

# OFFICE OF SURFACE MINING



2003 Annual Report



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The Office of Surface Mining is a bureau of the U.S. Department of the Interior with responsibility, in cooperation with the states and Indian tribes, to protect citizens and the environment during coal mining and reclamation, and to reclaim mines abandoned before 1977.



## INTRODUCTION

This report describes the operations of the Interior Department's Office of Surface Mining for the period October 1, 2002 through September 30, 2003 (Fiscal Year 2003)<sup>1</sup>. This year the Interior Department established an accelerated reporting deadline of November 15, 2003. To meet the 2003 accelerated reporting schedule, some state program performance information was collected for the nine-month period of October 1, 2002 - June 30, 2003, and estimates were prepared for the last quarter in order to provide full-year data. All estimated statistics in the text and tables were calculated with the same methodology<sup>2</sup> and are clearly identified and footnoted.

This report was compiled to meet the specific requirements of Section 706 of the Surface Mining Law<sup>3</sup> and Section 306 of the Chief Financial Officers Act of 1990, and includes a summary of results required by the Government Performance and Results Act. Included in the 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 because they are reported directly to Congress by the agencies responsible. 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)<sup>4</sup> which is administered by the Secretary of Agriculture.

To allow comparison of statistics from year to year this report contains updated tabular data corresponding to that found in annual reports prepared since 1988. Also, it is organized in sections that correspond to the two principal activities performed by the Office of Surface Mining in implementing the Surface Mining Law -- abandoned mine land reclamation and regulation of active coal mines -- and two supporting activities -- technology development and transfer, and financial management and administration.

Principal distribution of this report is in electronic format. It is available on the Office of Surface Mining web site ([www.osmre.gov/annualreport.htm](http://www.osmre.gov/annualreport.htm)) and CD-ROM. The CD contains all Office of Surface Mining Annual Reports (1978-2003), and a 15-minute video showing award winning reclamation. In addition, active web links to more detailed information are available when using the electronic version of the report. Printed copies of this Annual Report are also available and will be distributed to the public upon request.

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

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(Cover photo and left) Mining from 1990 to 2000 at this Alabama mine site was not easy. Approximately 700 acres (65 percent) of the land contained abandoned mine problems, a sizable stream and habitat for the flattened musk turtle-- an endangered species--crisscrossed the area, and four cemeteries were located on the property. With mining and reclamation complete the site is a rich wetland and a pastoral landscape that is even more diverse than the surrounding unmined areas. More than 50 acres of wetlands were developed, \$1,750,000 of potential abandoned mine reclamation funding was saved, over 10,000 feet of stream successfully reclaimed, and all the cemeteries mined-around and integrated back into the landscape. This is mining and reclamation that is better than the architects of the Surface Mining Law envisioned.

1. Throughout this document "2003" refers to Fiscal Year 2003 (10/1/02 - 9/30/03) unless otherwise noted.

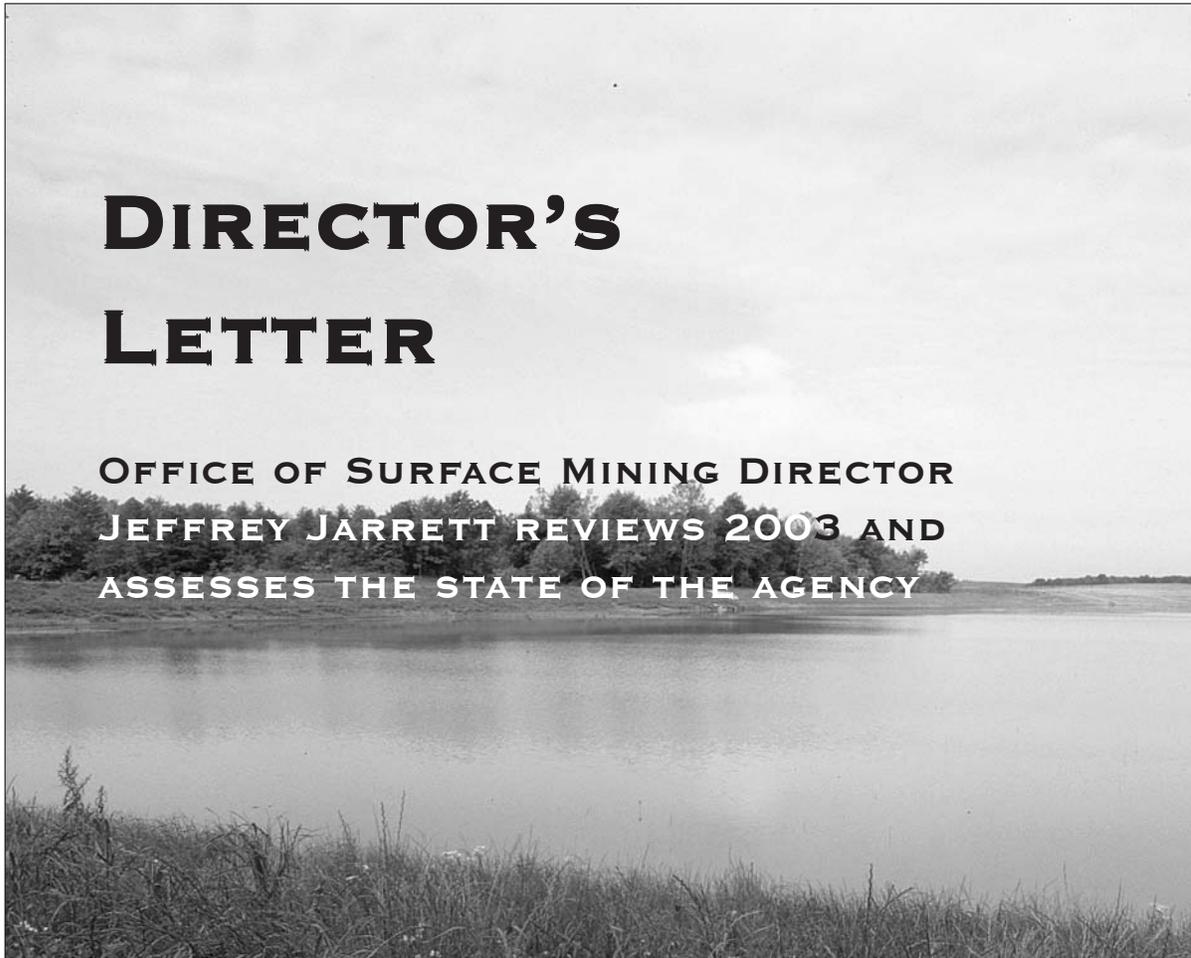
2. For those states where fourth quarter estimates were calculated, the 2003 totals are a combination of actual data collected for the first three quarters of fiscal year 2003 (10/1/02 - 6/30/03), and estimated fourth quarter data. Fourth quarter estimates are based on detailed annual state data for the past four years, i.e. 1999 - 2002. The ratio of change for each variable from 1999 to 2002 was calculated and serves as a proxy for the change from 2002 to 2003. This ratio applied to the 2002 actual annual data is the estimated annual change. Since estimates were needed for only one quarter, and not the entire year, only 25 percent of the estimated annual change was combined with the actual data.

