mining web site more information was distributed than in the previous 19 years. During 1998, the number of web site visitors more than doubled when compared with the previous year, and the information transferred to the visitors increased more than four times. We are adding new information daily and the range of materials now includes policy documents through interactive request forms and educational pages. From the number of positive comments we receive from visitors this is a very successful and important method of providing and receiving information from all those interested in learning about, or interacting with, the Surface Mining Law -- and we are working to make it even better.

Better program operations

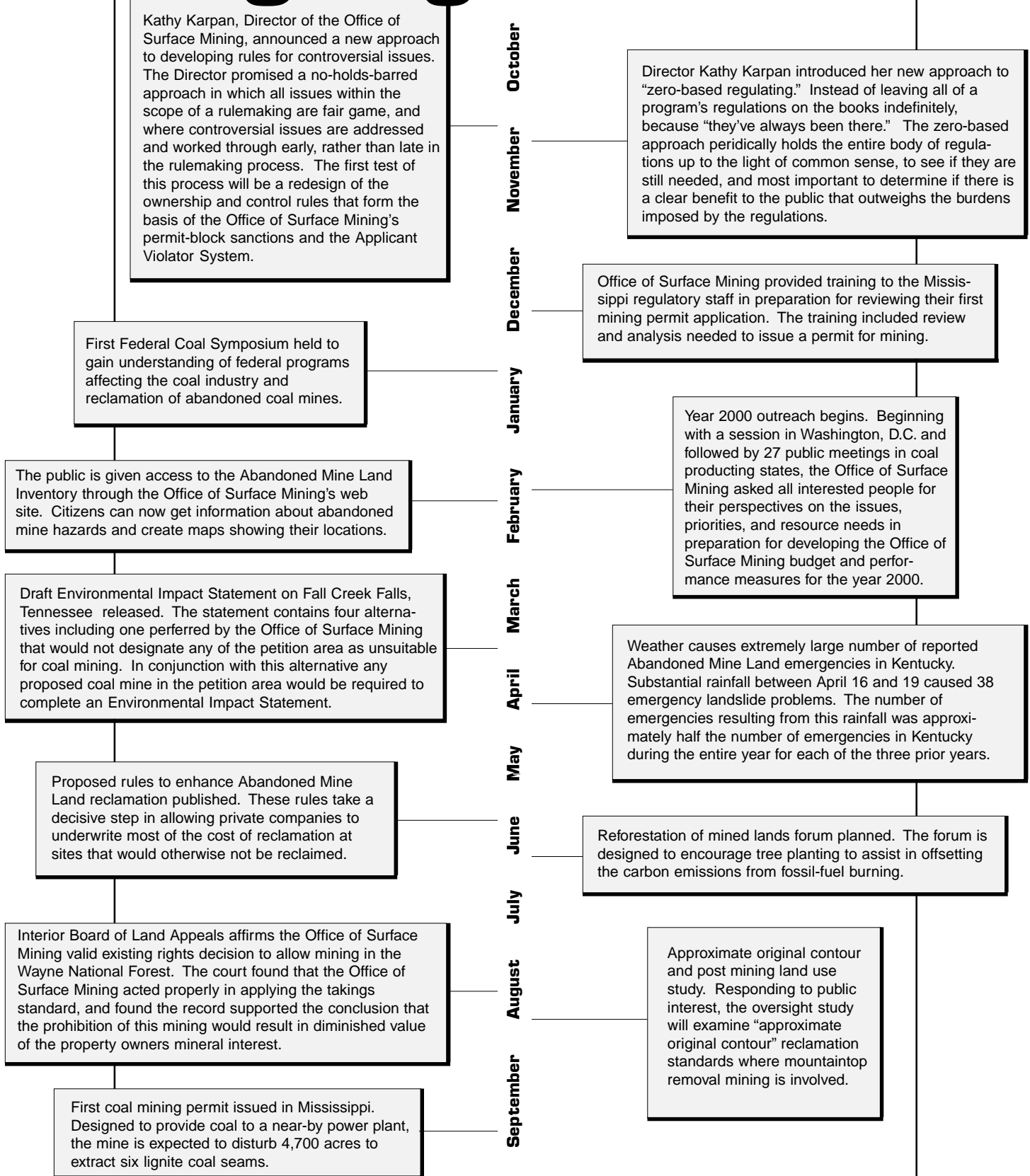
I believe a successful future of the Office of Surface Mining programs is directly linked to our ability to perfect, refine, and evolve government operations that are uniquely federal to help our constituents get the very best services.

An example of better program operations is the work we are doing on the Applicant Violator System. Revision of the Ownership and Control Rules has used a wide open public comment process. We want to make changes that result in a streamlined information network for the states. One possibility is that the Office of Surface Mining will stop making the Applicant Violator recommendations in the future; but, instead provide all the information to the states so they can use it to best fit their individual needs.

In closing, I would like to report that the Surface Mining Law is working better than it ever has during its 21-year history. Both active and abandoned mine reclamation is more widespread, accomplished to a higher standard, and the only accepted way of doing business today. With this success our goal is to reinforce and encourage the coal industry and the states to find ways to be even better at environmental compliance, and find better, more effective ways to accomplish Abandoned Mine Land reclamation. And, as I have said in the past, we welcome your help, comments, or suggestions for continued improvement.



Highlights of 1998



Environmental Restoration

Reclamation of abandoned mine land affected by mining that took place before the Surface Mining Law was passed in 1977



The site of this Abandoned Mine Land reclamation was the Ocean Underground Mine, which began operation about 1870. During World War I, approximately 90 percent of all steamship coal used by U.S. warships came from this mine. But, when mining was completed in the 1940's the unreclaimed site was abandoned leaving entrances to the mine open, refuse piles, and a large group of buildings. After reclamation all abandoned mine hazards were eliminated and the site is once again an asset to the nearby Maryland community. This view of the recently finished work shows the stream located on its original channel and free of sedimentation.

Title IV of 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 presents 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.

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) and the Crow, Hopi, and Navajo Indian Tribes have approved abandoned mine land reclamation programs. In 1998, the states and the tribes received grants totaling \$182,681,141 to carry out the Emergency and Non-emergency Abandoned Mine Land programs.

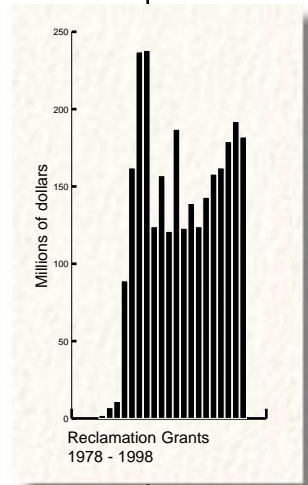
Since 1979, when the states began receiving abandoned mine land administrative grants to operate their programs and construction grants to complete reclamation projects, \$2,626,737,295 has been distributed from the fund. Grant amounts for 1998 are shown in Table 1. On-the-ground coal mine reclamation accomplishments resulting from grant funding through 1998 are included in Table 4.

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 plan. The Office of Surface Mining is no longer involved in cumbersome and detailed pre-award scrutiny of state grant applications based on individual projects.

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 1998, Alaska, Arkansas, Iowa, Kansas, Maryland, Missouri, North Dakota, Oklahoma, and the Crow Tribe, were eligible for minimum-level program funding and received such grants during the year. Minimum-level program funding remained at \$1,500,000 for 1998. The nine eligible programs received a total of \$8,828,739 in 1998. This funding supplements the formula-based grant and brings those eight states and one Tribe to the minimum-program level. Once minimum program states and 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.



At this West Virginia abandoned mine reclamation site a concrete lined channel prevents erosion.



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 1998, nine states set aside \$4,585,463.

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 insure private property against damage caused by land subsidence resulting from abandoned underground coal mines. Implementing rules were promulgated in February 1986. Under those rules, states can receive a subsidence insurance grant of up to \$3,000,000, awarded from the state's share of the abandoned mine land fund. In 1998, one \$98,056 subsidence insurance grant was issued to Wyoming. Through 1998, the Office of Surface Mining has granted a total of \$11,563,281 to Colorado, Indiana, Kentucky, Ohio, West Virginia, and Wyoming for this purpose.

TABLE 1
ABANDONED MINE LAND GRANTS* TO PRIMACY STATES AND INDIAN TRIBES
1998

State/Tribe	Subsidence Insurance	10% Program Set-Aside	Administration ³	Project Costs ⁴	Emergency ⁵	1998 Total	1997 Total
Alabama	\$0	\$0	\$681,053	\$2,639,432	\$500,000	\$3,820,485	\$4,653,100
Alaska	0	0	450,000	1,214,241	25,000	1,689,241	1,525,000
Arkansas	0	0	327,398	1,172,602	13,000	1,513,000	1,841,280
Colorado	0	221,108	619,000	1,475,000	0	2,315,108	2,019,639
Illinois	0	821,798	1,188,252	6,493,962	611,223	9,115,235	9,174,227
Indiana	0	466,816	956,861	3,864,487	267,152	5,555,316	5,358,965
Iowa	0	0	230,100	1,300,049	0	1,530,149	1,628,240
Kansas	0	0	214,575	1,735,835	460,000	2,410,410	2,194,414
Kentucky	0	0	6,465,958	14,479,785	0	20,945,743	19,959,939
Louisiana	0	0	124,597	45,500	0	170,097	187,950
Maryland ¹	0	311,011	604,198	1,644,363	0	2,559,572	2,923,408
Missouri	0	62,939	510,468	1,452,243	49,771	2,075,421	2,383,619
Montana	0	0	403,594	3,214,005	125,000	3,742,599	3,678,306
New Mexico	0	156,068	982,741	517,200	0	1,656,009	1,636,066
North Dakota	0	114,750	231,037	1,224,752	50,000	1,620,539	1,970,665
Ohio ¹	0	0	2,767,328	5,811,625	2,070,663	10,649,616	10,570,054
Oklahoma	0	0	297,403	1,457,995	40,000	1,795,398	1,540,548
Pennsylvania ¹	0	2,130,973	5,826,194	21,675,828	0	29,632,995	40,003,688
Texas	0	0	415,305	0	0	415,305	7,942,718
Utah	0	0	270,512	1,479,488	0	1,750,000	1,730,436
Virginia ^{1,2}	0	300,000	1,529,831	3,314,268	1,000,000	6,144,099	7,198,277
West Virginia ¹	0	0	6,052,763	26,605,877	3,699,962	36,358,602	33,649,269
Wyoming	98,056	0	396,002	22,570,288	0	23,064,346	22,580,053
Crow Tribe	0	0	255,877	1,570,466	0	1,826,343	1,190,392
Hopi Tribe	0	0	552,948	335,000	0	887,948	731,812
Navajo Tribe	0	0	974,690	8,462,875	0	9,437,565	3,959,930
Total	\$98,056	\$4,585,463	\$33,328,685	\$135,757,166	\$8,911,771	\$182,681,141	\$192,231,995

* Funding for these grants is derived from the 1998 Distribution and funds recovered or carried over from previous years. Downward adjustments of prior-year awards are not included in the totals.

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

(2) Administrative amount for Virginia includes \$166,630 for coalbed mapping grant.

(3) Administrative amounts for most states/tribes contain non-emergency indirect costs which are applicable to their entire AML program. These costs cannot be broken down into separate cost categories.

(4) The term "Project Costs" is now used instead of Construction. AML simplified grants do not contain specific construction cost breakouts, but rather list all costs associated with a construction project as a project cost. This category contains both non-water and water supply project costs, and include \$2,516,656 in funding for Appalachian Clean Streams Initiative projects.

(5) This category contains emergency project, administrative, and indirect costs. Indirect costs are not directly attributable to either emergency project or administrative costs.

Emergency Program

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

Under Section 401(a) of the Surface Mining Law, 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. In 1998, 402 Abandoned Mine Land emergencies were abated in 15 states (see Table 2). Investigation of potential emergency problems (called "complaint" investigations) are typically undertaken by state reclamation agencies as part of their approved Abandoned Mine Land Program. However, by agreement, the Office of Surface Mining is responsible for investigating all initial complaints in the eastern Pennsylvania anthracite coalfields, and also assists states with complaint investigations as requested. In 1998, the Office of Surface Mining performed 264 investigations in Eastern Pennsylvania, 41 in Western Pennsylvania, and 227 in Kentucky. In states where the Office of Surface Mining is responsible for emergency abatement, complaint investigations are referred from affected citizens, municipalities, emergency response agencies, and state non-emergency reclamation agencies. The Office of Surface Mining then confirms the emergency assessment, performs technical investigations, and funds the declared emergencies. Of the 258 potential emergencies referred in 1998,

191 became declared emergency projects; 20 were determined to be not of an emergency nature, not related to coal mining, or were reclaimed by the landowner; and 47 were still under investigation on September 30, 1998. Those projects which were not emergencies; but, were otherwise eligible for reclamation were referred to the states for consideration as high priority projects.

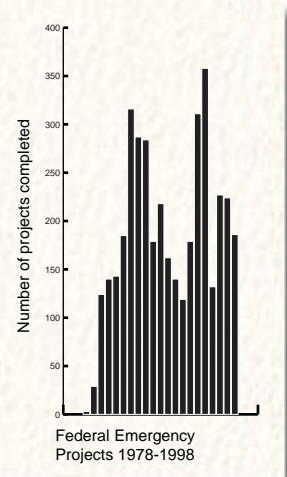
The greatest amount of emergency funding was spent reclaiming hazards in Kentucky and Pennsylvania. Both states exceeded the Congressionally-imposed "cap" of \$4.5 million to be expended in each state per year, and received additional funding from "carryover" of unexpended Abandoned Mine Land funds from previous years.

Following passage of the Surface Mining Law, the Office of Surface Mining did all emergency reclamation; however, as state and tribal programs were approved, many states took over emergency programs as well. In 1998, the following states and Tribes were implementing 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, Michigan, New Mexico, Pennsylvania, Rhode Island, Tennessee, Texas, Washington, and the Crow, Hopi, Navajo, Northern Cheyenne, and Southern Ute Tribes.

The Office of Surface Mining spent \$12.6 million and the states spent \$5.8 million on emergency reclamation projects in 1998.

Before reclamation at this Pennsylvania abandoned mine site 10 deaths were reported. Today, the dangerous hazards have been eliminated and the site reclaimed into a wildlife habitat that includes rich wetlands.



**TABLE 2
EMERGENCY RECLAMATION PROJECTS**

	1998 Projects		1978-1997 Projects		Total
	Federal	State	Federal	State	
Alabama	0	7	10	28	45
Arkansas	0	3	1	6	10
California	1	0	3	0	4
Colorado	1	0	91	0	92
Illinois	0	21	51	177	249
Indiana	0	8	94	57	159
Iowa	0	0	18	0	18
Kansas	0	69	270	380	719
Kentucky	64	0	679	0	743
Maryland	0	0	14	0	14
Michigan	1	0	9	0	10
Missouri	0	0	6	0	6
Montana	0	1	7	11	19
Navajo Tribe	0	0	6	0	6
New Mexico	0	0	15	0	15
North Dakota	0	2	15	5	22
Northern Cheyenne Tribe	0	0	2	0	2
Ohio	0	30	190	146	366
Oklahoma	3	3	44	0	50
Pennsylvania	115	0	1,664	0	1,779
Rhode Island	0	0	2	0	2
Southern Ute Tribe	0	0	1	0	1
Tennessee	0	0	12	0	12
Texas	0	0	6	0	6
Virginia	0	8	30	64	102
Washington	1	0	41	0	42
West Virginia	0	68	179	425	672
Wyoming	0	0	38	0	38
Total	186	220	3,498	1,299	5,203

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 condition that could reasonably be expected to cause substantial harm to persons, property, or the environment and to which persons or improvements on real property are currently exposed." Until 1980, when states and Indian

tribes began to receive approval for their abandoned mine land programs, all non-emergency reclamation was administered by the Office of Surface Mining. However, since that time, state and tribal programs have assumed responsibility for correcting abandoned mine land problems and currently expend 98 percent of the funds spent on non-emergency reclamation. The Office of Surface Mining has greatly reduced its direct participation in the non-emergency portion of the program and during 1998 initiated 15 non-emergency projects in Georgia, Michigan, Tennessee, and Washington. Table 4 summarizes emergency and non-emergency abandoned coal mine reclamation project accomplishments through 1998.

The Abandoned Mine Land Fund also is used to reclaim some 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 state or Indian tribe must certify it has addressed all known coal-related abandoned mine land problems. Non-coal reclamation project accomplishments are included in Table 4.



Abandoned 1950's and 60's mining in the Crabtree Fork watershed had caused sedimentation that completely filled this Dickenson County, Virginia stream channel. Rainfall caused frequent flooding of the roads and homes along the creek. When the reclamation was complete over 25,000 cubic yards of sediment were removed from 9,500 feet of stream channel. Today, with stream bank stabilization complete, flooding has been eliminated and the aquatic habitat is being restored.

Post-Surface Mining Law Reclamation

As authorized in the 1998 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 1998, the Office of Surface Mining funded four civil penalty reclamation projects in Kentucky costing a total of \$45,447. An additional \$274,776 in unobligated funds will be carried over for use in 1999 reclamation projects.

Appalachian Clean Streams Initiative

The Appalachian Clean Streams Initiative was started 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 in Appalachia. The number one water quality problem in Appalachia is acid mine drainage, and its principal source is abandoned coal mines. Because of the extent and high reclamation cost of the pollution, this problem cannot be eliminated by any single government

agency or group. As a result, the Appalachian Clean Streams Initiative was designed to facilitate development of partnerships. Through this effort, the Office of Surface Mining has taken the lead in cooperating with more than 100 government agencies, private watershed groups, environmental groups, private foundations, coal producers, and private individuals representing a strong beginning for the Appalachian Clean Streams Initiative. Building on this foundation, in 1998 the Office of Surface Mining provided \$2.5 million of "seed money" for 14 acid mine drainage cleanup projects in eleven states. This funding provided the incentive for other sources to contribute to the projects, and during 1998 the funding available for projects grew to over \$8 million. Currently the Office of Surface Mining has 42 projects submitted in 11 Appalachian and Midwestern states that can begin reclamation in the upcoming year if funding is available. Also during 1998, the Office of Surface Mining awarded \$500,000 to start five Midwest watershed cleanup projects. A sixth Midwestern state is planning a project for 1999.