3. Public Law 95-87, Surface Mining Control and Reclamation Act of 1977 (SMCRA).

4. Administered by the Natural Resources Conservation Service (formerly the Soil Conservation Service) under the U.S. Department of Agriculture. The Rural Abandoned Mine Program is primarily aimed at addressing health, safety, and environmental problems posed by surface mining operations in rural areas. A total of \$196 million has been appropriated from the Abandoned Mine Land Fund for this program; however, no funds have been appropriated since 1995.

# DIRECTOR'S LETTER

OFFICE OF SURFACE MINING DIRECTOR  
JEFFREY JARRETT REVIEWS 2003 AND  
ASSESSES THE STATE OF THE AGENCY



Each year when the Office of Surface Mining Director provides this message in the Annual Report it usually summarizes progress of the principal activities. However, for 2003 I would like to change the focus and emphasize some of the achievements and progress I think are most important.

***Coal plays a vital part in providing energy for our nation today and in addressing our energy needs in the future.***

Coal generates more than 50 percent of America's electricity and 40 percent Worldwide. It makes up approximately 95 percent of America's fossil energy reserves. The U. S. Department of Energy estimates our nation's recoverable coal reserves at nearly 296 billion tons — enough to last almost 300 years.

The President has made securing our future energy needs a top priority, so coal can be expected to continue to be an important part of America's energy strategy for a long time.

President Bush and Secretary of the Interior Gale Norton are also committed to protecting the health and safety of the people who live in the coal fields.

The Office of Surface Mining has responsibility for providing a means to balance those two priorities. For over 26 years the Office of Surface Mining has provided states and Indian tribes with the means to repair the damage caused by past mining practices, set standards for reclamation by current mining operations, and protect the health and safety of the residents of the coal fields.

As you will find in the report that follows, the dedicated men and women of the Office of Surface Mining have accomplished many significant achievements in 2003. Through consultation, cooperation, and communication - all in the service of conservation, the Office of Surface Mining has not only continued to fulfill its statutory assignment, but serves as a leader in citizen-centered and results-oriented government.

***“Partner of the Year”***

In March the Office of Surface Mining was named “Agency Partner of the Year” by Black Diamond Resource Conservation and Development, Inc., a Southwestern Virginia community group. The Office of Surface Mining went on to take the Outstanding Sponsor Achievement Award at the state and regional levels.

Black Diamond Resource Conservation and Development, Inc. recognized the Office of Surface Mining “for its innovation and spirit, its outreach and team building and its commitment to local partnerships.” I believe the award nomination has contributed to “bringing cleaner water and community revitalization to the region.”

(Left) Historic coal mining had created continuous downstream flooding in the Cypress Creek watershed, north of Boonville, Indiana. Farmers had crop losses, the city's waste water treatment plant was frequently flooded, and roads were often not passable. The spirit of cooperation that existed between the company, local and state government, and the citizens during the formulation of this project illustrates what can be accomplished when everyone works together...just like good neighbors. Working with local landowners and the community the coal company created a permanent 45-acre wetland that also serves as a flood retention basin which prevents the downstream flooding. Boonville citizens now have a wetland resource and flooding has been eliminated.

### ***Good Neighbors are good business***

This year the Office of Surface Mining presented its inaugural “Good Neighbor Awards” to recognize three coal operators for their outstanding cooperative efforts in working with their communities.

We created these awards to honor coal operators for exemplary interaction, communication, and involvement with the surrounding land owners and local community. Establishment of good working relations and interaction with mine neighbors is an important element of the Surface Mining Law that mine operators are achieving in many different ways.

Being a good corporate neighbor doesn’t just mean buying computers for the schools or buying a big ad in the high school homecoming program. It means recognizing the concerns of your neighbors and developing an interest in cooperatively solving the problems they have.

### ***Software solution to acid drainage cost projections***

The Office of Surface Mining won one of Secretary Norton’s 4Cs Awards for its work in cooperation with the Pennsylvania and West Virginia Departments of Environmental Protection to jointly develop a computer program called “AMDTreat” that estimates the capital and annual costs to abate acid mine discharges.

AMDTreat provides states, the industry, watershed groups and the public with a means to evaluate the long-term economics of various treatment options.

In the first three months after the release of AMDTreat, its website recorded more than 150,000 hits and generated over 500 written requests for the software. Requests for the software have originated from 18 states and 16 foreign countries.

During 2003, we also took several important steps to bring about what I believe the states, citizens and the industry are all looking for, stability. Our stakeholders need to know that when we make a decision or a regulation, that it will be durable, that they can make their plans based on the assumption that they know where we stand today and tomorrow and next week. I have made achieving stability one of the Office of Surface Mining’s over-arching goals for 2004 and beyond.

### ***Regulatory Stability***

Achieving regulatory stability is an important initial step. If we can achieve regulatory stability, then coal mining operators will know what is expected of them and they can plan their future operations accordingly. Communities and citizens also will know what is intended by the regulation, what protections they can expect from their government and how they can participate in the regulatory process.

We have carefully reviewed and analyzed our list of rules in development and focused our efforts around those rules that are necessary to fix a real, on the ground problem. Our new approach to rulemaking relies heavily on nationwide rulemaking teams composed of subject matter experts. The lead for each rulemaking is located in the region where the

issue being dealt with is most prominent. The regulations which are currently under development will promote practices which minimize or mitigate environmental damage while maintaining coal production.

***Abandoned Mine Land Fee reauthorization***

Another key area that we intend to bring stability to is the Abandoned Mine Land Program. We recognized early that if the Abandoned Mine Land reclamation fee is allowed to expire as scheduled in September, 2004, millions of citizens in the coalfields would still face a future that includes hazards created by unreclaimed highwalls, dangerous water impoundments, mine fires, and other problems that continue to exist nearly three decades after the Surface Mining Law was passed.

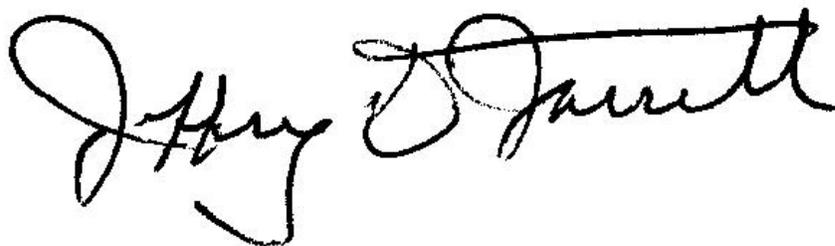
Over \$3.5 billion is still needed to remove the health and safety hazards endangering the lives and physical well being of the citizens in the coalfields. In fact, the Office of Surface Mining released a study this year estimating that more than 3.5 million Americans live less than a mile from health and safety hazards created by abandoned coal mines; nearly 1.2 million of them live less than half a mile from dangerous high-priority hazards.

Throughout this year, we have undertaken extensive efforts to educate Congress, the Administration, coal industry, environmentalists, state and tribal governments, and other interested parties on the issues surrounding the reauthorization of the fee.

When President Bush released his FY 2004 budget proposal this year he called for the reauthorization of the Office of Surface Mining's authority to collect the fees that make up the Abandoned Mine Land fund.