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), a computer system that creates reports on abandoned mine land accomplishments and problems that still require reclamation. During 1998, for the fourth year, the states and Indian tribes managed their own data, entering it electronically into the Office of Surface Mining's

**TABLE 3
FEDERAL RECLAMATION PROGRAM PROJECTS
1998 OBLIGATIONS**

	Emergency	High Priority	Total 1978-98*
Alabama	\$0	\$0	\$13,934,015
Alaska	0	0	194,638
Arkansas	0	0	84,904
California	538,911	64,575	1,703,731
Colorado	424	0	1,915,418
Georgia	0	272,480	3,630,488
Illinois	0	0	5,376,749
Indiana	0	0	4,032,023
Iowa	212,590	0	1,381,560
Kansas	0	0	5,094,172
Kentucky	6,965,902	0	96,410,658
Maryland	89,435	0	2,806,888
Michigan	90,193	507,193	2,765,891
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	14,495	0	1,232,159
Oregon	0	0	42,275
Pennsylvania	5,952,731	0	103,503,306
Rhode Island	0	0	556,229
South Dakota	0	0	27,255
Tennessee	108,209	1,450,000	21,180,760
Texas	0	0	289,849
Utah	0	0	123,791
Virginia	0	0	10,139,469
Washington	83,666	131,608	6,583,721
West Virginia	0	0	29,023,226
Wyoming	0	0	1,067,101
Cheyenne River Sioux Tribe	0	0	2,812,372
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	50,998
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 Ute Tribe	0	0	14,300
Ute Mountain Apache Tribe	0	0	1,838
Wind River Tribe	0	0	73,267
Zuni Tribe	0	0	125,009
Undistributed	0	0	105
Total	\$14,056,556	\$2,425,856	\$353,192,702

* Includes prior year contract deobligations and upward adjustments.

TABLE 4
ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS
Priority 1 & 2 (Protection of public health, safety, and general welfare) and Emergency Projects
1978-1998

	Clogged Streams ¹	Clogged Stream Lands ²	Highwalls ³	Impoundments ⁴	Piles & Embankments ²	Slides ²	Gases ⁴	Equipment & Facilities ⁴	Water Bodies ⁴	Industrial/Residential Waste ²	Portals ⁴	Polluted Water: Agricultural/Industrial ⁴	Polluted Water: Human Consumption ⁴	Subsidence ²	Surface Burning ²	Underground Mine Fires ²	Vertical Openings ⁴
Alabama	2.4	135.5	162,710	2	37	17.1	0	446	53	22.3	917	0	12	31.6	62.9	0	360
Alaska	0	0	6,120	4	3.5	0	0	58	2	4	6	0	0	0	0	0	3
Arkansas	.5	0	46,926	1	539	0	0	2	48	19	20	0	0	3	4	0	77
California	0	0	0	0	0	0	0	0	0	0	25	0	0	0	0	0	38
CERT*	.1	0	7,170	0	474.8	0	0	6	30	9	72	0	0	34	0	0	18
Colorado	0	0	51,492	0	6.6	0	0	1	0	2	499	3	0	45.5	35	78.5	276
Crow Tribe	.2	0	1,870	1	55.1	22	0	32	1	0	14	3	0	16	0	0	5
Georgia	0	0	6,950	3	2.5	0	0	0	0	0	105	0	1	.1	0	0	11
Hopi Tribe	0	0	14,302	0	0	0	0	8	0	0	9	0	0	0	0	1.7	2
Idaho	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Illinois	19.6	1,242.2	20,911	7	175.9	2.5	9.1	264	2	71.4	134	11	1	37.7	17.5	0	528.2
Indiana	14.1	109	98,565.2	6	499.1	1	3	89	2	22	44	6	6	55.3	5	0	268
Iowa	5.6	500	48,470	1	776.9	0	0	4	20	7	1	12	1	2	0	0	20
Kansas	.1	8	95,462	1	106.5	1	0	2	1	16.5	0	3	0	22	4	0	421
Kentucky	33.7	8,074.9	17,139	90	272.3	1,761.2	0	163	24	47.5	1,240	5	3,419	63.8	208	82.8	70
Maryland	3.2	41	29,680	0	98.8	22.5	0	12	11	14.5	17	3	1	8.5	1	0	2
Michigan	0	0	950	0	0	0	0	5	2	0	0	0	1	.3	8	0	18
Missouri	10.6	1,407.8	61,002	6	477.7	0	0	27	10	70.5	26	31	15	2.6	19	2	111
Montana	3	1.9	5,650	3	61.8	.9	0	182	0	73.5	718	17	12	473	301.9	68.9	430
Navajo Tribe	0	0	0	1	1	7	0	4	0	.3	152	0	0	5	3	0	7
New Mexico	0	0	0	0	1.5	0	0	13	0	0	236	1	1	30.3	35	32	80
N. Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
N. Dakota	0	0	43,049	4	303	35	0	14	18	2	13	6	0	1,179.5	1	0	88
Ohio	26.3	4,639.7	34,984	5	96	324.2	1	35	5	34	159	0	10	44.8	72.5	.2	147
Oklahoma	1.1	0	170,194	0	0	0	0	13	151	5.5	101	3	2	4.8	0	0	75
Oregon	0	0	0	0	0	0	0	3	0	0	12	0	0	.1	0	0	3
Pennsylvania	49.2	129.7	506,355	42	497.1	25.9	0	292	94	15.7	225	1	23	2,273.4	122.2	814.8	446
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0
S. Dakota	0	0	135	0	0	0	0	4	0	0	5	0	0	.6	0	0	1
Tennessee	0	147	16,255	0	200	47.8	0	29	9	11	188	0	5	6	27.5	0	10
Texas	0	0	3,285	0	987	0	0	0	0	0	6	0	0	6	0	0	20
Utah	13.6	9	2,925	1	121.5	0	19	147	0	2	497	2	0	5	38.8	29	23
Virginia	63.4	796.5	15,993.5	14	230.7	194.6	0	194	1	2	737	0	250	7.4	27.3	0	87
Washington	0	.1	0	0	3	0	0	7	0	0	30	0	0	6.3	15	0	74
West Virginia	37.4	148.8	170,977	265	2,956.3	394.2	4	347	1	29.5	1,573	24	495	224.7	365.6	18	107.3
Wyoming	.5	0	9,011	1	500	0	0	15	0	1	186	0	0	277.5	9	92.1	187
Total	284.6	17,382.1	1,648,532.7	458	9,484.6	2,856.9	36.1	2,418	485	482.2	7,967	131	4,255	4,872.8	1,383.2	1,220	4,018.5

TABLE 4 (continued)
ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS
Priority 3 (Environmental Restoration)
1978-1998

	Bench ²	Industrial /Residential Waste ²	Equipment & Facilities ⁴	Gob ²	Highwall ³	Haul Road ²	Mine Opening ⁴	Pit ²	Spoil Area ²	Slurry ²	Slump ²	Water ⁶	
	22.5	13.2	8	196.1	26,475	1.5	48	.3	9,236.6	8	10.1	379	Alabama
	0	0	0	6.5	0	0	0	0	47	9	25	0	Alaska
	0	0	0	0	0	0	0	0	0	0	0	0	Arkansas
	0	0	0	0	0	0	0	0	0	0	0	0	California
	0	0	2	4	1,500	0	1	7	80	0	0	0	CERT*
	3	5	7	101.5	2,027.5	0	18	82.9	829	0	0	1	Colorado
	5.6	0	0	27.8	2,010	12.7	0	8.5	23	.1	3.6	0	Crow
	3	0	0	2.5	400	0	2	3	7	0	0	0	Georgia
	0	0	0	24.9	551	14.7	0	9.7	10.1	0	0	0	Hopi
	0	0	0	0	0	0	0	0	0	0	0	0	Idaho
	1	6	134	2,280.7	10,010	163	43	563.3	1,818	1,036.5	1.4	670.9	Illinois
	0	65.6	155	1,214.9	5,375	63	18	54.5	1,405.8	640	2	109.3	Indiana
	0	0	0	0	0	0	0	0	0	0	0	0	Iowa
	0	0	1	89	3,200	0	0	17.4	272.6	10	0	0	Kansas
Key	618.7	0	51	196.8	2,000	.4	68	3	996.7	58	10	0	Kentucky
	0	0	1	21	3,650	1	3	0	212	0	.5	73	Maryland
	0	0	1	22.5	0	.6	0	1	10	0	11	0	Michigan
	0	2.9	4	140.2	16,824	1.4	0	88.9	1,309.8	69	.3	86	Missouri
	.8	75.8	58	146.2	1,170	.5	42	17.8	842.1	0	18.5	240.5	Montana
	.8	1	2	111.6	0	10.2	43	17.4	163.5	0	0	0	Navajo Tribe
	3	0	11	58	0	6	4	2	2	2	0	0	New Mexico
	0	0	0	0	0	0	0	0	0	0	0	0	N. Carolina
	0	0	0	0	0	0	0	0	0	0	0	0	N. Dakota
Units of Measure:	0	0	3	101.3	9,220	0	19	17	382.3	0	0	0	Ohio
1. Miles	0	0	0	0	0	0	0	0	0	0	0	0	Oklahoma
2. Acres	0	0	0	0	0	0	0	0	0	0	0	0	Oregon
3. Feet	0	0	0	0	0	0	1	0	0	0	0	0	Pennsylvania
4. Count	0	0	21	51.7	5,108	0	19	77.9	1,130.2	1	25.6	90,306	Rhode Island
5. Gallons/Minute	0	0	0	0	0	0	0	0	0	0	0	0	S. Dakota
Conversion to Metric:	76	0	15	67	130	8	0	47	325	0	3	360	Tennessee
To convert these statistics to metric units use the following conversion factors:	0	0	0	8	0	0	0	0	152	0	0	0	Texas
Miles to Kilometers = 1.609	4	7	64	255	550	3	0	8	55	1	16	20.3	Utah
Acres to Hectars = .40469	0	1	21	14.3	0	1	21	0	3	0	0	20	Virginia
Feet to Meters = .30473	0	0	0	0	0	0	0	0	0	0	0	0	Washington
Gallons to Liters = 3.7854	0	0	0	19.5	19,540	0	4	5	152.6	0	0	622	West Virginia
Source of Data:	0	11	3	30.4	1,300	1	4	10	385.6	0	0	400,002	Wyoming
The 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.	738.4	188.5	562	5,191.4	111,040.5	288	358	1,041.6	19,850.9	1,834.6	127	492,890	Total



A landslide above this Kentucky house required emergency work to prevent further damage. Surface and subsurface drains at the top of the hill divert water around the house. The concrete wall will provide a solid base at the bottom of the hill and prevent future sliding. The large pipe covered with gravel behind the wall will prevent water build-up and keep added pressure off the wall. As the last step in the abandoned mine reclamation process, the entire site will be graded and revegetated.

inventory system. This process resulted in 541 records added, 1,287 modified, and 3 deleted.

As of September 30, 1998, the system contained information for over 13,700 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 \$1.2 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, 1998, a breakdown of (Priority 1, 2, and 3) costs from the Abandoned Mine Land Inventory System is as follows:

Completed	\$1.6 billion	24.8 percent
Funded	\$.3 billion	4.7 percent
Unfunded	\$4.5 billion	70.5 percent
<hr/>		
Total	\$6.4 billion	100 percent

Reclamation Awards

After more than 20 years of abandoned mine land reclamation funded under the Surface Mining Law, thousands of dangerous health and safety problems throughout the country have been eliminated. To enhance communication about achievements in abandoned mine land reclamation, the Office of Surface Mining has presented awards to those individuals responsible for completion of the most outstanding reclamation. This year, 17 individuals responsible for four award-winning projects received recognition for their work. Awards for the following projects were presented at the 1998 annual meeting of the National Association of Abandoned Mine Land Programs.

National award

- Long Fork Sedimentation Project, Clintwood, Virginia for reclamation of a landslide and refuse pile that was causing sedimentation and 9,500 feet of clogged stream along the Long Fork's Crabtree Creek tributary. Today, after reclamation, flooding in the narrow valley has been eliminated and it is once again a productive fish and wildlife habitat.

Regional awards

- Muddy Creek East Reclamation Project, Clay Township, Pennsylvania (Appalachian Region) for reclamation of dangerous highwalls, hazardous water pits, and a large area of mine spoil. Before reclamation the abandoned mine attracted large numbers of visitors. With 10 deaths reported at the

site, it was one of the most dangerous abandoned coal mine sites in the country.

- Poffenbarger Reclamation Project, near the Red Rock Reservoir in Marion County, Iowa for reclamation of a 96-acre site with dangerous highwalls, acid spoil material, and a creek bottom polluted with acidic sediment. The reclamation has turned the area into a valuable wetland habitat and productive grazing land.
- Sunrise District Reclamation Project, near Guernsey, Wyoming for reclaiming an area of more than 200 acres of hazardous waste and spoil, including one of the world's largest abandoned open-pit iron mines into an area of productive farmland and an historic, educational site depicting the area's early mining activity.

Government Performance and Results Act Report

Goal 1. Better Abandoned Mine Land Reclamation: *Repair, reclaim and restore as much land and water as possible that was degraded by past mining - in order to provide America with cleaner and safer land and water and to provide employment and economic opportunities in depressed coal regions.*

Performance Measure	1997 Actual	1998 Plan	1998 Actual
Number of acres reclaimed annually by the Abandoned Mine Land Program.....	6,800 acres ¹	8,000 acres ¹	7,201 acres ¹
Number of emergency hazards abated annually by the Abandoned Mine Land Program.....	402 hazards	390 hazards	406 hazards
Number of new cooperative acid mine drainage projects begun.....	16 projects	12 projects	9 projects

This year 7,201 acres of land and water were reclaimed. While this is a shortfall of 799 acres from the goal of 8,000 acres, it represents an increase of 401 acres over the prior year. The Abandoned Mine Land program can be impacted by adverse weather conditions which can delay construction, shorten growing seasons, and increase the costs of materials and equipment. This past year, heavy rainfall in many areas slowed construction. This wet weather caused some states to shift the focus of their construction to more costly problems. For example, heavy rains forced some work to concentrate on costly, time consuming landslides which have a low acreage completed to cost ratio. Like the weather, accomplishments in the Abandoned Mine Land program are cyclical, and we anticipate that the increase from 1997 can be expected to continue into 1999.

Most of the emergencies abated during 1998 were in Pennsylvania, Kansas, West Virginia, and Kentucky. Although not reflected in the total number of emergency hazards abated, the total amount of funds spent to abate the emergencies was higher than in previous years. This was due to a series of storms in Eastern Kentucky during April and a mine fire in Pennsylvania. The storms produced unusually large amounts of rainfall in very short time periods, causing old spoil banks to become saturated and slide down the steep slopes. The significance to the total cost of the program is that landslides cost much more to abate than most other types of Abandoned Mine Land emergencies. Therefore, in any year when the percentage of landslide projects increases, the total cost to abate emergencies can be expected to also rise that year. Mine fire emergencies are the most costly type of Abandoned Mine Land emergency problem to abate.

While the Office of Surface Mining experienced continuing success with the Appalachian Clean Streams Initiative, the number of projects started in 1998 decreased compared to 1997. A number of factors contributed to this decline. First, the amount of project funding made available to states decreased from \$4.0 million in 1997 to \$2.517 million in 1998. Several states were unable to finance new projects with their smaller allotments even with the addition of partner funds. In some cases, states used their 1998 Appalachian Clean Streams grants to continue or expand projects started the previous year. Also, there was less advance planning for candidate projects in 1998, versus the intense pre-planning that preceded the 1997 projects. Every state was involved in planning or design of prospective Appalachian Clean Streams projects during the year.

1. Abandoned mine hazards are measured in descriptive units (e.g., number, length, flow) and have been converted here to acres using a formula that includes the area of a typical problem type.

Environmental Protection

Shared federal-state-Indian active surface and underground coal mining and reclamation regulatory program



Signs and markers provide important identification for citizens and mine inspectors. Perimeter signs, such as the one shown here, are particularly valuable in preventing equipment operators from inadvertently entering areas not authorized for disturbance and help to eliminate disagreements over the location of the permitted mine site.

Under the Surface Mining Law, the Office of Surface Mining is responsible for publishing the rules and regulations necessary to carry out the Law. The permanent regulatory program and related rules provide the fundamental mechanism for ensuring that the Surface Mining Law's goals 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 1998 rule making 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 two proposed permanent program rules in the *Federal Register*: Enhancing AML Reclamation (1029-AB89), and the Removal of Section 870.17 (1029-AB93). In addition, three final permanent program rules were published: Implementation of the Debt Collection Improvement Act of 1996 (RIN 1029-AB90), the Removal of Section 870.17 (1029-AB93), and the Revisions to the Federal Lands Cooperative Agreement for the State of Montana (Part 926). 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. Also, in response to current funding levels and resource constraints, an Office of Surface Mining team reevaluated the agency's amendment process, recommending a number of changes to streamline processing efficiency and responsiveness. In 1998, the Office of Surface Mining published 68 proposed and 39 final state program amendments in the *Federal Register*.

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.

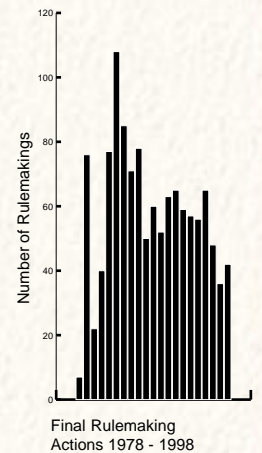


TABLE 5
FINAL RULES PUBLISHED DURING 1998

Implementation of the Debt Collection Improvement Act of 1996 (RIN 1029-AB90)		
62 FR 63274	30 CFR 723, 724, 845, and 846	11/28/97
This rule implements the Federal Civil Monetary Penalty Inflation Adjustment Act of 1990, as amended by the Debt Collection Improvement Act of 1996, by adjusting for inflation, certain civil money penalties authorized by the Surface Mining Control and Reclamation Act of 1977.		
Removal of Section 870.17 (RIN 1029-AB93)		
63 FR 10307	30 CFR 870	3/3/98
This rule removes 30 CFR 870.17 which dealt with the scope of audits conducted in connection with the Office of Surface Mining's abandoned mine land reclamation program.		
Revisions to the Federal Lands Cooperative Agreement for the State of Montana (Part 926)		
63 FR 40790	30 CFR 926	7/30/98
This rule amends the cooperative agreement between the Department of the Interior and the State of Montana for the regulation of surface coal mining and reclamation operations on federal lands within Montana. These amendments clarify Montana's responsibility for the administration of its approved state program on lands subject to the federal lands program in Montana.		

TABLE 6

1998 SIGNIFICANT COURT DECISIONS

TAKINGS

Kelly v. United States, No. 93-128-L (Fed. Cl.)

On June 17, 1998, in a decision from the bench, Senior Judge Kenneth R. Harkins held that the Government's failure to determine that the plaintiff had valid existing rights under the Surface Mining Law was not a compensable taking of the plaintiffs' mineral interest. He ruled that a 1911 mineral severance through which plaintiffs' predecessors in interest held an undivided interest in coal did not convey the property right to strip mine, because at that time, that method was not practiced in the county where the tract is located. Although their interest did not include the right to strip mine, the Kellys' predecessors had worked out a business arrangement with the private party – who then held the surface rights and the remainder of the coal rights – that allowed strip mining. Judge Harkins held that any rights the Kellys might have had as a result of this arrangement were extinguished when the other owner sold its rights to the United States.