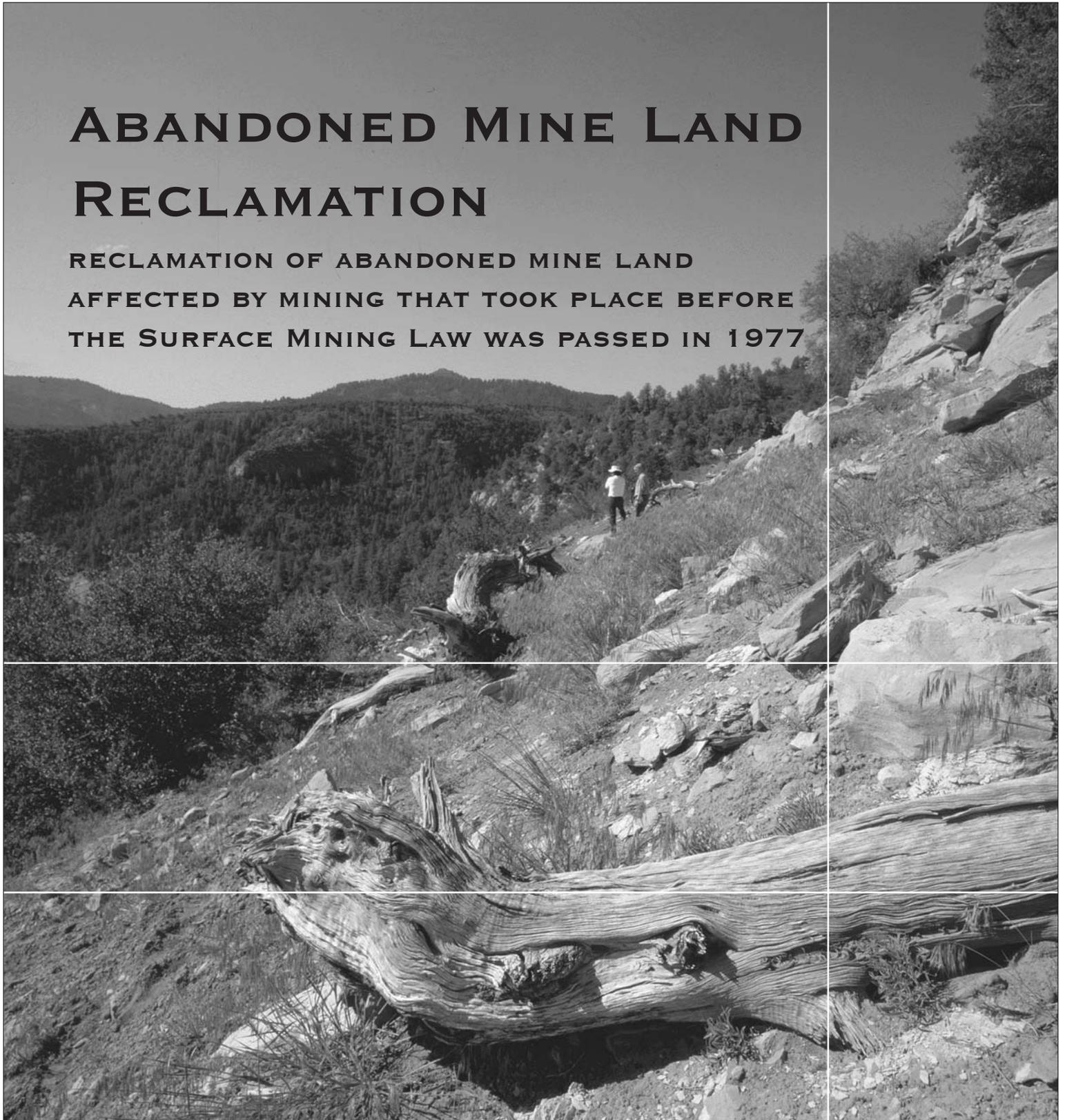
We are committed to reauthorizing the Abandoned Mine Land fee – and doing it in a way that makes the Abandoned Mine Land program more effective and efficient and which addresses the current statutory allocation formula that results in a progressive distribution of resources away from the most serious abandoned mine land problems.

Reauthorization of the Abandoned Mine Land fee collection authority is but one of the many challenges that face us in the months ahead. However, every challenge brings yet another opportunity to demonstrate the remarkable success and innovation of the Surface Mining Law. The Office of Surface Mining looks forward to consulting, cooperating, and communicating with all stakeholders of the Surface Mining Law as we restore abandoned mine lands and secure our Nation's energy future through the safe and environmentally sound production of coal.

A handwritten signature in black ink, reading "Jeffrey D. Jarrett". The signature is written in a cursive style with a large, looping initial "J".

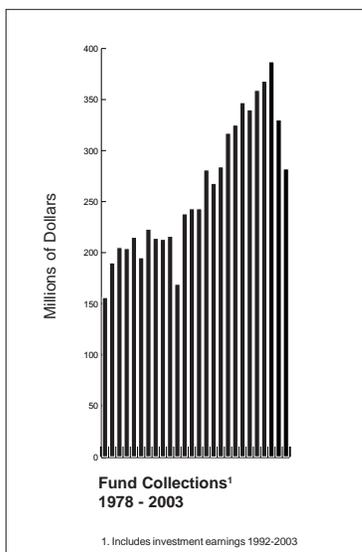
# ABANDONED MINE LAND RECLAMATION

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



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

## Abandoned Mine Land Fund



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 active mining operations. The fees are deposited in the Abandoned Mine Land 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, 2003, the Fund collections totaled \$6,783,112,883. For the same period, Fund appropriations totaled \$5,288,251,105.

Expenditures from the Fund may only be made as a consequence of appropriations or other laws. 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, to fund the Small Operator Assistance Program and additional projects directly through state reclamation programs, and to pay collection, audit, and administration costs. In 1991, at the direction of Congress, a formula to distribute federal-share money to the state reclamation programs was established based on historic coal production. Table 1 shows 2003 collections and funding by states.

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

Despite the enormous amount of abandoned mine reclamation that has been accomplished under the Surface Mining Law, more than \$3 billion of health and safety hazards remain, as well as an additional \$3.6 billion worth of high priority abandoned coal mine problems affecting the general welfare of citizens in the coalfields. If all the collections received between now and September 30, 2004, when the fee will expire, as well as the unappropriated balance of \$1.56 billion are used, approximately \$1.8 billion worth of health and safety problems will remain along with other general welfare and environmental abandoned mine problems. These are not “ugly landscapes” that need to be made more attractive; they are

(Left) Located on the Navajo Reservation in Northeastern Arizona, this abandoned mine land reclamation eliminated health and safety hazards associated with 1950’s uranium mining. Work was done on 61 different sites and included closing portals, grading and covering radioactive piles and embankments, eliminating highwalls, and planting vegetation. The land has been returned to beneficial use and the dangerous features associated with the abandoned mines have been eliminated. This scenic area is once again open to the community.

**TABLE 1: ABANDONED MINE LANDS FEE COLLECTIONS AND FUNDING (CASH BASIS)**

State/Tribe	AML Collections	State Share Distribution <sup>1</sup>	Federal Share Distribution <sup>1</sup>	Emergency Distribution <sup>1</sup>	Clean Streams Distribution <sup>1</sup>	Total Distribution <sup>1</sup>
Alabama	\$3,806,863	\$1,324,615	\$1,635,219	\$400,000	\$288,411	\$3,648,245
Alaska	338,979	155,421	1,344,579	25,000	0	1,525,000
Arkansas	3,260	453	1,499,547	15,000	0	1,515,000
Colorado	6,956,373	1,741,088	796,922	0	0	2,538,010
Illinois	5,969,437	2,284,815	6,057,907	800,000	730,381	9,873,103
Indiana	10,520,486	3,076,525	1,972,265	427,000	322,093	5,797,883
Iowa	0	3,163	1,496,837	60,000	172,851	1,732,851
Kansas	69,561	33,932	1,466,068	465,000	0	1,965,000
Kentucky	26,710,043	9,663,661	5,937,133	0	718,312	16,319,106
Louisiana	407,252	98,715	0	0	0	98,715
Maryland	1,048,744	244,042	1,255,958	0	163,446	1,663,446
Mississippi	353,549	0	0	0	0	0
Missouri	141,545	75,855	1,424,145	225,000	171,837	1,896,837
Montana	10,473,459	3,512,316	0	125,000	0	3,637,316
New Mexico	5,013,326	1,612,445	193,742	0	0	1,806,187
North Dakota	3,122,929	901,550	598,450	100,000	0	1,600,000
Ohio	4,881,631	1,882,157	3,713,576	2,300,000	496,106	8,391,839
Oklahoma	409,756	164,598	1,335,402	100,000	152,900	1,752,900
Pennsylvania	12,094,443	4,522,117	19,582,162	0	2,081,891	26,186,170
Tennessee	758,908	0	0	0	0	0
Texas	4,607,892	1,518,154	0	0	0	1,518,154
Utah	3,556,901	1,093,044	509,793	0	0	1,602,837
Virginia	6,304,383	2,033,593	1,822,292	1,200,000	307,106	5,362,991
Washington	2,321,286	0	0	0	0	0
West Virginia	32,451,295	9,572,163	11,254,277	3,458,000	1,249,666	25,534,106
Wyoming	129,934,233	29,305,188	0	0	0	29,305,188
Crow Tribe	1,902,197	545,954	0	0	0	545,954
Hopi Tribe	1,206,203	414,114	0	0	0	414,114
Navajo Tribe	7,189,663	2,315,769	0	0	0	2,315,769
<b>Total</b>	<b>\$282,554,597</b>	<b>\$78,095,447</b>	<b>\$63,896,274</b>	<b>\$9,700,000</b>	<b>\$6,855,000</b>	<b>\$158,546,721</b>

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. The emergency program distribution amounts are based on estimates provided by the states and approved by the Deputy Director.

serious, life threatening, high-priority coal mine hazards that have been abandoned before passage of the Surface Mining Law in 1977. It is clear that the Abandoned Mine Land Fund must be reauthorized to abate the hazards and eliminate these historic problems from the Nation's coalfields.

During 2003, the Office of Surface Mining Director has been discussing fee reauthorization with members of Congress, coal industry representatives, state reclamation officials, and environmentalists. All agree that abating the abandoned mine hazards needs to be done, and the fee collection authority should be reauthorized. Although

there is a wide range of proposed modifications, common themes have emerged, including how future funds should be allocated, how to distribute the unappropriated state and tribal money collected through 2004, and the long-term obligation of the Abandoned Mine Land Fund to support the United Mine Workers Combined Benefit Fund.

In the upcoming year, the Office of Surface Mining will be assisting Congress in identifying issues, analyzing alternatives, and drafting reauthorization legislation.

In 1992, under authority of Public Law 101-508, the Office of Surface Mining began investing abandoned mine land funds. These funds are only invested in U.S. Treasury Securities.