RULE CHALLENGES

National Mining Ass'n v. Babbitt, No. 95-0938-WBB (D.D.C.) (Subsidence)

On May 29, 1998, Judge Bryant upheld the Office of Surface Mining's regulations on coal mine subsidence at 60 Fed. Reg. 16722-51 (Mar. 31, 1995). These regulations implement section 2504 of the Energy Policy Act of 1992, which added section 720 to the Surface Mining Law. Section 720 requires underground mine operators to repair or to compensate for material damage to residential structures and noncommercial buildings, and to replace residential water supplies adversely affected by underground mining. On November 24, 1998, industry filed its appellate brief with the U.S. Court of appeals for the District of Columbia Circuit.

OWNERSHIP AND CONTROL

National Mining Ass'n v. Department of Interior, No. 97-1418-AER (D.D.C.)

In 1988 and 1989, the Office of Surface Mining promulgated three sets of regulations (the ownership and control, permit information, and permit rescission rules to implement Section 510(c) of the Surface Mining Law. That section provides that a permit shall not be issued when a surface coal mining operation "owned or controlled by the applicant" is currently in violation of the Surface Mining Law. On January 31, 1997, the U.S. Court of Appeals for the D.C. Circuit invalidated the ownership and control rule, which allowed the Office of Surface Mining to consider violations of persons who own or control the applicant in making permit eligibility determinations, reasoning that the rule went beyond the clear language of Section 510(c) of the Surface Mining Law, which allows the Office of Surface Mining to consider only violations of operations owned or controlled by the applicant. The court also declared the permit information and permit rescission rules unlawful because they were "centered on" the ownership and control rule.

On April 21, 1997, the Office of Surface Mining published an interim final rule on an emergency basis "to cure th[e] defect" identified by the Court of Appeals, to prevent a regulatory gap in effective implementation of the lawful portions of the invalidated rules, and to implement Section 510(c) and related sections of the Surface Mining Law in a manner consistent with the Court of Appeals' mandate. On November 7, 1997, the National Mining Association filed a motion for summary judgment, asking the court to void and enjoin enforcement of the interim final rule.

In a June 15, 1998, decision, Judge Robinson upheld the interim final rule in its entirety, finding that the Office of Surface Mining could properly invoke the Administrative Procedure Act's "good cause" exception to notice and comment rulemaking. The court then found that the Office of Surface Mining demonstrated the requisite good cause by showing that promulgation of the interim final rule was necessary to avoid a "temporal regulatory gap" in the effective implementation of the lawful portions of the ownership and control rules. The court was also persuaded by the fact that the interim program rule is interim in nature, preserves the *status quo*, and reinstates portions of the invalidated rules that were previously subject to notice and comment rulemaking. Finally, the court found that the National Mining Association was unlikely to prevail on the merits of its substantive claims, given the court's prior rulings against the National Mining Association on identical issues. Judge Robinson had previously denied the National Mining Association's application for a preliminary injunction on largely the same grounds.

On June 18, 1998, the National Mining Association filed an appeal of the District Court's June 15 ruling. A briefing schedule has been set and oral argument will be held on February 8, 1999.

ATTORNEYS' FEES

Kentucky Resources Council, et al., ("KRC") v. Babbitt, No. 97-9 (E.D. Ky.) (attorneys' fees)

On February 20, 1998, United States Magistrate Judge J. Gregory Wehrman issued a memorandum opinion which adopted the Government's interpretation of the Surface Mining Law's attorney fee provision but which awarded fees to plaintiffs based on the specific facts of the case. *Kentucky Resources Council, Inc. v. Babbitt*, 997 F. Supp. 814 (E.D. Ky.). In this action, Kentucky Resources Council sought judicial review of the IBLA's January 17, 1997, decision in *KRC v. OSM*, IBLA No. 94-161, which addressed the standard for awards of attorneys' fees in administrative cases under Section 525(e) of the Surface Mining Law and which denied plaintiffs' request for an award of \$31,180 in attorneys' fees and \$368.28 in costs.

In his February 20 decision, the magistrate ruled that only citizen complainants who are forced to file an appeal to the Board to obtain the requested relief are entitled to fees under Section 525(e): for plaintiffs to recover fees, there must be a causal nexus between the plaintiffs' actions in prosecuting the appeal to the Board and the corrective actions taken by the Office of Surface Mining. He also went on to hold, however, that a causal nexus did exist between the Kentucky Resources Council's appeal to OHA and a July 27, 1993, procedural directive that the Office of Surface Mining issued. He found "clearly erroneous" the IBLA's holding that, before issuance of the directive, the Office of Surface Mining had already granted Kentucky Resources Council full relief, and that the July 27 directive had merely been the fulfillment of an earlier commitment made by the Office of Surface Mining in the informal review decision.

This long-awaited decision clarified the scope of Section 525(e) of the Surface Mining Law and the implementing regulations, which authorize fees reasonably incurred in connection with participating in administrative proceedings. It is expected to minimize subsequent litigation over fee entitlement in administrative cases under the Surface Mining Law.

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 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. President Clinton's National Performance Review recommended that the Office of Surface Mining, in consultation with the States, (1) develop national standards of excellence for both regulatory and abandoned mine land reclamation programs and (2) establish goals, performance measures and a performance evaluation process for both types of programs. Office of Surface Mining interviews of its own employees and representatives of citizen and environmental groups, state regulatory authorities, and industry organizations also found a broad-based consensus that the oversight policy for state regulatory programs should be extensively revamped.

In accordance with the National Performance Review recommendations, a team of Office of Surface Mining and state employees 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. Unlike the old system of evaluation, results-based oversight focuses on measuring whether state programs successfully achieve the purposes of the Surface Mining Law with respect to public participation, environmental protection and reclamation of mined lands. In addition, the new approach is consistent with the Government Performance and Results Act which requires federal agencies to develop ways to objectively measure how a program accomplishes its mission through delivery of products or services.

Specifically, to further reporting 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 number of acres that meet the bond release requirements for the various phases of reclamation.

The new oversight strategy has been received positively and the Office of Surface Mining and the states are experiencing a more positive attitude and spirit of cooperation. A recent study based on interviews with about 100 Office of Surface Mining inspectors and field staff involved in oversight reported the current oversight is beginning to take hold and many staff view it as a new opportunity to work cooperatively and improve state program implementation.

Table 7 provides the Office of Surface Mining's oversight inspection and enforcement activities during 1998.

In the past, reclaimed coal mines in East Texas consisted of pasture land planted with coastal Bermuda grass. Today, native vegetation improves the wildlife habitat and provides a richly diverse plant community. At this reclaimed mine site thousands of tree and shrub seedlings were planted. Today, the quality of the diverse wildlife habitat is recognized worldwide.



During mining at this Indiana mine site, soil on nearly all of the 520 disturbed acres was removed and replaced on the reclaimed land to prime farmland depths (48 inches), even though nearly 250 acres were non-prime farmland where soil could have been replaced at the 12-inch depth. Today, this reclaimed mine site has been returned to productive farmland and is indistinguishable from the surrounding landscape.



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;
- the state does not submit its own permanent regulation 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 surface coal mining and reclamation operations, certain states with coal reserves have elected not to submit or maintain regulatory programs. Those states are called federal program states, and their surface coal mining and reclamation operations are regulated by the Office of Surface Mining. Full 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 1998. Table 8 includes the Office of Surface Mining's regulatory actions in those two states during 1998.

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 1998, the Office of Surface Mining awarded \$600,000 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

TABLE 7
FEDERAL OVERSIGHT OF STATE PROGRAMS
1998

State	Inspections	Violations Cited by the Office of Surface Mining		
		Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders
Alabama	130	0	0	0
Alaska	4	0	0	0
Arkansas	11	2	0	0
Colorado	11	0	0	0
Illinois	117	0	0	0
Indiana	141	0	0	0
Iowa	17	0	0	0
Kansas	10	0	0	0
Kentucky	712	21	8	0
Louisiana	2	0	0	0
Maryland	41	0	0	0
Mississippi	1	0	0	0
Missouri	42	0	0	0
Montana	28	0	0	0
New Mexico	10	0	0	0
North Dakota	13	0	0	0
Ohio	182	0	0	0
Oklahoma	70	0	0	0
Pennsylvania	445	5	0	0
Texas	19	0	0	0
Utah	6	0	0	0
Virginia	290	1	1	0
West Virginia	180	19	8	0
Wyoming	13	0	0	0
Total	2,495	48*	17	0

* Of the 48 Notices of Violation and 17 Cessation Orders issued by the Office of Surface Mining, 43 NOV's and 17 CO's were related to Abandoned Mine Land fees.

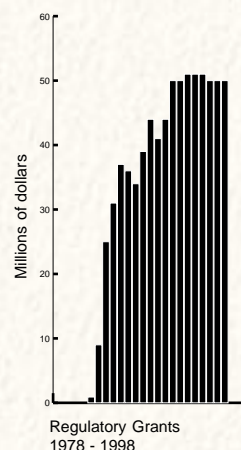


TABLE 8
REGULATORY PROGRAM STATISTICS
1998

	Regulatory Program Staffing (FTE's 9/30/98)	Abandoned Mine Land Staffing (FTE's 9/30/98)	New Permits	New Acreage Permitted	Inspectable Units (9/30/98)	Complete Inspections	Partial Inspections	Notices of Violation	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders	Bond Forfeitures
Alabama	28	19.8	10	2,613	278	3,212	530	173	33	6	7
Alaska	3.44	4.5	1	2,522	10	29	62	3	3	0	0
Arizona	NA	NA	0	0	0	0	0	0	0	0	0
Arkansas	5.95	6.2	0	0	18	78	148	13	0	0	1
Colorado	25	14	1	2,327	62	249	321	16	0	0	0
Crow Tribe**	1	7.5	0	0	1	4	9	0	0	0	0
Georgia*	NA	NA	0	0	6	7	0	0	0	0	0
Hopi Tribe**	NA	4.35	0	0	1	11	5	8	0	0	0
Illinois	49.95	36.14	12	4,469	110	478	944	11	0	0	0
Indiana	55	11.6	15	9,346	190	1,180	2,487	99	3	0	2
Iowa	4.65	5.45	0	0	28	128	256	14	5***	0	0
Kansas	3.6	11.4	2	336	17	72	111	0	0	0	1
Kentucky	416	88	93	18,778	2,538	13,724	19,088	1,465	75***	15***	13
Kentucky*	4.3	0	8	1,385	48	371	175	10	0	0	0
Louisiana	3.7	1.5	0	0	2	8	16	4	0	0	0
Maryland	13.5	7.6	1	66	64	392	586	14	0	0	1
Mississippi	3.75	0	1	1,908	1	1	0	0	0	0	0
Missouri	14	11.3	1	244	37	124	213	70	22	0	4
Montana	17.7	10	0	0	17	77	107	16	5	0	1
Navajo Tribe**	NA	24	0	0	7	27	60	7	0	0	0
New Mexico	10.75	11.5	0	0	15	60	120	6	0	0	0
North Dakota	8.9	5.7	0	0	42	179	692	0	0	0	0
Ohio	33.5	32	67	8,273	568	2,183	2,607	199	3	6	4
Oklahoma	30.4	6	5	3,228	94	394	591	50	0	0	0
Pennsylvania	299	145	102	17,827	2,379	9,921	14,242	1,019	54	3	10
Tennessee	52	0	6	673	428	1,138	1,236	51	11	2	2
Texas	45	10	0	0	21	88	228	18	0	0	0
Utah	24	9	1	30	28	130	209	24	0	3	0
Ute Tribe**	NA	NA	0	0	2	6	16	0	0	0	0
Virginia	83	18	16	1,199	688	3,745	3,862	239	8	3	1
Washington	NA	NA	0	0	2	3	19	1	0	0	0
West Virginia	249	70	78	11,370	2,987	10,466	13,136	1,286	116	12	27
West Virginia*	NA	NA	0	0	1	4	0	0	0	0	0
Wyoming	30	12.5	0	0	41	156	314	24	0	0	0
Total	1,515.09	583.04	420	86,594	10,731	48,645	62,390	4,840	338	50	74

*Federal Lands Program, **Indian Lands Program, ***Number of violations for Iowa and Kentucky is not available, the number of actions is shown, NA Information not available.

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 9 shows grant amounts provided to states during 1998 to administer and enforce regulatory programs.

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 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 1998, the Secretary had entered into such cooperative agreements with Alabama, Colorado, Illinois, Kentucky, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Utah, Virginia, West Virginia, and Wyoming. The cooperative agreement with Kentucky was signed in September 1998, and will be implemented in early 1999.

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 ensure that the regulatory authority fully exercises its delegated responsibility under the cooperative agreement. In states without

Wooded draws are a natural feature of the North Dakota landscape that provide critical habitat for wildlife. Traditionally, mining operations mine through these draws and then reclaim them. Although this has met with success, the operator of this mine took a new look at working with these unique natural features -- they left the wooded draws alone. Instead of mining through them, they mined around them.

**TABLE 9
REGULATORY GRANT FUNDING
1998 OBLIGATIONS**

State	Federal Funding 1998	1997	Cumulative Through 1998*
Alabama	\$769,358	\$1,039,433	\$21,486,140
Alaska	173,580	171,753	4,895,544
Arkansas	162,454	156,222	2,851,121
Colorado	1,633,954	1,571,274	20,643,240
Illinois	2,003,768	2,287,009	42,075,768
Indiana	31,181	2,034,578	23,329,341
Iowa	147,671	149,411	2,138,789
Kansas	111,899	112,666	2,416,345
Kentucky	13,249,061	12,835,636	208,844,529
Louisiana	191,146	183,813	2,852,470
Maryland	438,519	499,503	9,267,937
Michigan	0	0	135,458
Mississippi	132,072	64,284	691,690
Missouri	436,015	424,176	6,643,416
Montana	895,318	860,973	12,776,691
New Mexico	637,699	673,287	9,764,133
North Dakota	500,207	487,783	9,363,722
Ohio	1,400,240	1,234,186	50,556,516
Oklahoma	900,512	839,041	13,612,881
Pennsylvania	10,810,597	10,395,890	163,882,079
Rhode Island	0	0	158,453
Tennessee	0	0	5,340,085
Texas	1,446,563	1,463,371	15,996,284
Utah	1,499,619	1,404,191	20,927,800
Virginia	3,055,125	2,955,119	52,604,706
Washington	0	0	4,893
West Virginia	7,934,579	7,217,537	84,264,498
Wyoming	1,494,863	1,494,863	25,096,332
Crow Tribe	22,848	15,877	771,484
Hopi Tribe	27,278	22,936	935,664
Navajo Tribe	63,295	75,205	2,278,961
N. Cheyenne	6,579	5,983	12,562
Total	\$50,176,000	\$50,676,000	\$816,619,532

*Includes obligations for AVS, Kentucky Settlement, and other Title V cooperative agreements. Figures for 1997 do not include downward adjustments of prior-year awards. However, cumulative figures are net of all prior-year downward adjustments.





The undisturbed wooded draws contain one of the largest diversities of vegetation and wildlife in the mine area. The shrubby habitat provides ample shelter, food, and protection for many wildlife species.

cooperative agreements, the required permitting, inspection, and enforcement activities under the Surface Mining Law are carried out by the Office of Surface Mining. During 1998, six new permits were issued by the Office of Surface Mining on federal lands in Kentucky.

For states with leased federal coal, the Office of Surface Mining prepares the Mining Plan Decision Documents required by the Mineral Leasing Act, as amended, and documentation for other non-delegable authorities, for approval by the Secretary of the Interior. During 1998, one mining plan action was prepared and approved for coal mines on federal land.

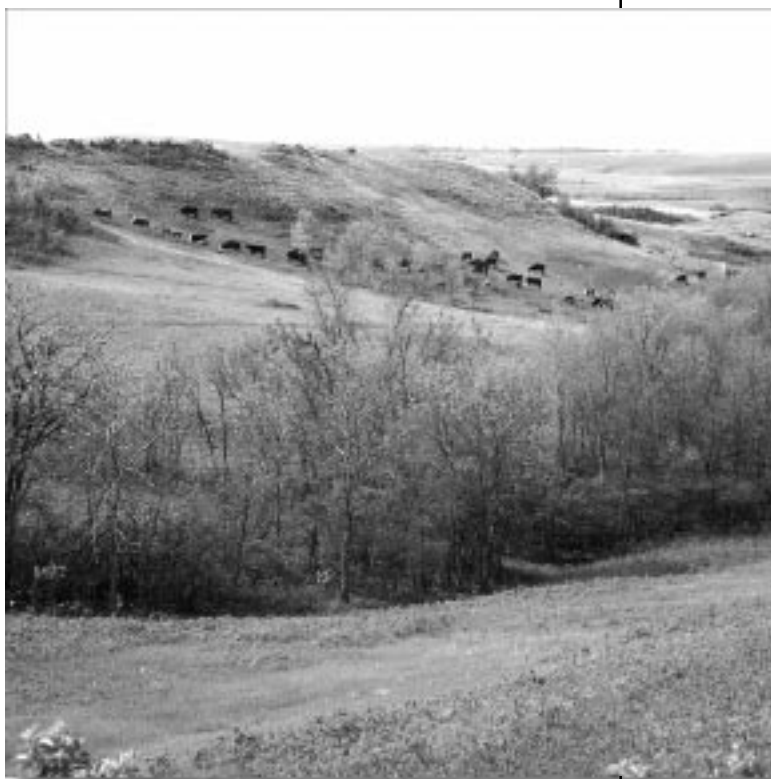
Pursuant to Section 710 of the Surface Mining Law, the Office of Surface Mining regulates coal mining and reclamation on Indian lands. In the Southwest, three mines on the Navajo and Hopi reservations, a portion of an underground mine, and a portion of a coal haul road on the Ute Mountain Ute Reservation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

and one mine is operating under an interim permit. 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.

On the Crow Ceded Area in Montana, the Office of Surface Mining and the Montana Department of State Lands administer applicable surface mining requirements under a Memorandum of Understanding that includes both permitting and inspection functions.

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. All parties have agreed on making certain modifications to the draft legislation and have agreed to an action plan. Development grant funding for 1998 was \$600,000 from the Office of Surface Mining budget. This funding will continue in 1999. Table 8 includes statistics on regulatory activity on Indian lands during 1998.

With reclamation complete the wooded stands are now surrounded by native rangeland, presenting a more diverse habitat for birds and animals to utilize. Cattle grazing has begun on the reclaimed native rangeland encompassing these wooded draws. Now, in addition to the wildlife benefits they provide, draws offer the cattle protection from the hot summer sun.



Electronic Permitting

Electronic permitting technology was first introduced to the states and tribes in 1989, when the Technical Information Processing System was implemented. Since that time, use of computer technology in the permitting and inspection process has dramatically increased. The ability to share digital information results in improved permitting efficiency, decreased permitting costs, enhanced regulatory effectiveness, and increased public access to the most complete and current permit documents. Throughout the country the Office of Surface Mining is working with states to improve their electronic permitting capabilities by providing computer hardware, software, and technical assistance. During 1998, this activity resulted in: cooperative development of standard electronic permitting forms, testing Internet and e-mail submission of files, using an electronic permit review process, converting traditional paper tracking systems to electronic permit tracking, and exchanging mine operator and state regulatory authority experience with each other.

Pennsylvania Anthracite Program

Section 529 of the Surface Mining Law provides an exemption from federal performance standards for anthracite coal mining 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 program standards.

The Pennsylvania anthracite coal region is located in the northeast quarter of the state and covers approximately 3,300 square miles. The anthracite region is characterized by steeply pitching seams, some with dips steeper 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 1997 the anthracite mining industry increased production to around 11.5 million net tons per year, approximately 14 percent of Pennsylvania's annual coal production. The reprocessing of anthracite culm banks accounts for almost three-quarters of the anthracite coal production. Some of this

reprocessed coal helps to fuel eight cogeneration plants. Anthracite operators mined approximately 8.4 million tons from culm banks, 2.7 million tons from surface mines, and 0.4 million tons from underground mines.

Pennsylvania's Department of Environmental Protection continues to successfully carry out the provisions of the anthracite regulatory program. State mine inspectors have achieved approximately 89 percent of the required complete and partial inspections. On 98 percent of the complete inspections conducted by state inspectors, the mine operations were in compliance with performance standards. The District Mining office in Pottsville continues to do outstanding work in the clean-up of the headwaters of Swatara Creek.



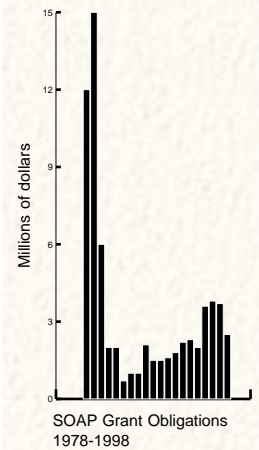
Wetland habitat has a particularly rich and diverse ecology. Creation or reestablishment of wetlands on reclaimed mined land is a high priority in areas of the country where this postmining use is suitable.

Small Operator Assistance Program (SOAP)

Section 401(b)(1) of the Surface Mining Law authorizes up to 10 percent 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. Through 1991, operators producing fewer than 100,000 tons of coal per year were eligible for assistance. Beginning with 1992, the Abandoned Mine Reclamation Act of 1990 increased the production limit from 100,000 to 300,000 tons.

The Energy Policy Act of 1992 (Public Law 102-486) added 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. 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.

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 1998, 140 small mine operators received assistance, comparable to the 146 operators who received assistance in 1997. Table 10 provides a breakdown of the Small Operator Assistance Program grant awards by state during 1998.



**TABLE 10
SMALL-MINE OPERATOR ASSISTANCE
1998 GRANT AWARDS***

State	1998	1997
Kentucky	\$1,000,000	\$1,215,475
Maryland	65,855	70,000
Ohio	70,000	225,000
Pennsylvania	771,145	1,200,000
West Virginia	650,000	1,000,000
Total	\$2,557,000	\$3,710,475

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

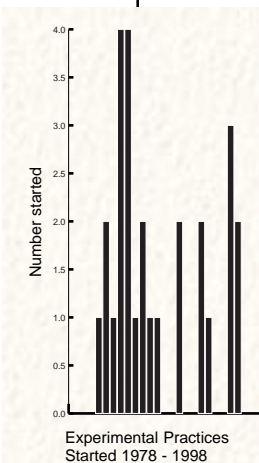
Experimental Practices

Section 711 of the Surface Mining Law allows experimental mining and reclamation practices that do not comply with the performance standards as a way 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 relation between the mine operator, the state, and the Office of Surface Mining.

Trees planted on reclaimed mine sites provide excellent wildlife habitat and a root structure that stabilizes the soil.



During 1998, four experimental practices were ongoing and two new practices were approved. The four ongoing experimental practices include direct seeding of a slurry pond, conversion of a refuse impoundment into a recreational fishing lake, direct seeding of a refuse impoundment and preparation plant area and elimination of a slurry impoundment, and creation of a 91-acre commercial-industrial site by retaining the paved roads, buildings, and utilities on a level site which is maximized by retaining highwalls and utilizing hollow fills. The two new experimental practices will result in the preservation of the portal and surrounding area of a historic mine which will be donated to the local county as a tourist attraction, and creation of a 150-lot residential subdivision with retention of the highwall to maximize the level area.



Remining at this site had many benefits. Fuel left over from the early days of mining was used to generate electricity. An abandoned mine hazard near a populated area was eliminated without cost to the Abandoned Mine Reclamation Fund. Environmental degradation was stopped. And a valuable property can now be returned to a beneficial and productive use.

Since the program began, 27 experimental practices have been approved, 12 were determined to be successful, three unsuccessful, one was terminated due to a regulation change, and five have been completed but reports have not yet been submitted.

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 resulted in outstanding on-the-ground performance. Awards for 1998 were presented October 13, 1998, at the National Mining Association's annual meeting, as follows:

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 the best reclamation in the country resulting in higher or better post-mining land use. The 1998 award was presented to the Jamieson



Construction Company, Miller Branch Mine located near Bimble, Kentucky. Exemplary reclamation by the Jamieson Construction Company resulted in high quality hay and pasture land. In addition, the flat land created during reclamation has greatly increased the property value for development of home sites. This outstanding reclamation is a credit to Larry Jamieson and his employees and a model that all mine operators throughout the country should strive to meet.

During the 1930's, 40's, and 50's this Pennsylvania site was an active underground mine that deposited 80- to 100-foot-high piles of anthracite coal waste. In 1994 the company erected a mobile coal processing facility to separate the remaining coal from the rock waste for use in the company's cogeneration electric plant. As the separation process progressed waste material was used to fill underground mine voids and blend into the slopes of the surrounding areas.

National Awards

■ Peabody Western Coal Company, Black Mesa and Kayenta Mines, Navajo County, Arizona, for reclamation at mine sites on the Navajo and Hopi Indian reservations which resulted in planting vegetation that restores plants significant to the tribal cultures. The reclaimed land will provide long-term benefits to the



Navajo and Hopi people who retain traditional values.

■ Western Energy Company, Rosebud Mine, Colstrip, Montana, for using special mining and reclamation techniques to save a local landmark located in the middle of the mine site. Known as Eagle Rock, the landmark was a camp site for ancient native peoples. A plan was developed to mine around the large sandstone outcrop rather than mining through the area and destroying it.

- Northampton Fuel Supply Company, Inc., Kaminski Bank #14, Wilkes Barre, Pennsylvania, for reclaiming 80-100 foot high piles of anthracite coal waste at an underground mine site. This work ultimately provided fuel to generate electricity, eliminated an abandoned mine hazard near a populated area, and stopped environmental degradation, while providing a valuable property which can now be returned to beneficial and productive use.
- Texas Utilities Mining Company, Big Brown Mine, Fairfield, Texas, for reclaiming a two and one-half mile section of Prairie Creek. The creek which runs through the mine site, was transformed from an eroded, narrow, steep-sided channel, into a natural stream configuration integrated into the surrounding wildlife habitat of trees, grasses, and wetlands.
- Aluminum Company of America (ALCOA), Sandow Mine, Rockdale, Texas, for reclaiming a lignite coal mine site using native vegetation. The reclamation has improved the quality of a wildlife habitat and provided a richly diverse plant community which will continue to grow and enhance the reclaimed Texas landscape.
- Centralia Mining Company, Centralia Mine, Centralia, Washington, for reclamation of a large mine site which will eventually involve over 14,000 acres. Reclamation at the mine includes planting native Douglas fir, Red alder, and other native trees and has the special benefit of resulting in diverse wildlife habitats that range from upland forests to wetlands.

Government Performance and Results Act Report

Goal 2. Better Protection: *Improve the Office of Surface Mining's regulatory program for protecting the environment, people, and property during current mining operations and subsequent reclamation through cooperative results-oriented oversight and evaluation of state programs, and in carrying out the Office of Surface Mining's regulatory responsibilities - in order to safeguard people and the environment.*

Performance Measure	1997 Actual	1998 Plan	1998 Actual
Percent of active mine sites that are free of offsite impacts.....	88 percent	90 percent	93 percent
The number of acres released from Phase 1 and 2 Performance Bonds.....	115,000 acres	115,000 acres	145,180 acres
The number of acres released from Phase 3 Performance Bonds.....	82,000 acres	90,000 acres	85,301 acres

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 offsite impacts and the goal is to not have any incidents occur; but, it is inevitable that 100 percent is not realistic. In 1998, 93 percent of the mine sites were free of offsite impacts. In the future, the Office of Surface Mining will be working with states, Tribes, and the coal industry to strive for, and maintain, a minimum number of occurrences.

The Office of Surface Mining is also measuring protection of the environment and people by assuring that the land currently being mined is properly reclaimed. This performance measure is the acreage of land that is released every year by active coal mine operators. 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. In 1998, the Office of Surface Mining and the states released 85,301 acres that met the requirements and standards for Phase III release (To receive Phase III bond release the land must be completely reclaimed for 5 years in the East and 10 years in the West). In addition the Office of Surface Mining also measures the acreage that is released in the first two phases of bond release. During 1998, 74,237 acres were released from Phase I and 70,943 from Phase II bonds.

Technology Development and Transfer

**Improvement through
technical assistance,
transfer of technology,
and training**



Coal mining at this Ohio site was a temporary use of the land. In the first step of the mining operation one foot of topsoil and two feet of subsoil were removed and stored separately. During reclamation the soil was restored, seeded with alfalfa, red clover, timothy, and orchard grass and today is used for hay production. This mine reclamation resulted in above average crop yields and very rapid return to the long-term agricultural land use.

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. These activities include providing direct technical assistance to address specific mining and reclamation problems; transferring technical capability to others through training, consultations, forums, and conferences so they are better equipped to solve problems on their own; developing and testing new methods of mining and reclamation; and maintaining automated systems and databases used by others in making decisions under the Law.

Helping our State and Tribal Partners

A key premise of the Surface Mining Law is that primary responsibility for day-to-day permitting, inspection and enforcement rests with the states because of regional differences in types of mining, geology, climate, and other physical conditions. Through technical assistance the Office of Surface Mining is providing state and tribal partners with the tools they need to meet those obligations as effectively and efficiently as possible.

Because the technical capability of each state and tribe varies dramatically, the Office of Surface Mining must be prepared to fill technical gaps by providing otherwise unavailable expertise as the need arises. For example, an Office of Surface Mining hydrologist can provide much-needed professional help to a state dealing with a problem that it rarely encounters but that the Office of Surface Mining has encountered and addressed in other parts of the country. Even in those states sufficiently staffed to address most technical issues, the Office of Surface Mining is often asked to help verify technical information and decisions based on the broader national and regional perspectives that Office of Surface Mining technical staff typically have. This assistance ranges from frequent, informal, day-to-day consultations to extensive analyses of technical mining and reclamation issues involving research, documentation, and site visits. This assistance has resulted in an expanded relationship with states and tribes where the Office of Surface Mining's traditional oversight presence has increasingly been supplemented by an active technical assistance and support role. This has led to an atmosphere of cooperation and partnership that is helping everyone do a better job in implementing the Surface Mining Law.

Providing Services to Citizens and the Coal Industry

While the focus of the Office of Surface Mining's work is directed at helping 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 for implementing the Surface Mining Law.

Working with other Agencies

While states and tribes are the focus of partnership for the Office of Surface Mining, working relationships with other agencies result in more effectively and comprehensively addressing environmental issues under surface mining and related laws. For example, under the Acid Drainage Technology Initiative, the Office of Surface Mining is working with many other government agencies to find better ways to prevent and eliminate acid mine drainage. The Environmental Protection Agency (EPA) is helping the Office of Surface Mining by trying to remove impediments to re-mining of abandoned sites in its enforcement of the Clean Water Act. At the same time, the Office of Surface Mining is contributing to the Environ-



In areas of high rainfall conditions water can easily erode soils. To prevent erosion of the hillside at this Pennsylvania mine site, a rock check dam was constructed across the slope. This small structure slows the flow and prevents water from eroding gullies in the smoothly graded slopes.

mental Protection Agency's clean water goals by loading Clean Water Act violations into the Applicant Violator System so that these violations are considered in mine permitting decisions under the Surface Mining Law. Using the Applicant Violator System, the Tennessee Valley Authority checks potential coal suppliers to make sure they don't do business with those who owe the government money.

Bringing People Together to Pursue Common Goals

To keep pace with constantly changing mining and reclamation technologies, the Office of Surface Mining has sponsored several events that have brought together people with common goals and problems to learn from each other, to develop new approaches to resolving problems, and to find ways to combine our efforts for better results. Through the Office of Surface Mining's widely attended National Coal

Symposium and a series of regional symposia that followed, the Office of Surface Mining took steps to develop more effective working relationships with other government agencies that have coal-related missions and a need to share technical information, including the Mine Safety and Health Administration, the Department of Energy, Environmental Protection Agency, Department of Agriculture, and other bureaus within Interior.

In 1998 work continued with other agencies to find economical and environmentally safe ways to dispose of coal combustion by-products. The 1998 Prime Farmland Forum and Workshop provided an opportunity for agencies concerned with the state of America's agricultural lands to assess the impacts of their programs and those of other agencies on prime farmland and to discuss how to develop policies and programs that will enhance and protect valuable cropland for our nation's future.



One of the most widespread and dramatically visual problems prior to the Surface Mining Law was highwalls that were left exposed when a mining operation was complete. At this Kentucky mine the highwall is being reclaimed as the mine progresses around the hillside. When overburden is removed from the active pit it is used to cover the highwall of the mined-out area.

Under a cooperative agreement with the Interstate Mining Compact Commission (IMCC), the Office of Surface Mining and state regulatory authorities are pooling their capabilities to access, summarize, and analyze publicly available electronic information related to the Surface Mining Law. The initial phase of this agreement focuses on more cost-efficient and effective ways of using currently available information and search capabilities (i.e., COALEX and LEXIS databases).

Technical Information Processing System (TIPS)

The Technical Information Processing System is a computer system designed by the Office of Surface Mining in partnership with primacy states. 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 a centrally-located fileserver networked through the Office of Surface Mining wide-area network to engineering/scientific work stations which are interconnected to local area networks in state, Tribal, and selected federal offices. 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 using a watershed approach, 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.

Before reclamation this rich wetland was the site of a 96 acre abandoned mine near Pella, Iowa. Using money from the Abandoned Mine Land Fund, the project eliminated unvegetated spoil and flooded mine pits that were causing acid mine drainage. With reclamation complete the wetland aids in eliminating the acidic runoff and is a viable habitat that is actively used by migratory waterfowl.



Technical Information Processing System activities in 1998 included a large work effort related to system testing associated with conversion from UNIX to NT. This conversion will allow the system to be used on the desktops of state, Tribal and federal regulators across the country and will significantly increase the use while enhancing the Office of Surface Mining Electronic Permitting Initiative nation wide. The Technical Information Processing System staff continued to actively work with state and Tribal regulatory authorities in the implementation of the Electronic Permitting Initiative and Geographic Information System (GIS) initiative while continuing to provide daily user support for other system applications. Work also continued in the development of Geographic Information System capabilities for Indian Lands Mines. These activities included assistance to the Hopi in the full implementation of the Hopi Land Information System.

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 system operation. When space is available, the general public also attends Technical Information Processing Systems courses. This year 40 classes were taught at the training facilities in the three regional service centers and at state and Tribal training facilities. In 1998, 463 students attended the classes compared to the 270 students in 1997 (an increase of 71 percent). Course offerings included surface-water modeling, ground-water modeling, three-dimensional spatial geologic and toxic-material modeling, environmental statistical analysis, environmental data base management, analysis of water quality data using Piper and Stiff analysis, geographic information system use, slope stability, automated drafting and site design, statistical analysis, and global positioning system use.



In 1999 the majority of TIPS resources will be committed to the conversion from the 7-year old UNIX workstations to NT workstations/fileservers.

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 acid mine drainage, and to describe the best methods for preventing new acid mine drainage and eliminating existing sources. The National Mine Land Reclamation Center of the University of West Virginia serves as the Secretary for the Initiative. The Eastern Mine Drainage Federal Consortium, a group of federal agencies working in the Appalachian region, helps coordinate the Federal participation. The Interstate Mining Compact

The Technical Information Processing System is a linch-pin for the new electronic permitting now being used at many active mines. Maps, such as the one shown here, are only one benefit of electronic permitting. The potential improved efficiency and decreased permit review costs make this one of the most exciting innovations since the mine permit process began in 1977.

Commission, representing eastern coal-producing states, and the National Mining Association, representing the U.S. coal industry, also participate.

While the initial focus is on the coal fields of Appalachia, the prediction effort will be expanding to include the Western United States, including non-coal mining. In 1998, the members of the Initiative completed a draft *AMD Remediation Handbook — a user manual on AMD remediation methods*. The Handbook is a compilation of all known remediation methods and experiments, including examples where the work was unsuccessful. The Handbook should help those eliminating existing acid mine drainage problems and improvement in the cost-effectiveness of stream cleanup projects.

This year work also began on a handbook titled *Review of Mine Drainage Prediction Methods*. This handbook, will be issued in 1999, and cover overburden testing, sampling, and field validation.

International Activities

In many countries, mining has been practiced for centuries with little regulation or noticeable concern for the environment. The successful implementation of the Surface Mining Law in the United States is a model for nations facing the challenge of protecting the environment and still promoting coal production. In recent years, several governments have requested assistance from the Office of Surface Mining in improving their capability to administer mining and reclamation programs. In 1998, the Office of Surface Mining and state staff made presentations and assisted mining professionals from several foreign countries including South Africa, Hungary, and China.

Technical Assistance for Indonesia

In 1998, the Office of Surface Mining completed a 3-year technical assistance project with the government of Indonesia. This project provided assistance to improve the country'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 project, technical professionals from Indonesia attended Office of Surface Mining training courses on various topics, including reclamation bond calculation, erosion and sediment control, and operation of the Technical Information Processing System. Office of Surface Mining and state personnel traveled to Indonesia to provide on-site assistance in the areas of inspection practices, permit processing, and program management. As a result of recommendations by Office of Surface Mining personnel, Indonesia issued new guidelines for spoil handling and implemented bonding requirements.

Coal and Peat Fire Suppression in Indonesia and Malaysia

In early 1998, Indonesia again approached the Office of Surface Mining for help -- this time to combat wildfires that had been ravaging dense forests for months. The difficulty of suppressing these fires has

A coal seam close to the land surface has caused the waterfalls as this small stream flows over it. The coal outcrop along the stream has been ignited and the seam is now an active fire.