#### ***United Mine Workers of America Combined Benefit Fund***

Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), the Office of Surface Mining began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund. This cash transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents. The Energy Policy Act authorizes a transfer of up to \$70 million per year of the interest earned on the principal balance of the Abandoned Mine Land Reclamation Fund to the Combined Benefit Fund to defray the costs related to health care for unassigned beneficiaries. Unassigned beneficiaries are those miners for whom no operating coal company is responsible. If, after a typical two-year cycle, the amount of the transfer previously made was greater or less than the actual health benefit costs, an adjustment is made to the next transfer. The 2003 annual payment was \$48.2 million for 15,562 beneficiaries. Prior year adjustments increased this payment by \$7.9 million. In addition, the Office of Surface Mining transferred an additional \$33.8

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

	Cash Basis	
	2003	2002
Balance, Beginning of Year	\$1,900,317,749	\$1,856,933,503
Fees, debts, and interest collected	282,554,597	287,066,346
Interest earned on investments	23,619,923	43,277,875
Total Earnings	\$306,174,520	\$330,344,221
Disbursements	189,223,581	196,607,171
Transfers to the United Mine Workers	89,858,283	90,352,804
Total Disbursements and Transfers	\$279,081,865	\$286,959,975
<b>Balance, End of the Year</b>	<b>\$1,927,410,404</b>	<b>\$1,900,317,749</b>

million to the Combined Benefit Fund pursuant to the Fiscal Year 2003 Omnibus Appropriations Act (Public Law 108-7). The total payment in 2003 was \$89.9 million. Since 1992, when the Office of Surface Mining began investing Abandoned Mine Land funds, the cumulative investment earnings have been \$729.8 million. Cumulative transfers to the United Mine Workers of America Combined Benefit Fund, including 2003, have been \$664 million, leaving an interest balance of \$65.9 million. Table 2 summarizes the Fund account for the past two years.

The Office of Surface Mining collects fees from coal operators through voluntary reporting, audit, and debt collection. In 2003, the initial rate of those reporting and paying on time was 93.28 percent. Through follow-up and other work with the operators, the compliance rate was raised to 99.93 percent, resulting in total collections of \$282,554,597 for the Fund. Experience has shown that helping the industry achieve compliance reduces the need for additional regulatory resources. To assist in compliance, the Office of Surface Mining provides preprinted forms to all active coal mining companies on the e-filing website or by mail and provides guidance by phone and mail. Because of factors beyond Office of

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

State/Tribe	Subsidence Insurance	10% Program Set-Aside <sup>2</sup>	Administration <sup>3</sup>	Project Costs <sup>4</sup>	Emergency <sup>5</sup>	2003 Total	2002 Total
Alabama	\$0	\$0	\$574,378	\$3,239,327	\$400,000	\$4,213,705	\$4,185,891
Alaska	0	0	304,076	1,195,924	25,000	1,525,000	1,525,000
Arkansas	0	0	380,360	1,143,508	15,000	1,538,868	1,515,000
Colorado	0	253,801	717,800	2,066,399	0	3,038,000	2,650,000
Illinois	0	834,272	1,538,810	6,700,021	800,000	9,873,103	11,725,689
Indiana	0	504,879	1,167,895	3,698,109	467,000	5,837,883	6,247,169
Iowa	0	0	193,461	1,506,496	60,000	1,759,957	1,675,361
Kansas	0	0	299,785	1,474,307	460,000	2,234,092	2,262,895
Kentucky	0	0	1,809,320	14,655,201	0	16,464,521	16,759,600
Louisiana	0	0	118,454	0	0	118,454	99,758
Maryland <sup>2</sup>	0	65,000	480,783	2,166,547	0	2,712,330	2,527,011
Missouri	0	0	0	61,773	225,000	286,773	1,850,591
Montana	0	0	499,769	3,230,622	125,000	3,855,391	3,736,665
New Mexico	0	161,245	1,041,682	611,373	0	1,814,300	3,536,930
North Dakota	0	118,540	179,601	1,244,872	100,000	1,643,013	1,679,202
Ohio <sup>2</sup>	0	572,109	2,415,645	3,676,194	2,300,000	8,963,948	12,441,102
Oklahoma	0	0	242,045	1,257,955	180,000	1,680,000	1,753,135
Pennsylvania <sup>2</sup>	0	2,410,428	2,610,226	21,170,516	0	26,191,170	32,064,024
Texas	0	0	156,502	3,226,658	0	3,383,160	197,694
Utah	0	0	406,602	1,767,364	0	2,173,966	1,736,309
Virginia	0	385,589	608,050	3,715,115	2,103,000	6,811,754	7,091,704
West Virginia	0	2,930,518	5,054,605	23,287,762	8,070,959	39,343,844	34,357,364
Wyoming	261,287	0	1,332,161	31,389,201	0	32,982,649	30,868,081
Crow Tribe	0	0	84,352	380,067	0	464,419	550,551
Hopi Tribe	0	0	667,246	0	0	667,246	215,000
Navajo Tribe	0	0	943,601	2,259,164	0	3,202,765	8,249,799
<b>TOTAL</b>	<b>\$261,287</b>	<b>\$8,236,381</b>	<b>\$23,827,209</b>	<b>\$135,124,475</b>	<b>\$15,330,959</b>	<b>\$182,780,311</b>	<b>\$191,501,525</b>

1. Funding for these grants is derived from the 2003 Distribution and funds recovered or carried over from previous years. Downward adjustments of prior-year awards are not included in the totals.