The interrelated danger of forest and peat fires can be seen here at this active fire close to the surface of the land.

been exacerbated by dozens of outcrops of exposed coal and peat that dot the mountainous regions of Indonesia. Because the coal and peat burn easily and often much longer than the forests, they pose a constant threat of re-igniting the forests long after the wildfires have been brought under control.

Fighting coal and peat fires requires specialized fire suppression technology. Over the years, the Office of Surface Mining and state regulatory authorities have gained considerable experience and expertise in this area dealing with the many and varied coal fires in the U.S. Under an existing Memorandum of Understanding with Indonesia, and with funding from the State Department's Southeast Asia Environmental Initiative, the Office of Surface Mining began providing much-needed technical fire-fighting assistance in the summer of 1998.

The fire suppression assistance program, to be completed by mid-1999, includes developing a mechanism for priority setting, training in the identification of hazards and the characterization of fire sites, selection of abatement alternatives, and on-the-ground management of fire suppression activities.

The Office of Surface Mining was also asked by Indonesia's neighbor, Malaysia, for peat fire suppression assistance. Again, working under the Southeast Asia Environmental Initiative, the Office of Surface Mining provided some short-term training and assistance to Malaysians in the reconnaissance and identification of peat fires, and then arranged for the Malaysians to participate in the Indonesia fire suppression assistance project's training activities.

National Technical Training Program

In support of the greater emphasis that the Office of Surface Mining has placed on providing technical assistance to those who have the day-to-day responsibility to carry out the Surface Mining Law, the national technical training program was stepped up in 1998. This training program is a cooperative effort with states and tribes and addresses the needs of federal, state, tribal, and private organizations with regulatory and reclamation responsibilities. To meet the demand for training by industry and the public, the Office of Surface Mining conducted a workshop on acid forming materials at the national meeting of the American Society for Surface Mining Reclamation and is exploring similar opportunities for 1999.

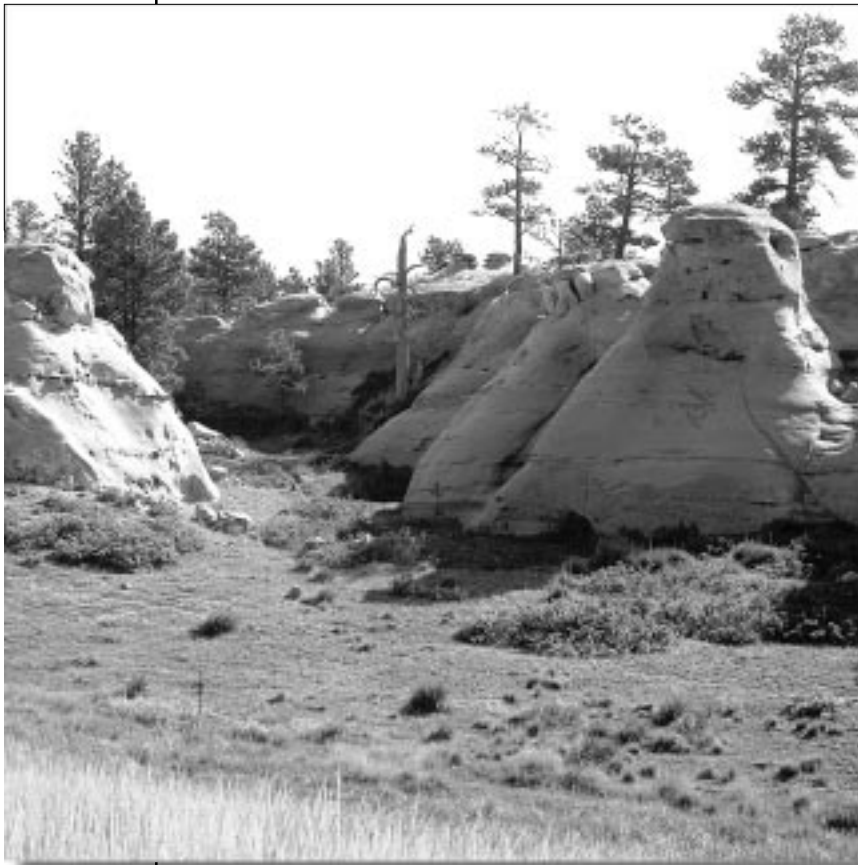
All technical training courses were taught by teams of state and Office of Surface Mining staff. In 1998, there were 157 instructors -- 50 percent from the Office of Surface Mining, nine percent from the Interior Department's Solicitor's Office, 37 percent from states, and the remaining four percent from other sources. The 27 courses, which reached 819 students, were presented in 29 locations in 12 states. State and tribal students accounted for 79 percent of students, while Office of Surface Mining accounted for 18 percent and three percent were non-government participants. A new course in abatement techniques for extinguishing mine fires was added to the course schedule, an introductory course in acid materials for program staff was piloted, and new courses in alternative enforcement techniques are achieving results under the Law and under development. Training courses offered in 1998 included:



At this site subsidence, resulting from a coal seam fire has required people to abandon their house and relocate. As the coal burns it leaves a void under the shallow soil causing subsidence, additional exposure to the fire, and widespread damage to land.

While developing the permit to mine, company employees at this Montana operation identified a large sandstone outcrop known as "Eagle Rock." The unique feature, located in the middle of the coal reserve, had special aesthetic value, contained unique wildlife habitats, and was a camp site of ancient native peoples. A plan was developed to mine around the outcrop instead of mining through the area and destroying it. Today Eagle Rock remains a local landmark and this unique ecological and historical niche continues to be part of the Montana landscape.

Course Name	Number of Sessions	Number of Students
Acid-Forming Materials: Fundamentals	3	52
Acid-Forming Materials: Planning & Prevention	2	42
Acid-Forming Materials for Program Staff	1	7
Administration of Reclamation Projects	1	16
Abandoned Mine Design Workshop: Dangerous Openings	1	9
Abandoned Mine Design Workshop: Fires Underground/Refuse Burning	1	10
Abandoned Mine Design Workshop: Landslides	1	9
Abandoned Mine Design Workshop: Subsidence	1	12
Applied Engineering Principles	2	35
Blasting and Inspection Procedures	2	31
Bonding Workshop: Administrative & Legal Aspects	1	23
Bonding Workshop: Cost Estimation	2	44
Effective Writing	3	40
Enforcement Procedures	1	21
Erosion and Sediment Control	3	51
Evidence Preparation and Testimony	2	33
Expert Witness	2	19
Historic and Archeological Resources	1	25
Instructor Training	1	18
NEPA Procedures	1	23
Permitting Hydrology	1	10
Principles of Inspection	2	21
Soils and Revegetation	2	41
Spoil Handling and Disposal	1	28
Surface & Groundwater Hydrology	2	45
Underground Mining Technology	4	92
Wetlands Awareness	4	62
Total	48	819



Two years ago the Office of Surface Mining identified a need to provide training to staff members on agency trust responsibility to American Indian Tribes. The Office of Surface Mining wanted to cooperate with other Interior Department bureaus to accomplish the following objectives: 1. present the Department's trust responsibilities and each agency's policies and procedures for fulfilling those responsibilities, 2. ensure that the cooperating agencies know their responsibilities and are operating from a common understanding, and 3. develop a resource handbook to be used as a desk reference manual. An integrated course was developed with the Bureau of Land Management, Bureau of Indian Affairs, Minerals Management Service, Solicitor's Office, and the Office of American Indian Trust. The Office of Surface Mining provided the lead for development and instruction for solid mineral



Before mining at this Washington site, the steep sloped mountain terrain supported mixed conifer and hardwood forests that produced timber on a 60-year rotation. After mining and reclamation trees are replanted and the land is returned to its original long-term forestry land use.

sessions, provided instruction on inspection and enforcement, prepared a video on sacred site issues, and developed training modules for cultural issues. The first course was held in Phoenix, Arizona during 1997 for 60 Interior Department personnel. A second course was held last year in Denver, Colorado, for over 100 participants. A third course is planned for Washington D.C. in the near future.

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 as mining is completed. Section 510(c) of the Law prohibits the issuance of new permits to applicants who are responsible for outstanding violations until those violations are corrected. Often, determining whether an applicant owns or controls operations with violations is very difficult, largely due to the complexities of corporate relationships and inconsistencies from state-to-state

in how ownership and control is recorded and tracked.

The primary purpose of the Applicant Violator System is to provide state regulatory authorities with a centrally-maintained database of information to evaluate an applicant's mining history, including the applicant's relationship to past operations. The Applicant Violator System contains violation records as well as information on ownership and control of mining operations. By checking the system during the review of permit applications, a determination whether an applicant is entitled to a permit can be made. The system is also checked prior to awarding Abandoned Mine Land reclamation contracts. During 1998, the Office of Surface Mining responded to 4,568 requests for Applicant Violator System information from (state and federal) regulatory authorities, state Abandoned Mine Land programs, and others who use the system to check violation histories.

In late 1997 and throughout 1998, a team of Interior Department staff conducted a thorough review of Office of Surface Mining's ownership and control regulations and policies to identify ways to make them as effective and fair as possible. This process included numerous discussions with states, coal industry representatives, citizens' groups and others affected by these regulations. The Office of Surface Mining expects to propose for public comment redesigned ownership and control rules in early 1999. Following consideration of all comments received on the proposal, the Office of Surface Mining will develop and publish final regulations.

During the life of this mine over 14 thousand acres of land will be disturbed and restored. Most of this acreage was upland forest containing Douglas-fir and Red alder. Following mining and reclamation of the land, forests are being replanted using native species of trees. With the land reclaimed, this site quickly resembles the surrounding Cascade mountain landscape.

35





During reclamation the land is regraded to establish the natural drainage patterns. At this North Dakota mine site, wood fiber netting is used to line the regraded drainage channels at the bottom of the reseeded slope. The netting prevents erosion until grass has been established and stabilizes the shallow channel. The netting material breaks down after the vegetation is established and adds organic material to the soil.

Other activities completed this year by the Applicant Violator System Office in Lexington, Kentucky, include: refining and improving the current system by providing assistance to state and federal permitting authorities, helping users on the interpretation of system data and its results, proposing modifications and enhancements to the system based on user feedback, updating and maintaining all data related to companies with interstate relationships, conducting ownership and control investigations; and pursuing comprehensive settlement agreements to accomplish reclamation and collect outstanding debts.

During 1998 the system was converted to a new mini-computer that has enabled it to operate more efficiently and at faster speeds. Also in 1998, through a cooperative agreement with the State of Kentucky, the Office of Surface Mining and the state began working to develop full compatibility between state and federal ownership and control automated data that can easily be shared and to eliminate duplicative data entries.

Prime Farmland

Successful reclamation of prime farmland has been a major concern to operators and citizens in the Midwest since before passage of the Surface Mining Law. In 1998, the Office of Surface Mining, jointly with other agencies, sponsored a Prime Farmland Forum. The latest research findings and successful reclamation techniques were presented to about 120

Access to the Applicant Violator System is available to the general public, coalfield citizens, individual coal companies, and industry representatives through public domain software, the Internet, or by direct dial-in. The Office of Surface Mining has received and processed over 318 requests for access software. General information about the Applicant Violator System is also provided through the Office of Surface Mining's "fax-on-demand" service.

During the last eight years, the Office of Surface Mining has provided general system training to 844 federal and state users and provided training to 362 people on how to access the system. Much of this instruction has been tailored to meet the needs of the target audience, such as the inspectors, auditors, and investigators. This training is provided on an as-needed basis, designed to address specific issues such as ownership and control relationships, the system database, and Applicant Violator System/Office of Surface Mining policy.

On reclaimed surface mines, topsoil is essential for reestablishing crop, forage, and timber production. At this Southern Indiana mine site the topsoil was handled with special care by using spreading techniques that minimize compaction that would hinder root penetration and water absorption by new seedlings. The reclaimed land at this site provides farmland that is productive for all crops grown in this area.



citizens, mine operators, and state and federal officials. Proceedings from the Forum have been published and are available. A follow-up Prime Farmland Workshop where reclamation techniques were reviewed was attended by about 80 reclamationists and citizens. The Office of Surface Mining also entered into a cooperative agreement with the University of Illinois and Southern Illinois University to fund continued research into identifying soil characteristics that may be used to demonstrate reclamation success.

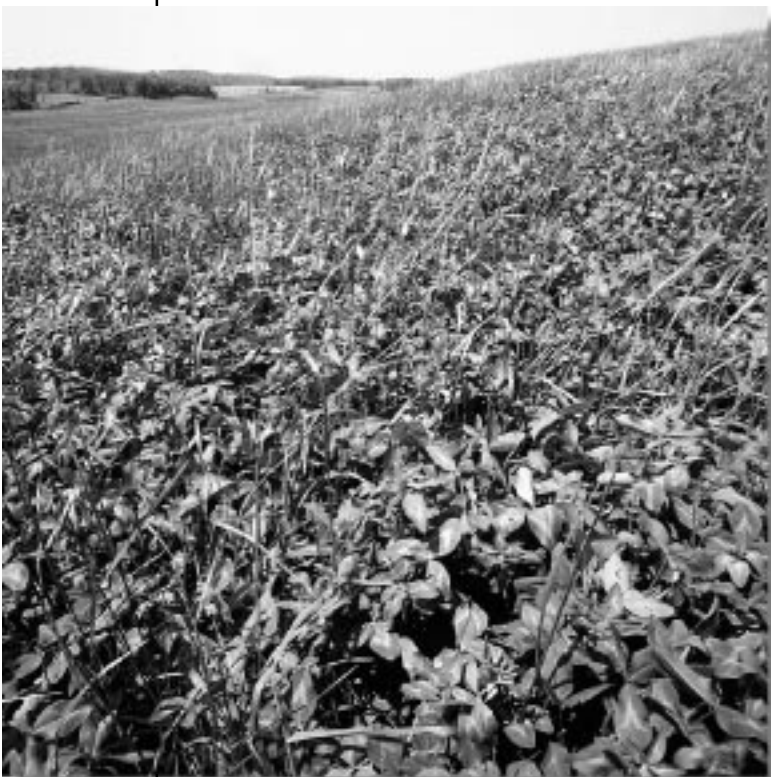
Government Performance and Results Act Report

Goal 3. Better Service: *Strengthen the capabilities of states, Tribes, and the Office of Surface Mining staff to enforce the Surface Mining Law effectively by improving service to customers, partners, and stakeholders, through open communications, technical training opportunities, technical assistance, and the transfer of technology - in order to have better information and skills to make decisions.*

Performance Measure	1997 Actual	1998 Plan	1998 Actual
Customer satisfaction rate in the quality of technical training.....	85 percent	85 percent	90 percent
Number of students trained.....	1,010 students	900 students	819 students

Measuring performance within the technical training program continues to focus on customer surveys. Student satisfaction with the training is assessed at the conclusion of the course. Several months later, students and their supervisors are re-surveyed to identify whether they have applied what they learned in the course and how the training proved useful in the context of their day-to-day work. During 1998 results of the class surveys averaged 90 percent satisfaction and follow-up evaluations indicated that the training does improve job performance in many areas. During 1998, 814 students were trained and at the customers' requests, three additional classes planned for 1998 were re-scheduled for the Fall. This is very close to the goal of training 900 students per year and is the first phase of a larger effort to train 4,500 students over the next five years.

The success of topsoil handling is measured by the land's crop productivity after reclamation. Crops grown at this reclaimed Indiana mine have consistently been above required yields.



Financial Management

**and Executive
Direction and
Administration**



The reclamation bond at this Kentucky mine site has been released and today this reclaimed mine is rapidly maturing into an excellent wildlife habitat. Native trees are becoming established and the sediment control ponds have been retained as permanent water sources that add diversity to the habitat. The thick vegetation and rock-lined waterways on this reclaimed mine site have eliminated erosion and sedimentation. This is a very dramatic difference from the picture in Appalachia before the Surface Mining Law.

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. Executive Direction and Administration are the leadership, policy direction, and administrative functions required for day-to-day operations.

Budget and Appropriations

The Department of the Interior and Related Agencies Appropriations Act of 1998 (Public Law 105-83) appropriated \$94,937,000 from the General Fund for the Office of Surface Mining's regulation and technology activities. In addition, \$177,624,000 was made available for obligation from the Abandoned Mine Reclamation Fund (\$539,000 more than 1997). Public Law 105-174 authorized the reprogramming of \$3,163,000 from the Regulation and Technology appropriation to the Abandoned Mine Land Reclamation Fund. This reprogramming was done to realign funding in conjunction with the new business line structure which was approved by the Appropriations Committees during 1997.

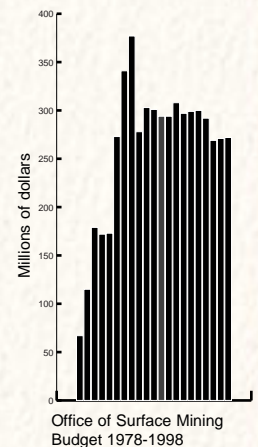
The 1998 Regulation and Technology appropriation included the following provisions:

■ Where the Office of Surface Mining is the regulatory authority, proceeds of performance bonds forfeited under Section 509 of the 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 1998, four performance bond forfeitures resulted in revenue collections of \$51,335. No obligations of prior- or current-year bond forfeitures occurred in 1998.

■ Federal civil penalties and related interest collected under Section 518 of the Surface Mining Law can be used to reclaim coal mine lands abandoned after August 3, 1977. In 1998, a total of \$150,304 of Civil penalties was collected. The Office of Surface Mining is only authorized to use the base penalty and interest of these collections, so \$145,485 was deposited into the Civil Penalty Fund for reclamation purposes. During 1998, \$45,447 from this fund was obligated for post-Surface Mining Law reclamation projects.

■ State regulatory program grants were funded at \$50,176,000, which was \$500,000 less than 1997. These grants are used to fund state regulatory program payroll and other operational costs.

The Abandoned Mine Land appropriation included the following provisions:



**TABLE 11
APPROPRIATIONS***

	1998	1997
Regulation & Technology		
Environmental Restoration	\$ 144,000	\$90,000
Environmental Protection	69,159,000	72,653,000
<i>Regulatory Grants</i>	<i>[50,176,000]</i>	<i>[50,676,000]</i>
Technology Development and Transfer	11,211,000	9,634,000
Financial Management	501,000	876,000
Executive Direction & Administration	10,759,000	10,919,000
<i>Executive Direction</i>	<i>[2,215,000]</i>	<i>[2,246,000]</i>
<i>Admin. Support</i>	<i>[3,683,000]</i>	<i>[3,075,000]</i>
<i>General Services</i>	<i>[4,861,000]</i>	<i>[5,598,000]</i>
Subtotal:	91,774,000	94,172,000
Abandoned Mine Reclamation Fund		
Environmental Restoration	166,107,000	164,945,000
<i>Reclamation Grants</i>	<i>[142,352,000]</i>	<i>[142,000,000]</i>
Environmental Protection	0	0
Technology Development & Transfer	3,225,000	1,700,000
Financial Management	5,736,000	5,562,000
Executive Direction & Administration	5,719,000	4,878,000
<i>Executive Direction</i>	<i>[1,177,000]</i>	<i>[918,000]</i>
<i>Admin. Support</i>	<i>[1,959,000]</i>	<i>[1,475,000]</i>
<i>General Services</i>	<i>[2,583,000]</i>	<i>[2,485,000]</i>
Subtotal:	180,787,000	177,085,000
Transfer to United Mine Workers Fund	32,561,520	31,373,799
Total	\$305,122,520	\$302,630,799

*The appropriation figures for both years include reprogramming and rescissions. Lines in italic show a breakdown of numbers in the line above.

- State reclamation grants were funded at \$142,352,000, which was \$352,000 more than 1997.
- Expenditures up to \$5,000,000 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 1997.
- Prior year unobligated funds appropriated for emergency reclamation programs were not subject to the 25 percent limitation per state and may be used without fiscal year limitation for emergency projects.
- Up to 20 percent of the funds recovered from delinquent debts were authorized for contracting the collection of other delinquent debts. In 1998, the Office of Surface Mining spent \$428,805 to collect \$5,927,076 in delinquent Abandoned Mine Land fees and audit bills and \$130,618 to collect \$108,142 in Civil Penalty debt

All appropriations provisions were met.

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, 1998, the fund collections totaled \$5,096,777,642. For the same period Fund appropriations totaled \$3,745,212,648.

Expenditures from the Fund are made through the regular budgetary and appropriation process. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each state with an approved reclamation program, or within Indian lands where the tribe has an approved reclamation program, are to be allocated to that state or tribe. This 50 percent is designated as the state or tribal share of the fund. The remaining 50 percent (the federal share) is used by the Office of Surface Mining to complete high priority and emergency projects under its Federal Reclamation Program, to fund the Small Operator Assistance Program (SOAP), to fund additional projects directly through state reclamation programs, and to pay collection, audit, and administrative costs. In 1991, at the direction of Congress, a formula to



To minimize the off-site sedimentation impacts of mining, sedimentation ponds are constructed to slow sediment-laden water. Solids settle out before the clear water is allowed to flow from the mine site.

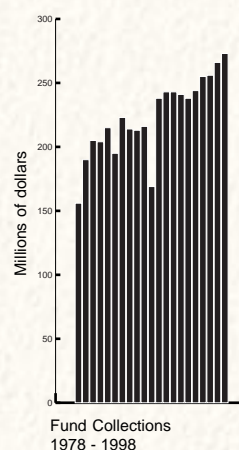


TABLE 12
ABANDONED MINE LAND FEE COLLECTIONS AND FUNDING
1998

State/Tribe	AML Collections	State Share Distribution ¹	Federal Share Distribution ¹	Emergency Distribution ¹	Total Distribution ¹
Alabama ⁴	\$ 4,564,355	\$1,552,307	\$1,531,977	\$400,000	\$3,484,284
Alaska	533,592	155,848	1,344,152	25,000	1,525,000
Arkansas	9,366	0	1,500,000	13,000	1,513,000
Colorado	5,863,341	1,502,101	708,979	0	2,211,080
Illinois	7,122,353	2,828,579	5,675,433	611,223	9,115,235
Indiana	12,005,174	2,820,421	1,847,743	267,152	4,935,316
Iowa	0	6,819	1,515,790	0	1,522,609
Kansas	115,988	43,030	1,456,970	465,000	1,965,000
Kentucky	35,045,891	10,177,108	5,562,284	0	15,739,392
Louisiana	327,810	94,898	0	0	94,898
Maryland	738,995	203,760	1,314,406	0	1,518,166
Missouri ³	96,483	134,360	1,387,770	20,000	1,542,130
Montana	12,388,544	3,468,631	0	125,000	3,593,631
New Mexico	5,494,672	1,388,317	172,362	0	1,560,679
North Dakota	2,963,855	885,556	614,444	50,000	1,550,000
Ohio	6,850,937	2,044,293	3,479,114	2,070,663	7,594,070
Oklahoma ³	539,407	179,866	1,320,134	10,000	1,510,000
Pennsylvania	14,544,703	3,888,523	18,345,817	0	22,234,340
Tennessee	834,857	0	0	0	0
Texas	5,432,163	1,551,964	0	0	1,551,964
Utah	3,691,942	1,019,809	480,191	0	1,500,000
Virginia	6,670,328	2,179,385	1,707,239	1,000,000	4,886,624
Washington	1,747,629	0	0	0	0
West Virginia ²	36,758,776	9,528,241	10,543,722	3,699,962	23,771,925
Wyoming	98,105,378	22,804,396	0	0	22,804,396
Crow Tribe	2,525,741	478,173	993,573	0	1,471,746
Hopi Tribe	1,231,738	410,010	0	0	410,010
Navajo Tribe	6,800,423	2,746,505	0	0	2,746,505
Total	\$273,004,441	\$72,092,900	\$61,502,100	\$8,757,000	\$142,352,000

1. The term "Distribution" is now used instead of "Allocation." Allocation refers to the "pooling" of monies collected for the AML Fund. State and federal share distribution amounts are based on formulas and parameters provided annually by the Assistant Director, Program Support. Emergency program distribution amounts are based on estimates provided by the states and approved by the Deputy Director.

2. The state of West Virginia received an additional \$2,137,613 from an account that was recovered from prior years and carried forward for future emergency needs. West Virginia's total emergency funding is \$5,837,575.

3. The states of Missouri and Oklahoma took over responsibility for their emergency programs in 1998. The Office of Surface Mining's Federal Reclamation Program provided Oklahoma with \$10,000 and Missouri with \$20,000 representing "start-up" funds. Oklahoma and Missouri received an additional \$30,000 and \$29,771 respectively from an account that was recovered from prior years and carried forward for future emergency needs. Oklahoma's total emergency funding is \$40,000 and Missouri's is \$49,771.

4. The state of Alabama received an additional \$100,000 from an account that was recovered from prior years and carried forward for future emergency needs. Alabama's total emergency funding is \$500,000.

distribute federal-share money to the state reclamation programs was established based on historic coal production.

Table 12 shows 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.

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 has decided to only invest 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 to the United Mine Workers of America Combined Benefit Fund from the investment interest earned. This cash transfer is used to pay for anticipated health benefits of mine workers and their 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. As a result, an additional \$9.5 million will have to be advanced to cover the increase in the Combined Benefit Fund's estimated 1998 health benefit costs. Table 13 summarizes investments for the past two years.

TABLE 13
ABANDONED MINE LAND FUND STATUS
Cash Basis

	1998	1997
Balance, Start of the year	\$1,526,022,407	\$1,401,483,153
Transfer - P.L. 105-174	3,163,000	
Fees, debts, and interest collected	273,038,560	266,783,206
Interest earned on investment	67,031,208	81,006,258
Interest earned on investment	343,232,768	347,789,464
Disbursements	197,975,580	191,876,411
Transfers to United Mine Workers	32,561,520	31,373,799
Total Disbursements & Transfers	230,537,100	223,250,210
Balance, End of the year	\$1,638,718,075	1,526,022,407

Two years after mining, this reclaimed site is a small Kentucky valley that holds all the attributes of the surrounding landscape. This is reclamation as envisioned by the architects of the Surface Mining Law.

- track all mines that have the potential of producing coal,
- provide coal mine operators with the information and assistance needed to comply, and
- conduct a comprehensive audit program.

Experience has shown that helping the industry achieve compliance reduces the need for additional regulatory resources. To assist in voluntary compliance, the Office of Surface Mining mails pre-printed 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

The Surface Mining Law requires active coal mining companies to report coal tonnage and pay abandoned mine reclamation fees. The Office of Surface Mining 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. The primary goal for fee compliance is to achieve a high rate of compliance. In 1998 the overall compliance rate was 99 percent, which resulted in \$273 million in revenue for the Fund. To achieve this rate of success, it is necessary to:

and non-reporting will probably always be present. When such instances of non-compliance are found, auditors and collection staff explain each issue and how similar occurrences can be avoided in the future. The high compliance rate can be attributed to this pro-active cooperative approach, and the overall efficiency of the collection and audit activities. To demonstrate the efficiency of the collection and audit activities, for every dollar spent to administer the program the Office of Surface Mining collects \$50.

When unpaid 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, delinquent 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 Office of Surface Mining has made substantial improvements over the management of civil penalty and Abandoned Mine Land fee delinquent debt by reducing the year-end debt balance by \$13.8 million over the amount reported last year. Of the \$30.9 million 1998 year-end balance, \$16 million (52 percent) is principal. The remainder represents interest, late payment penalties, and administrative charges on unpaid balances. The Office of Surface Mining has referred \$25.1 million of this amount to the Office of the Solicitor for legal action, \$8 million under bankruptcies, and \$17.1 million for litigation. Another \$0.6 million has been referred to the Department of Justice for legal action, and the remaining \$5.2 million is being pursued internally by the Office of Surface Mining. Table 14 shows 1998 collections and year-end debt balances. The Office of Inspector General reported last year that "the Office of Surface Mining's fee compliance program, including both the collection and audit functions, was operated in a highly efficient and effective manner." That conclusion reflects the Office of Surface Mining emphasis on the best possible execution of this vital program that provides the funding for state, Tribal, and federal abandoned mine land reclamation throughout the country.

**TABLE 14
COLLECTIONS MANAGEMENT
1998**

Category		Balanced Owed
AML Fees	\$273,207,402	\$19,319,138
Civil Penalties	150,304	11,299,581
Administrative	2,026,824	280,448
Total	\$275,384,530	\$30,899,167

Financial Systems: Electronic Improvements

The Office of Surface Mining continues to use technology to improve its financial and administrative management systems. Added improvements and initiatives in 1998 include:

- Streamlined purchasing and cut red-tape, credit cards are increasingly being used to make small purchases. Total transactions by credit card increased 65 percent from 3,222 in 1997 to 5,310 in 1998. The dollar volume of transactions increased by 116 percent from \$805,332 to \$1,741,570. A credit card transaction processing system was implemented to automatically match card purchases with bills. This has streamlined the payment process and resulted in more timely payment of invoices. Partly as a result of the increased use of credit cards and the new system, the total number of late payments declined by 72 percent.
- Continued to make progress on meeting the Electronic Funds Transfer provisions of the Debt Collection Improvement Act of 1996. Electronic Funds Transfer payments to vendors increased from 54 percent at the end of last year to 83 percent in September 1998. Electronic Funds Transfer payments to travelers and states also continued to increase, from 89 percent last year to 98 percent in September 1998.

Site of the first permanent permit under the Surface Mining Law, the young trees growing on this reclaimed land blend into the unmined adjacent forest. It is difficult to identify mined and reclaimed areas from the surrounding Montana landscape.



- Implemented new financial reporting tools to give managers better access to financial data. The Management Accounting and Performance System provides managers with on-line access to a wide variety of budgetary, labor and financial reports. The new reporting capability gives managers access to information whenever they need it, while minimizing the impact of new reporting needs.
- The Department of the Treasury's standard general ledger, and the Interior Department's budget object classifications were also implemented in 1998. These two initiatives help standardize government-wide reporting and make it easier to consolidate and compare financial reports across agencies.
- The Office of Surface Mining will implement an Electronic Data Interchange pilot project during 1999 to electronically obtain quarterly reclamation fee information from coal companies. The pilot project will reduce reliance on paper and utilize input from those paying the fee to design an Electronic Data Interchange process that will provide a feasible electronic alternative for coal companies reporting fee payments. Successful completion of the pilot project will result in this electronic option becoming available for all coal companies when paying their quarterly reclamation fee.
- Debt referral to the Department of the Treasury required under the Debt Collection Improvement Act of 1996 will be performed electronically during 1999. This process will permit the initial referral for cross-servicing and the ability to update the records electronically for accruals and new debt.



This reclaimed mine site is located on the Navajo and Hopi Indian reservations. The arid land is being mined, reclaimed, and planted with vegetation that restores culturally significant plants for the local residents. Working with medicine men, herbalists, and Black Mesa residents, the mining company employees identified specific plants that had cultural significance and the potential to grow on the reclaimed mine lands. Here an environmental scientist examines some of the recently established plants.

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 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. The Office of Surface Mining has received eight consecutive unqualified ("clean") audit opinions from the Inspector General. The 1998 opinion is on page 66 of this report.

Information Technology

The Office of Surface Mining uses information technology on a large scale to more efficiently accomplish its mission and provide improved information access for states, Tribes, and the general public. A telecommunications network is maintained by the Office of Surface Mining to electronically transmit and receive information from other federal agencies, industry, and the public.

In 1998, the Wide Area Network was expanded to upgrade internal telecommunications to accommodate the increased volume of electronic permitting. Both public and private sources connecting to the Office of Surface Mining via the Internet also benefit from the increased speed of the expanded network. The Office of Surface Mining has been working with the Department and other bureaus in identifying and reporting Year 2000 activity. Starting two years ago, the Office of Surface Mining initiated the identification and reporting of automated systems. Since then, identification of system data problems and needed corrections has been an ongoing effort. To date, 81 percent of mission critical systems have been renovated, 50 percent validated, and 43 percent implemented. An inventory of embedded chip systems has been conducted and replacement and repair of affected systems has been initiated. Current estimates on chip replacement or repair cost are approximately \$18,000. The Office of Surface Mining's telecommunications systems are also being reviewed for Year 2000 date problems and estimates for corrections or replacement is expected to exceed \$146,000.

Human Resources Management

This year much of the personnel focus has been on producing a highly diverse, well qualified, efficiently trained, motivated and informed workforce. In support of the diversity goals, the Office of Surface Mining entered into an agreement with the Bureau of Indian Affairs to share salary and associated costs of one position. The person in the position will be conducting nationwide recruiting at Historically Black Colleges and Universities, Hispanic Association of Colleges and Universities, American Indian Colleges, and majority schools that have high populations of minorities. In addition, the Office of Surface Mining entered into an agreement with the Interior Department's Assistant Secretary - Land and Minerals Management, to provide these same nationwide recruitment services to the Bureau of Land Management and the Minerals Management Service. Through these national recruitment efforts, filling positions at entry levels, use of the Presidential Management Intern Program, and the Outstanding Scholar Program, 73 percent of new hires through the first six months of this year were minorities and women.

In 1998, the agreement with the Bureau of Indian Affairs to provide overall personnel policy guidance and operational service for the Washington Headquarters area continued. Under this agreement, the Office of Surface Mining is responsible for overseeing Bureau-wide testing and implementation of the Department's Federal Personnel Payroll System. Last year the Office of Surface Mining successfully implemented this System, and this success is expected to continue with the Bureau of Indian Affairs conversion.

This year the electronic Official Personnel Folder System was successfully implemented. This system provides direct access to Official Personnel Folders through the Wide Area Network. In a continuation of the imaging of individual personnel information, a process to digitize all Office of Surface Mining vital records was begun. This will improve accessibility and security of the records.

The Office of Surface Mining has begun the first phase of a succession planning program. A study of the Office of Surface Mining workforce indicates that over the next five years 23 percent of the employees will be eligible to retire and that within the next 10 years 55 percent of our employees will be eligible to retire (federal government retirement trends indicate that most employees retire at 61 years of age and with 31 years of service). The initial

Office of Surface Mining study shows that a majority of those employees eligible to retire will begin to do so in year 2003 and this trend will continue through 2010.

Monitoring Potential Conflicts of Interests

Sections 201(f) and 517(g) of the Surface Mining Law prohibits 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 financial conflicts. In 1997, 624 Office of Surface Mining, 1,127 other federal, and 3,297 state employees filed financial disclosure statements. Three violations were identified and resolved.

Seed was collected near the mines, then germinated and grown in special nurseries. With the establishment of the culturally significant plants, this reclaimed land will provide long-term benefits to the many Navajo and Hopi people who retain traditional values.



Labor-Management Partnership

The Office of Surface Mining maintains two labor-management partnerships, created in response to Executive Order 12871. 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 in the Office of Surface Mining, although partnerships have not yet been established. They are located at the Casper Field Office (Casper, Wyoming); Lexington Field Office (Lexington, 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.

Equal Opportunity

During 1998, the Office of Surface Mining continued to implement its Target Recruitment Plan and newly-approved Strategic Plan For Improving Diversity. The Diversity plan contains seven objectives to address the recruitment of women, minorities, persons with disabilities, reasonable accommodation, employee development, retention, zero tolerance of discrimination, quality of work life, management training, and accountability. As a result of these plans, significant improvement has been made in under-representation areas.

Throughout the year, personnel and equal opportunity specialists met with management staff and assisted them with recruitment. For example, when a vacancy occurred, a meeting was held with the manager and a plan of action was developed for those positions that came under the Office of Surface Mining's Targeted Recruitment Plan. These are the positions in the most under-represented employment series. Because of these initiatives, progress has been achieved in each of the occupations covered by the Plan. Since October 1, 1997, the Office of Surface Mining hired 44 employees and 29 (65.9 percent) were filled with women and minorities. Also, women and minorities received 48 of 66 (72.7 percent) promotions.

The Office of Surface Mining's outreach initiatives included hiring five summer interns, one fall intern, four Student Career Experience students, six Student Temporary Employment Program students, and two Presidential Management Interns. All of these programs produced excellent diversity. In its outreach efforts with Minority Higher Education Institutions, the Office of Surface Mining provided resources for Howard University's Geographic Information System Conference and sponsored students to attend the Hispanic Association of Colleges and Universities Job Conference. Also, the Office of Surface Mining co-sponsored Xavier University's Youth Motivational Task Force, the Society of Hispanic Engineers Job Fair, and the National Hispanic Sustainable Energy and Environmental Job Conference. In addition, the Office of Surface Mining participated in the Rio Grande High

Permanent impoundments are frequently constructed on reclamation sites. They often enhance wildlife habitats by providing excellent cover and a water environment that increases the potential for wildlife to quickly become established on the sites. At this reclaimed Indiana mine site the impoundment provides the landowner with water for livestock.



Technology Career Fair for Minorities and Women. These endeavors were in line with the Office of Surface Mining's Diversity Plan and its commitment to develop closer relationships with organizations and educational institutions that are training and encouraging students to pursue an education in the fields which the Office of Surface Mining recruits.

During 1998, the Office of Surface Mining had 15 discrimination complaints filed. This was a decrease of three complaints (18 in 1997) over the previous year. It is interesting to note that the 15 complaints were the lowest number filed in the last 7 years. At the end of the year, there were 27 complaints being processed, which includes 15 complaints pending hearings by the Equal Employment Opportunity Commission and/or Final Agency Decisions by the Office of Equal Opportunity.

In addition, the Office of Surface Mining began conducting onsite Accessibility for Persons with Disabilities reviews for compliance with Section 504 of the Rehabilitation Act of 1993. Results of these reviews will be released during 1999. Also, a new Intranet web site was created to provide employees with Equal Opportunity Program information.