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

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

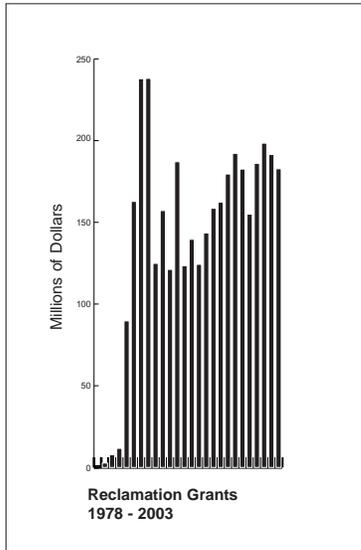
4. The term "Project Costs" is now used instead of Construction. Abandoned Mine Land simplified grants do not contain specific construction cost breakouts, but rather list all costs associated with a construction project as a project cost. This category contains non-water supply, water supply, and non-coal project costs, and includes \$6,530,259 in funding for the Appalachian Clean Streams Program.

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

Surface Mining's control, such as company financial difficulties and errors, some nonpayment and non-reporting will probably always be present. When such instances of noncompliance are found, auditors and collection staff examine each issue and determine how

similar occurrences can be avoided in the future. The high compliance rate can be attributed to this proactive cooperative approach, and the overall efficiency of the collection and audit activities.

## Grants to States and Tribes



Starting with Texas in 1980, the Office of Surface Mining began approving state reclamation programs. Currently, all primacy states except Mississippi have approved abandoned mine land reclamation programs. In addition, the Crow, Hopi, and Navajo Indian Tribes have approved programs. In 2003, the states and tribes received grants totaling \$182,780,311 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, \$3,422,803,176 has been distributed from the Fund. Grant obligations (the amount used by the states) for 2003 are shown in Table 3<sup>5</sup>.

During 2003, the Office of Surface Mining awarded 100 percent of the Abandoned Mine Land grants to the states within 60 days of receiving the grant application.

### 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 2003, Alaska, Arkansas, Iowa, Kansas, Maryland, Missouri, North Dakota, and Oklahoma were eligible for minimum-level program funding and received such grants during the year. Minimum-level program funding remained at \$1,500,000 for 2003. The eight eligible programs received a total of \$7,672,760 in 2003.

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

### State Set-Aside

Beginning in 1987, Public Law 100-34 authorized states to set aside up to 10 percent of the state-share portion of their annual abandoned mine land reclamation grants. Set-aside money was deposited into special trust funds and became available, along with interest earned, for use by the state for reclaiming abandoned mine land problems after August 3, 1992, the original expiration date for the collection of abandoned mine land reclamation fees. (Subsequent legislation extended that date to September 30, 2004.) Statutory amendments contained in Public Law 101-508 created a new acid mine drainage 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; but, only to reclaim eligible priority 1 (protection of public health, safety, general welfare, and property from extreme danger of adverse effects of coal mining practices) and 2 (protection of public health, safety, and general welfare from adverse effects of coal mining practices) abandoned coal mine land problems. In 2003, 10 states set aside \$8,236,381.

### Subsidence Insurance

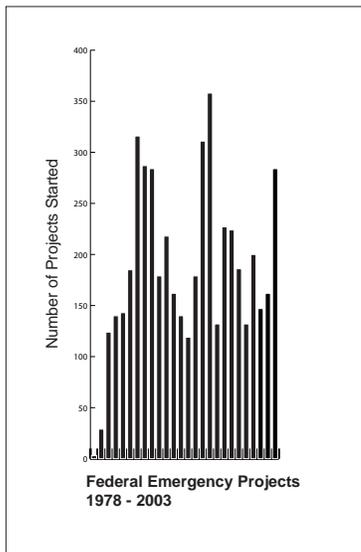
Public Law 98-473 authorized states and tribes with approved reclamation programs to use abandoned mine

5. Larger total obligations (shown in table 3) than total distribution (shown in table 1) result from previous year carry-over or funding from past years distribution that were not used until 2003.

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 receive a subsidence insurance grant of up to \$3,000,000, awarded from the state's share of the Abandoned Mine Land Fund.

In 2003, one subsidence insurance grant was issued to the state of Wyoming for \$75,600. Through 2003, the Office of Surface Mining has granted a total of \$11,854,658 to Colorado, Indiana, Kentucky, Ohio, West Virginia, and Wyoming for this purpose.

## Emergency Program



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

Following passage of the Surface Mining Law, the Office of Surface Mining performed all emergency reclamation; however, as programs were approved,

many states took over emergency programs. The following states are implementing emergency programs: Alabama, Alaska, Arkansas, Illinois, Indiana, Iowa, 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 completes emergency projects in



What other reclaimed abandoned mine land site can boast of being an operating site of a world championship cross-country running event? Located just East of was once a barren and eroded mine refuse area that created sedimentation and trash dump for years and an open mine entry was a safety hazard to residents of the location for local, national, and world sports competitions.



landfill, a growing community recreational complex, and the Terre Haute, Indiana this reclaimed abandoned mine site acid mine drainage problems. The site was also used as a the community. Today the site is a major recreation area and