Government Performance and Results Act Report

Goal 4. Better Operations: *Improve the Office of Surface Mining's operations through a more effective and efficient management of human and fiscal resources to facilitate reclamation of abandoned mine lands and in order to protect the environment, people and property, during and after mining.*

Performance Measure	1997 Actual	1998 Plan	1998 Actual
Number of material weaknesses regarding fee compliance, revenue, and grants financial services.....0		0	0
Abandoned Mine Land fee compliance rate as measured by the percent of permits reporting..... 98.5 percent		98 percent	99.4 percent
High Customer service rating for accuracy, timeliness, and overall satisfaction of grants management..... (None)		90 percent	94.7 percent

The Office of Surface Mining's financial statements were free of any material weaknesses regarding fee compliance, revenue and grants management services. The financial statements were audited by the Office of Inspector General. The independent auditors gave the financial statements an unqualified opinion. This means the data that the Office of Surface Mining reports is accurate in all material aspects, and that the Office of Surface Mining has safeguarded taxpayers' money appropriately. This is important in view of the \$305 million in appropriations entrusted to the Office of Surface Mining and the \$1.6 billion in the Abandoned Mine Land Fund that is managed by the Office of Surface Mining. It is the Abandoned Mine Land Fund, financed by the coal industry and not from taxpayers, that provides the funds to reclaim mined lands left abandoned prior to 1977 and to eliminate emergency situations that arise from past mining. In 1998, a major portion of these funds provided for the reclamation of over 7,200 hazardous acres of abandoned mine land, thus preventing or avoiding injury to people and minimizing property damage.

Over the years the coal industry has continually improved its compliance with the Office of Surface Mining's quarterly reporting requirements. For 1998, over 99 percent of coal companies required to report coal tonnage sales under the Surface Mining Law fully complied with all reporting requirements. This demonstrates the Office of Surface Mining and the coal industry's joint commitment to the Surface Mining Law. The Office of Surface Mining will continue to work closely with the coal industry in the future to assure that this high level of performance is maintained and that coal companies have a complete understanding of all Abandoned Mine Land fee reclamation reporting requirements.

Based on a customer survey, the Office of Surface Mining provides excellent customer service to its state and tribal grant recipients. Grantees use funds to pay for costs incurred in both reclaiming abandoned mine sites and operating regulatory programs. More than 94 percent of 18 grant recipients who responded in 1998 were satisfied with the Office of Surface Mining payment and reporting systems and support services they received. In response to individual questions, the average satisfaction rate was 90 percent. Grant recipients most commonly felt that the Office of Surface Mining could re-work entry screens to improve the satisfaction rate.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF SEPTEMBER 30,
(dollars in thousands)

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	1998	1997
ASSETS		
Entity Assets:		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	\$44,178	\$51,634
Cash (Imprest)	0	2
Investments (Note 3)	1,637,119	1,525,363
Accounts Receivable, Net (Note 4A)	31	82
Interest Receivable, Net (Note 4A)	24,185	8,488
With the Public:		
Accounts Receivable, Net (Note 4B)	1,894	2,317
Interest Receivable, Net (Note 4B)	749	1,009
Advances and Prepayments	60	32
Physical Assets (Note 5)	5,557	5,549
Total Entity Assets	1,713,773	1,594,476
Non-Entity Assets:		
With the Public:		
Interest Receivable, Net (Note 4C)	43	1,526
Total Non-Entity Assets	43	1,526
Total Assets	1,713,816	1,596,002
LIABILITIES		
Liabilities Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	354	186
With the Public:		
Accounts Payable	4,764	6,445
Accrued Payroll and Benefits	2,242	1,944
Total Liabilities Covered by Budgetary Resources	7,360	8,575
Liabilities Not Covered by Budgetary Resources:		
Intragovernmental:		
Accounts Payable	64	1,526
With the Public:		
Accounts Payable	4,478	4,457
Amounts Held for Others (Note 6)	1,999	1,616
Other Liabilities (Note 18)	112,259	90,200
Total Liabilities Not Covered by Budgetary Resources	118,800	97,799
Total Liabilities	126,160	106,374
NET POSITION		
Unexpended Appropriations	320,727	345,597
Cumulative Results of Operations	1,266,929	1,144,031
Total Net Position (Note 7 & 8)	1,587,656	1,489,628
Total Liabilities and Net Position	1,713,816	1,596,002

The accompanying footnotes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF NET COST
FOR THE YEAR ENDED SEPTEMBER 30,**

(dollars in thousands)

	1998	1997 Restated
COSTS		
Total Costs		
Intragovernmental (Note 10)	\$13,029	\$12,445
With the Public	286,199	276,152
Total Program Costs	299,228	288,597
Less Earned Revenue		
Intragovernmental	(1,488)	(1,424)
With the Public	(1,790)	(822)
Total Program Earned Revenue (Note 11)	(3,278)	(2,246)
Net Program Costs	295,950	286,351
Costs not allocated to programs		
Future Funding Requirements (Note 12)	20,457	12
UMWA Combined Benefit Fund Transfer (Note 9)	32,562	31,373
Miscellaneous Bad Debt Expense	1,714	(6,341)
Total Unallocated Costs	54,733	25,044
Less: Other Earned Revenue	(288)	(665)
Net Unallocated Costs	54,445	24,379
NET COST OF OPERATIONS	\$350,395	\$310,730

The accompanying footnotes are an integral part of these statements.

**CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30,**

(dollars in thousands)

	1998	1997
Net Cost of Operations	\$350,395	\$310,730
Less Financing Sources:		
Appropriations Used	324,875	313,615
AML Interest, Non-Federal	370	1,555
Investment Interest Earned, Federal	82,729	77,347
Revenue from Fees Assessed	278,392	274,453
Other Revenues and Financing Sources (Note 13)	(546)	(7,289)
Imputed Financing Sources (Note 20)	4,036	4,266
Appropriated Revenues	(210,382)	(208,745)
Financing Sources Transferred-Out	1,379	(1,704)
Transfers In/Transfers Out	(15)	0
Net Results of Operations	130,443	142,768
Invested Capital - Adjustments and Other Changes (Note 14)	(377)	18
Prior Period Adjustments (Note 15)	(7,168)	(108,316)
Net Change in Cumulative Results of Operations	122,898	34,470
Change in Unexpended Appropriations (Note 16)	(24,870)	(15,698)
Change in Net Position	98,028	18,772
Net Position-Beginning of Period	1,489,628	1,470,856
Net Position-End of Period (Note 8)	\$1,587,656	\$1,489,628

*Net Results of Operations represents the balance of Financing Sources greater than the Net Cost of Operations.
The accompanying notes are an integral part of these statements.*

**CONSOLIDATED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30,**

(dollars in thousands)

	1998	1997
Budgetary Resources Made Available:		
Budget Authority	\$305,267	\$302,896
Appropriations Available for Investment but not Obligation (Note 19)	1,351,565	1,221,681
Unobligated Balances Available:		
Beginning of Period	60,707	69,043
(includes expired) (Note 17)	4,052	2,145
Reimbursements and Other Income	43,914	43,540
Adjustments	1,765,505	1,639,305
Total Budgetary Resources Made Available		
Status of Budgetary Resources:		
Obligations Incurred, Gross	359,419	356,918
Unobligated Balances Available - End of Period (Note 8)	43,840	46,209
Available for Investments but not Obligation (Note 19)	1,351,565	1,221,681
Unobligated Balances Not Available - end of period (Note 8)	10,681	14,497
Total Status of Budgetary Resources	1,765,505	1,639,305
Outlays:		
Obligations Incurred, Net	306,078	306,233
Obligated Balance-Beginning of Period	293,270	303,924
Less: Obligated Balance-End of Period	(273,514)	(293,270)
Total Outlays	\$325,834	\$316,887

**U.S. Department of the Interior
Office of Surface Mining Reclamation and Enforcement**

Notes to Consolidated Financial Statements

For the Fiscal Year (FY) ended September 30, 1998 and 1997

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 guidance issued by the Federal Accounting Standards Advisory Board (FASAB) and the Office of Management and Budget (OMB).

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); and

■ 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 entity and 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, the 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 to 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, except for imprest funds.

C. Business Segments

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 administrative grants, research and development facilitating the transfer of reclamation expertise to India, 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 excise taxes (Special Fund) and civil penalty assessments for the purpose of reclamation projects.

Special 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.

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. Also included in this category are OSM's unfunded contingencies and capitalized assets.

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 four primary business lines are its responsibility segments:

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, as well as funding of related OSM activities.

Environmental Protection — This segment is responsible for assuring 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.

Technology Development and Transfer — This segment is responsible for assuring that the States, Indian Tribes, federal agencies, industry and citizen organizations have the technical information and tools they need to carry out the Surface Mining Law. It includes technical assistance to improve the regulatory process and the Abandoned Mine Land program, the Technical Information Processing System, the Training program, and the Applicant Violator System.

Financial Management — This segment is responsible for assuring that the financial assets entrusted to OSM are properly managed and safeguarded. It includes the collection, auditing and investment of the Abandoned Mine Land fees; the accounting, reporting and payment of grant funds, and management of other revenues such as bond forfeitures and civil penalty collections.

The costs of the Executive Direction and Administration are allocated to these four 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 receives appropriated 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 Fund's unexpended balance to the United Mine Workers of America Combined Benefit Fund (UMWACBF). These AML interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents. The transfer for fiscal year 1998 was \$32,561,520.39. Fiscal year 1998 estimate was \$36,248,662.39 and adjustments will be made to both the 1996 and 1997 transfer in the amounts of \$10,721,401.26 downward and \$7,034,259.26 upward, respectively, in fiscal year 1998 per SMCRA. On June 25, 1998, Eastern Enterprises won a court case against Apfel, Commissioner of Social Security et al. Eastern Enterprises was held liable for health benefits of mine workers and their beneficiaries. This court case released Eastern Enterprises from this liability. Note 9 provides additional information concerning the UMWACBF transfer.

The Office of Surface Mining also administers and accounts for financial activity affecting no-year funds which, 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 20 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 uncollectable accounts receivable, the net of the allowance method and the specific analysis method. The net of the allowance method, which was revised effective the fourth quarter of fiscal year 1992, is used for special and civil penalty funds accounts receivable. Under this method, an allowance for doubtful accounts is calculated quarterly 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 which are disbursed through an automated payment system. OSM accrues these draw-downs as expenditures. All 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 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. OSM distributes at least \$1.5 million to states or tribes with qualifying reclamation 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, except for imprest fund accounts. 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 this investment earnings is transferred to the United Mine Workers of America Combined Benefit Fund to pay for health benefits of qualifying mine worker beneficiaries. The maximum annual transfer, exclusive of prior year adjustments, cannot exceed the annual interest collected each year. The actual transfer is based on the expected costs to the UMWACBF. If the interest collected is less than the UMWACBF estimated annual costs, the transfer will consist of the interest collected for the fiscal year, plus an amount from the interest earnings of \$132 million collected during FYs 1993-1995. Note 9 provides additional information concerning the UMWACBF transfer.

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 a 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 10 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 20 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. Restricted amounts represent the AML fees collected but not yet made available by Congress.

Fund Balance with Treasury (dollars in thousands)

	1998 Total	1997 Total
Available	\$317,356	\$339,475
Restricted	1,363,941	1,237,522
Subtotal Fund Balance	1,681,297	1,576,997
Less Invested Balance (See Note 3)	(1,637,119)	(1,525,363)
Total Fund Balance	\$44,178	\$51,634

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 interest receivable. Please see note 4.

Investments - Treasury Bills (dollars in thousands)

	1998 Total	1997 Total
Face Value	\$1,668,182	\$1,554,515
Unamortized Discount	(31,063)	(29,152)
Net Investments	\$1,637,119	\$1,525,363

Note 4. Accounts Receivable:

A. Intragovernmental Receivables Entity (OSM) Assets (dollars in thousands)

	1998 Total	1997 Total
U.S. Postal Service	\$30	\$50
Department of the Interior	0	28
Department of Energy	1	0
General Services Administration	0	4
Subtotal	31	82
Treasury	24,185	8,488
Net Intragovernmental Receivables	\$24,216	\$8,570

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

Note: The Treasury portion is the accrued interest receivable on investments, see Note 3.

4 B.

**Receivables with the Public
Entity (OSM) Assets**
(dollars in thousands)

	Gross A/R	Allowance for Uncollectible Accounts				1998 Net A/R	1997 Net A/R
		Beginning Balance	Additions	Reductions	Ending Balance		
Accounts Receivable:	\$15,998	\$20,218	\$1,316	(\$7,430)	\$14,104	\$1,894	\$2,317
Interest Receivable:	13,600	19,228	2,381	(8,758)	12,851	749	1,009
Total Receivables	\$29,598	\$39,446	\$3,697	(\$16,188)	\$26,955	\$2,643	\$3,326

Reclamation receivables will, upon collection, increase the state and federal share set-aside balances discussed in footnote 1D3.

Method of Determining Allowance for Uncollectible Accounts:

Determination of the allowance of uncollectible accounts is accomplished by first aging the accounts receivable and collections on those receivables. The amount of receivable collections in each aging category is then divided by the total of both the receivables and collections in that category. This percentage represents the amount of receivables that are deemed collectable. Thus, the inverse of this percentage becomes the amount of receivables deemed to be uncollectible. For example, if 75 percent of receivables is deemed collectable, an allowance for uncollectible accounts would reflect 25 percent of the total receivables balance.

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

**Receivables with the Public
Non-Entity (OSM) Assets**
(dollars in thousands)

	Gross A/R	Allowance for Uncollectible Accounts				1998 Net A/R	1997 Net A/R
		Beginning Balance	Additions	Reductions	Ending Balance		
Interest Receivable:							
Civil Penalty Other	\$1,284	\$444	\$1,713	(\$899)	\$1,258	\$26	\$1,481
Administrative Other	17	0	0	0	0	17	45
Total Receivables	\$1,301	\$444	\$1,713	(\$899)	\$1,258	\$43	\$1,526

The **Other** category represents accounts receivable for interest, penalties, and administrative costs. Civil penalty interest is retained by OSM to reclaim mining sites. Civil penalty administrative and penalty charges are forwarded to the Treasury.

Please see Footnote 4B for explanation of determination of uncollectible accounts.

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 \$5 thousand or more and the estimated useful life is two years or longer. However, computer software is not capitalized unless the acquisition cost is \$25 thousand or more.

All property and equipment is depreciated using the straight line method and useful life is determined using General Services Administration guidance. Property, Plant and Equipment is noted as “other” business segment.

Physical Assets (dollars in thousands)					
	Service Life	Acquisition Value	Accumulated Depreciation	FY 1998 Book Value	FY 1997 Book Value
ADP Equipment	15	\$5,800	(\$2,536)	\$3,264	\$3,534
Office Equipment	11-20	1,637	(521)	1,116	1,052
Vehicles	6-10	3,078	(1,901)	1,177	963
Total Physical Assets		\$10,515	(\$4,958)	\$5,557	\$5,549

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.

Amounts Held for Others (dollars in thousands)		
	1998 Total	1997 Total
Reimbursable Advance	\$1,409	\$1,171
Other Escrows	92	209
Civil Penalties Escrow	125	108
Bonds	10	10
Other Deposits	254	(2)
Overpayments	109	120
Total Amounts Held for Others	\$1,999	\$1,616

Note 7. Unexpended Appropriations and Cumulative Results of Operations:

The Federal Accounting Standards Advisory Board (FASAB) Standard, "Accounting for Revenue and Other Financing Sources," combines Cumulative Results of Operations with Invested Capital and Future Funding Requirements.

Cumulative Results of Operations

(dollars in thousands)

	1998	1997
Invested Capital	\$5,557	\$5,549
Future Funding Requirements	(24,476)	(4,457)
Cumulative Results of Operations	1,285,848	1,142,939
Total Cumulative Results of Operations	\$1,266,929	\$1,144,031

Note 8. Net Position:

Net Position

(dollars in thousands)

	1998 Total	1997 Total
Unexpended Appropriations:		
Unobligated		
Available	\$43,840	\$46,209
Unavailable	10,681	14,497
Undelivered Orders	267,545	285,555
Unfilled Customer Orders	(1,339)	(664)
Total Unexpended Appropriations	320,727	345,597
Cumulative Results of Operations	1,266,929	1,144,031
Total Net Position	\$1,587,656	\$1,489,628

Note 9. UMWACBF Transfers:

Presently, all earnings from AML investments are reinvested, thus providing a source of continuous funding to further 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 invested AML Special Fund to the United Mine Workers of America Combined Benefit Fund (UMWACBF). These AML interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents.

UMWACBF Transfers

(dollars in thousands)

	1998 Total	1997 Total
Beneficiary Transfer	\$32,562	\$31,373
Total Number of Beneficiaries	6,510	7,000

Note 10. Intragovernmental Costs (Costs Within the Government):

Intragovernmental Costs

(dollars in thousands)

	1998 Total	1997 Total
Department of the Interior:		
Bureau of Reclamation	\$170	\$286
Bureau of Land Management	7	22
Minerals Management Service	37	54
National Park Service	11	2
Office of the Secretary	2,736	2,667
Bureau of Mines	2	0
U.S. Geological Survey (USGS)	52	0
Total, Department of Interior	3,015	3,031
Other Federal Agencies:		
Environmental Protection Agency	0	108
General Services Administration	4,358	3,437
U.S. Treasury	9	9
Government Printing Office	284	278
Department of State	0	217
Other	4,402	4,453
Total, Other Federal Agencies	9,053	8,502
Depreciation Expense	961	912
Total Costs within the Government	\$13,029	\$12,445

Note 11. 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)

	1998 Total	1997 Total
Within the Government:		
Bureau of Indian Affairs	\$1,292	\$1,124
Bureau of Land Management	62	60
Fish and Wildlife Service	0	8
Minerals Management Service	10	6
Office of the Secretary - DOI	22	27
Office of Navajo/Hopi Indian Relocation	0	5
Office of the Solicitor - DO	0	7
Food and Drug Administration	0	25
Environmental Protection Agency	21	50
Department of Energy	2	0
Department of State	31	0
General Services Administration - Vehicles	0	15
Internal Revenue Service	48	97
Total Within the Government	1,488	1,424
With the Public:		
Bond Forfeitures	51	20
California	0	0
Indonesia	586	723
Kentucky	6	73
Pennsylvania	19	0
Miscellaneous	1,128	6
Total With the Public	1,790	822
Total Earned Revenue	\$3,278	\$2,246

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. The increase of \$20 million to the contingent liabilities is in regards to a court case originally obligated in FY97 that had an increase in FY98.

Future Funding Requirements (dollars in thousands)

	1998	1997
Accrued Unfunded Leave	(\$100)	(\$1)
FECA	119	13
Contingent Liabilities	20,438	0
Total Future Funding Requirements	\$20,457	\$12

Note 13. 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)

	1998	1997
Administrative Revenue from AML fees	\$707	\$1,117
Civil Penalty Revenue	(1,253)	(8,406)
Total Other Revenues and Financing Sources	(\$546)	(\$7,289)

Note 14. Invested Capital Adjustments and Other Changes:

Invested Capital Adjustments and Other Changes (dollars in thousands)

	1998	1997
Restatement of Assets	(\$266)	\$255
Net Transfers Out	0	(182)
Net Transfers In	0	0
Loss on Disposal of Assets	(111)	(29)
Reclassification of Object Class Codes	0	(26)
Total Invested Capital Adjustments and Other Changes	(\$377)	\$18

Note: The Transfers In/Transfers Out are reflected in the Statement of Changes in Net Position under Net Cost of Operations, Financing Sources for fiscal year 1998.

Note 15. Prior Period Adjustments:

Prior Period Adjustments (dollars in thousands)

	1998	1997
Reclassification of civil penalty debt for changes and/or corrections to prior year accounts receivables for individual circumstances.	\$1,007	\$0
Reclassification of AML Fee Billing and Collections for changes and/or corrections to prior year accounts receivables for individual circumstances.	(4,955)	0
Reclassification of Audited Fee Billing and Collections for changes and/or corrections to prior year accounts receivables for individual circumstances.	(1,598)	0
Recording of FECA actuarial liability for differences between FY97 and FY98. Direction given at the Department level for the entry.	(1,622)	
Implementation of new accounting policy to include liabilities for loss contingencies related to OSM activities which will be paid from Treasury's Judgment Fund.	0	(90,200)
Changes to prior year revenue based on enhancements to the AML fee collection system which allows for the determination of revenue as an adjustment to prior year as well as current year business.	0	(7,601)
Reversals of prior year accounts receivable based on a reversal of coal weight determination effective June 23, 1997, and new documentation produced by debtor companies.	0	(14,035)
Changes to prior year cash and revenue based on enhancements to the subsidiary accounting system to accurately reflect cash balances and post-judgment interest.	0	3,520
Total Prior Period Adjustment	(\$7,168)	(\$108,316)

Note 16. Change in Unexpended Appropriations:

Change in Unexpended Appropriations (dollars in thousands)

	1998	1997
Unobligated Balance	(\$6,186)	(\$8,336)
Unliquidated Obligations:		
Undelivered Orders	(18,009)	(7,463)
Unfilled Customer Orders	(675)	101
Change in Unexpended Appropriations	(\$24,870)	(\$15,698)

Note 17. Expired Unobligated Balances, Beginning of Year:

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 \$10.6 million.

Note 18. Other Liabilities:

A. 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.

B. Contingent Liabilities

There exist no asserted or unasserted claims, or closely related group of claims, against OSM's funds which have not been recorded as a payable. There are, however, claims against the Department of Justice's Judgment Fund related to OSM activities. These claims have been recorded by OSM as a contingent liability. Any claims paid as a result of a decision for the plaintiff will be borne by the Judgment Fund. Contingent liabilities which have a greater than 50 percent possibility of being paid to the plaintiff from the Judgment Fund have been estimated to be no larger than \$112.3 million. The \$20 million increase occurred in relation to a case that was originated in FY97 and an increase of this amount was necessary to cover the case.

Prior to 1997, Department of the Interior agencies did not report Judgment Fund contingent liabilities. Because of new guidance issued by the Federal Accounting Standards Advisory Board, effective in 1997, these liabilities will now be reported. This will allow each agency to accurately reflect all lawsuits against the Federal Government relating to that agency's operations.

Note 19. Abandoned Mine Land Fund Restricted Balance:

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 1998 and 1997 are detailed below:

Abandoned Mine Land Restricted Balance
(dollars in thousands)

	1998	1997
Beginning Balance	\$1,221,681	\$1,082,350
Add: Fee Collections	273,039	266,783
Add: Investment Interest	67,031	81,006
Less: Appropriations	(177,624)	(177,085)
Less: Transfers Out	(32,562)	(31,373)
Ending Balance	\$1,351,565	\$1,221,681

Note: Please refer to Note 2 for further information on restricted and unrestricted asset balances.

Note 20. Assigned Retirement and Post-Employment Benefits Cost

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 will now be reported and recorded. This will allow 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	1998 Assigned Cost
Civil Service Retirement System Pensions	\$23,331	10.20%	\$2,380
Civil Service Retirement System Offset Pensions	1,883	11.50%	217
FERS and FICA	10,497	0.10%	10
Retirement Life Insurance	28,713	0.02%	5
Retirement Health Benefits	563 employees (yearly average) multiplied by \$2,529.00 per employee		1,424
Total Assigned Benefits Cost			\$4,036

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

Note 21. Primary Financial Statements

There are five primary financial statements - the Statement of Financial Position, the Statement of Net Cost, the Statement of Changes in Net Position, Statement of Budgetary Resources, and the Statement of Financing. These statements precede the footnotes except for the Statement of Financing, which is located on page 64. This statement was placed after the footnotes because it does not show comparative information.

OFFICE OF SURFACE MINING
RECLAMATION AND ENFORCEMENT

Fiscal Year 1998 Financial Statements
and
Accompanying Footnotes
Prepared in accordance with
Federal Accounting Standards Advisory Board Guidance

SUPPLEMENTAL STATEMENT OF NET COST
For the Year Ended September 30, 1998

(dollars in thousands)

Responsibility Segment Costs:	
Environmental Restoration	
Total Costs	191,443
Less Earned Revenue	(1,398)
Net Environmental Restoration Costs	190,045
Environmental Protection	
Total Costs	\$81,311
Less Earned Revenue	(916)
Net Environmental Protection Costs	80,395
Technology Development and Transfer	
Total Costs	18,526
Less Earned Revenue	(859)
Net Technology Development and Transfer Costs	17,667
Financial Management	
Total Costs	7,948
Less Earned Revenue	(105)
Net Financial Management Costs	7,843
Net Responsibility Segment Costs	295,950
Costs not allocated to responsibility segments:	
Future Funding Requirements	20,457
UMWA Combined Benefit Fund Transfer	32,562
Miscellaneous Bad Debt Expense	1,714
Total Unallocated Costs	54,733
Less Earned Revenue	(288)
Net Unallocated Costs	54,445
Net Cost of Operations	\$350,395

SUPPLEMENTAL STATEMENT OF CHANGES IN NET POSITION FOR THE YEAR ENDED SEPTEMBER 30, 1998

(dollars in thousands)

	Combined	Environmental Protection	Environmental Restoration	Technology Dev and Trsf	Financial Mgmt	Other
Net Cost of Operations	350,395	80,395	190,045	17,667	7,843	54,445
Less Financing Sources:						
Appropriations Used	324,875	80,034	189,792	17,320	7,612	30,117
AML Interest, Non-Federal	370	0	0	0	370	0
Investment Interest Earned, Federal	82,729	0	0	0	82,729	0
Revenue from Fees Assessed	278,392	0	0	0	278,392	0
Other Revenues and Financing Sources (Note 13)	(546)	0	0	0	(546)	0
Imputed Financing Sources (Note 20)	4,036	0	0	0	0	4,036
Appropriated Revenues Financing Sources	(210,382)	0	0	0	(210,382)	0
Transferred-Out	1,379	0	0	0	0	1,379
Transfers In / Transfers Out	(15)	0	0	0	0	(15)
Net Results of Operations	130,443	(361)	(253)	(347)	150,332	(18,928)
Invested Capital - Adjustments and Other Changes (Note 14)	(377)	(361)	(253)	(347)	(231)	815
Prior Period Adjustments (Note 15)	(7,168)	0	0	0	(5,595)	(1,573)
Net Change in Cumulative Results of Operations	122,898	(722)	(506)	(694)	144,506	(19,686)
Change in Unexpended Appropriations (Note 16)	(24,870)	N/A	N/A	N/A	N/A	N/A
Change in Net Position	98,028	N/A	N/A	N/A	N/A	N/A
Net Position- Beginning of Period	1,489,628	N/A	N/A	N/A	N/A	N/A
Net Position End of Period (Note 8)	1,587,656	N/A	N/A	N/A	N/A	N/A

Net Results of Operations represents the balance of Financing Sources greater than the Net Cost of Operations.

N/A Indicates information is not available.

**CONSOLIDATED STATEMENT OF FINANCING
FOR THE YEAR ENDED SEPTEMBER 30,**

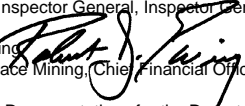
(In Thousand)

	1998
Obligations and Nonbudgetary Resources	
Obligations Incurred	358,312
Less: Spending Authority for Offsetting Collections and Other Budgetary Adjustments	(685)
Donations not in the Budget	0
Financing Imputed for Cost Subsidies	0
Transfer-In (Out)	0
Less: Exchange Revenue not in the Budget	(288)
Other	0
Total Obligations as Adjusted, and Nonbudgetary Resources	357,339
Resources That Do Not Fund Net Cost of Operations	
64 Change in Amount of Goods, Services, and Benefits Ordered but not yet Received or Provided	(33,232)
Cost Capitalized on the Balance Sheet	(880)
Financing Sources That Fund Costs of Prior Periods	0
Other	0
Total Resources That do not Fund Net Cost of Operations	(34,112)
Costs That Do Not Require Resources	
Depreciation and Amortization	962
Revaluation of Assets and Liabilities	24,493
Other	1,713
Total Costs That do not Require Resources	27,168
Financing Sources Yet to be Provided	0
Net Cost of Operations	\$ 350,395

December 18, 1998

Memorandum

To: Eljay Bowron
Office of the Inspector General, Inspector General

From: Robert J. Ewing 
Office of Surface Mining, Chief Financial Officer

Subject: Management Representations for the Department of the Interior (DOI) Fiscal Year 1998 Consolidated Financial Statements

With respect to the Office of Surface Mining:

1. We are responsible for the presentation in the financial statements and supplemental reports in conformity with Federal accounting standards.
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.
4. We have made available to the auditors all
 - a. financial records and related data, and
 - b. Communications from Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices.
5. There are no material 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. We have properly identified and eliminated all material intra-bureau transactions.
7. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
8. We are not aware of any irregularities involving management, employees who have significant roles in the internal control structure, or other employees, which could have a material effect on the financial statements. We are also not aware of any material fraud on the government by recipients of Federal financial assistance or other Federal payments.
9. There have been no communications from regulatory agencies or oversight agencies, such as the OMB, the Department of the Treasury, and the United States General Accounting Office (GAO), concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
11. Where material, accounts receivable have been reduced to their respective estimated net realizable values.
12. 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 as defined in 43 U.S.C. §1702(e), and other Federal lands and interests in land. Accordingly, except as disclosed in the Notes to the Bureau's 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.
13. We are not aware of any violation of law or regulation whose effect should be considered as material and disclosed in the Bureau's financial statements or as a basis for recording a loss contingency.
14. There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by Federal accounting standards, except for unresolved recommendations in prior OIG and GAO audit reports.
15. There are no unasserted claims or assessments that are probable of assertion and must be disclosed in accordance with Federal accounting standards, except as discussed with the auditors and disclosed in the Notes to the financial statements.
16. We are responsible for establishing and maintaining internal control.
17. Pursuant to the Federal Managers Financial Integrity Act, we have assessed the effectiveness of the Bureau's internal control in achieving the following objectives:
 - a. Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements and Required Supplementary Stewardship Information in accordance with federal accounting standards, and the safeguarding of assets 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 statement, and (ii) any other laws, regulations, and government wide policies identified by the OMB in Appendix C of OMB Bulletin 98-08; 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.
18. Those controls in place on September 30, 1998 provided reasonable assurance that the foregoing objectives are met.
19. We are responsible for implementing and maintaining financial management systems that comply substantially with Federal financial management systems requirements contained in OMB Circular A-127, "Financial Management Systems", applicable Federal accounting standards, and the United States Government Standard General Ledger (SGL) at the transaction level.
20. 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 criteria established under OMB Circular A-127 and guidance issued by OMB and included in Appendix D of OMB Bulletin 98-08.
21. 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 December 18, 1998.
22. We are responsible for the compliance with the applicable laws and regulations.
23. To the best of our knowledge, 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.
24. To the best of our knowledge, we have disclosed to you all known instances of noncompliance with laws and regulations.
25. No events have occurred subsequent to September 30, 1998, that would require adjustment of, or disclosure in, the consolidated financial statements.

If you have any questions with respect to this letter, please contact Robert Ewing at (202) 208-2546.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL
Washington, D.C. 20240

FEB - 4 1999

AUDITORS REPORT

Memorandum

To: Director, Office of Surface Mining Reclamation and Enforcement

Subject: Auditors Report on Office of Surface Mining Reclamation and Enforcement
Financial Statements for Fiscal Years 1998 and 1997 (No. 99-I-245)

SUMMARY

In our audit of the Office of Surface Mining Reclamation and Enforcement's financial statements for fiscal year 1998, we found the following:

- The financial statements were fairly presented in all material respects.
- Our tests of the internal controls over financial reporting and compliance identified no reportable weaknesses or conditions.
- Our tests of compliance with laws and regulations identified no instances of noncompliance that are required to be reported.

Our conclusions are detailed in the sections that follow.

OPINION ON PRINCIPAL FINANCIAL STATEMENTS

In accordance with the Chief Financial Officers Act of 1990, we audited the Office of Surface Mining Reclamation and Enforcement's financial statements for the fiscal years ended September 30, 1998, and 1997, and the Statement of Financing for the fiscal year ended September 30, 1998, as contained in the Office of Surface Mining's accompanying "1998 Annual Report." These financial statements are the responsibility of the Office of Surface Mining, and our responsibility is to express an opinion, based on our audit, on these 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 Bulletin 98-08, "Audit Requirements for Federal Financial Statements," and was completed

on December 18, 1998. These audit standards require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management. We believe that our audit work provides a reasonable basis for our opinion.

In our opinion, the Consolidated Statements of Financial Position, Net Cost, Changes in Net Position, and Budgetary Resources present fairly, in all material respects, the financial position of the Office of Surface Mining as of September 30, 1998, and 1997, and its consolidated net cost, changes in net position, budgetary resources, and outlays on the basis of accounting described in Note 1 of the financial statements. The Supplemental Statements of Net Cost and Changes in Net Position and the Consolidated Statement of Financing for fiscal year 1998, which follow the notes to the consolidated financial statements, were subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

REPORT ON INTERNAL CONTROLS

Management of the Office of Surface Mining Reclamation and Enforcement is responsible for establishing and maintaining an internal control structure which provides reasonable assurance that the following objectives are met:

- Transactions are properly recorded, processed, and summarized to permit the preparation of the principal statements in accordance with Federal accounting standards.
- Assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- Transactions are executed in accordance with (1) laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the principal financial statements and (2) any other laws, regulations, and Governmentwide policies identified by the Office of Management and Budget.

Because of inherent limitations in any internal control structure, errors or fraud may occur and not be detected. Also, projections of the internal controls over financial reporting to future periods are subject to the risk that the internal controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

We did not review the internal controls related to the transactions and other data that support the reported performance measures to determine whether transactions were properly recorded, processed, and summarized in accordance with the criteria stated by management.

In planning and performing our audit, we obtained an understanding of the relevant internal control policies and procedures, determined whether these internal controls had been placed in operation, assessed control risks, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to express assurance on the internal controls over financial reporting. Consequently, we do not express an opinion on internal controls. We also reviewed the Office of Surface Mining's most recent report required by the Federal Managers' Financial Integrity Act of 1982 and compared it with the results of our evaluation of the Office of Surface Mining's internal control structure.

Our consideration of the internal controls over financial reporting and compliance would not necessarily disclose all matters in the internal control structure over financial reporting that might be reportable conditions. Under standards established by the American Institute of Certified Public Accountants and by Office of Management and Budget Bulletin 98-08, 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 agency's ability to record, process, summarize, and report financial data consistent with the assertions 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.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

The management of the Office of Surface Mining Reclamation and Enforcement is responsible for complying with laws and regulations applicable to that agency. As part of obtaining reasonable assurance about whether the agency's financial statements are free of material misstatement, we performed tests of the Office of Surface Mining'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 98-08, including the requirements referred to in the Federal Financial Management Improvement Act of 1996. However, 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.

The results of our tests of compliance with laws and regulations discussed in the preceding paragraph exclusive of the Federal Financial Management Improvement Act disclosed no instances of noncompliance that are required to be reported under the "Government Auditing Standards" or Bulletin 98-08.

Under the Federal Financial Management Improvement Act, we are required to report whether Office of Surface Mining's financial management systems substantially comply with requirements for Federal financial management systems, Federal accounting standards, and

the U.S. Government Standard General Ledger at the transaction level. To meet these requirements, we performed tests of compliance using the implementation guidance for the Federal Financial Management Improvement Act included in Appendix D of Bulletin 98-08. The results of our test disclosed no instances in which the Office of Surface Mining's financial management system did not substantially comply with these three requirements.

CONSISTENCY OF OTHER INFORMATION

We reviewed the financial information presented in the Office of Surface Mining Reclamation and Enforcement's overview to determine whether the information was consistent with the financial statements. Based on our review, we determined that the information in the overview was consistent with information in the financial statements.

PRIOR AUDIT COVERAGE

Our review of prior Office of Inspector General and General Accounting Office audit reports disclosed that there were no significant unresolved or unimplemented recommendations which affected the Office of Surface Mining Reclamation and Enforcement's financial statements.

OBJECTIVE, SCOPE, AND METHODOLOGY

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

- Preparing the financial statements and the required supplemental information referred to in the Consistency of Other Information section of this report in conformity with generally accepted accounting principles and for preparing the other information contained in the "1998 Annual Report."

- 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 Office of Surface Mining's principal financial statements.

- Obtaining reasonable assurance that management's assertion regarding the effectiveness of the internal controls is fairly stated in all material respects, based upon the internal control objectives in Bulletin 98-08, which require that transactions be properly recorded, processed, and summarized to permit the preparation of the principal financial

statements and the required supplemental information in accordance with Federal accounting standards, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposal.

- Testing the Office of Surface Mining's compliance with selected provisions of laws and regulations that could materially affect the principal statements or the required supplemental information.

In order to fulfill these responsibilities, we performed 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 financial statements.

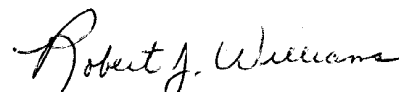
- Obtained an understanding of the internal control structure related to safeguarding assets; compliance with laws and regulations, including the execution of transactions in accordance with budget authority; and financial reporting.

- Tested relevant internal controls over the safeguarding of assets, compliance with laws and regulations, and financial reporting and evaluated management's assertion about the effectiveness of internal controls.

- Tested compliance with selected provisions of laws and regulations.

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

This report is intended for the information of management of the Office of Surface Mining, the Office of Management and Budget, and the Congress. However, this report is a matter of public record, and its distribution is not limited.



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