**TABLE 4: RECLAMATION PROJECTS STARTED**

	2003		Emergency			Non-Emergency	
	Federal	State	1978-2003 Federal	1978-2003 State <sup>2</sup>	Total <sup>2</sup>	2002 Federal	2002 State <sup>3</sup>
Alabama	0	13 <sup>1</sup>	10	104	114	0	5
Alaska	0	0 <sup>1</sup>	0	1	1	0	3
Arkansas	0	1 <sup>1</sup>	1	19	20	0	1
California	0	0	5	0	5	0	0
Colorado	1	0	101	0	101	0	7
Crow Tribe	0	0	0	0	0	0	6
Georgia	0	0	0	0	0	1	0
Hopi Tribe	0	0	0	0	0	0	1
Illinois	0	9 <sup>1</sup>	51	256	307	0	7
Indiana	0	15 <sup>1</sup>	94	136	230	0	24
Iowa	0	0 <sup>1</sup>	22	0	22	0	2
Kansas	0	16 <sup>1</sup>	270	617	887	0	3
Kentucky	108	0	1,043	0	1,043	0	25
Louisiana	0	0	0	0	0	0	0
Maryland	1	0	18	0	18	0	1
Michigan	0	0	13	0	13	1	0
Mississippi	0	0	0	0	0	0	0
Missouri	0	2 <sup>1</sup>	6	4	10	0	3
Montana	0	0 <sup>1</sup>	7	13	20	0	4
Navajo Nation	0	0	6	0	6	0	14
New Mexico	1	0	16	0	16	0	10
North Dakota	0	0 <sup>1</sup>	15	13	28	0	3
Northern Cheyenne	0	0	2	0	2	0	0
Ohio	0	25 <sup>1</sup>	190	283	473	0	14
Oklahoma	0	4 <sup>1</sup>	47	21	68	0	4
Pennsylvania	170	0	2,365	0	2,365	0	43
Rhode Island	0	0	3	0	3	0	0
Southern Ute Tribe	0	0	1	0	1	0	0
Tennessee	0	0	17	0	17	2	4
Texas	0	0	6	0	6	0	2
Utah	0	0	0	0	0	0	4
Virginia	0	20 <sup>1</sup>	30	145	175	0	12
Washington	3	0	53	0	53	0	0
West Virginia	0	48 <sup>1</sup>	179	730	909	0	10
Wyoming	0	0	38	0	38	0	0
<b>Totals</b>	<b>284</b>	<b>153<sup>1</sup></b>	<b>4,609</b>	<b>2,342</b>	<b>6,951</b>	<b>4</b>	<b>212</b>

1. Estimated annual statistics, see footnote 2, page 1 for a description of the methodology.  
 2. Compiled using estimated 2003 data, see footnote 2, page 1 for a description of the methodology.  
 3. Total for the period 10/1/02 - 6/30/03.

California, Colorado, Georgia, Kentucky, Louisiana, Maryland, Michigan, Mississippi, New Mexico, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, and Wyoming, as well as on all tribal lands.

**TABLE 5: FEDERAL PROJECT OBLIGATIONS**

State or Tribe	Emergency	High Priority	1978-2003 <sup>1</sup>
Alabama	\$0	\$0	\$13,934,015
Alaska	0	0	194,638
Arkansas	0	0	84,904
California	0	218,474	2,552,467
Colorado	9,800	0	1,954,406
Georgia	0	333,744	3,972,555
Illinois	0	0	5,376,749
Indiana	0	0	4,032,023
Iowa	0	0	1,438,442
Kansas	0	0	5,094,172
Kentucky	9,116,078	0	113,845,411
Maryland	271,515	0	3,080,398
Michigan	0	211,473	3,377,333
Missouri	0	0	8,015,909
Montana	0	0	729,058
New Mexico	1,345	0	2,366,041
North Carolina	0	0	205,407
North Dakota	0	0	1,723,933
Ohio	0	0	18,295,299
Oklahoma	0	0	1,232,159
Oregon	0	0	42,275
Pennsylvania	1,981,064	0	110,632,150
Rhode Island	0	0	556,229
South Dakota	0	0	143,461
Tennessee	25,044	988,390	24,188,774
Texas	0	0	289,849
Utah	0	0	123,791
Virginia	0	0	10,139,469
Washington	220,484	349,038	7,472,220
West Virginia	0	0	29,023,226
Wyoming	0	0	1,067,101
Cheyenne Rive Sioux Tribe	0	0	2,803,165
Crow Tribe	0	0	1,097,895
Fort Berthold Tribe	0	0	69,972
Fort Peck Tribe	0	0	147,991
Hopi Tribe	0	0	1,263,409
Jacarillo Apache Tribe	0	0	59,998
Navajo Tribe	0	0	2,222,792
Northern Cheyenne Tribe	0	0	585,044
Southern Ute Tribe	0	0	94,206
Rocky Boy Tribe	0	0	60,188
Uintah/Ouray Tribe	0	0	138,738
Ute Mountain Tribe	0	0	14,300
White Mountain Apache Tribe	0	0	1,838
Wind River Tribe	0	0	73,267
Zuni Tribe	0	0	125,009
Undistributed	0	0	580
<b>Total</b>	<b>\$11,625,330</b>	<b>\$2,101,119</b>	<b>\$383,942,256</b>

1. Includes prior year contract deobligations and upward adjustments.

Investigations of potential emergency problems (called “complaint” investigations) are undertaken by state reclamation agencies or by the Office of Surface Mining. Potential emergency problems are referred to the states or the Office of Surface Mining from affected citizens, municipalities, emergency response agencies, and other state agencies.

Information on how to report emergency problems can be found at [www.osmre.gov/amlemerg.htm](http://www.osmre.gov/amlemerg.htm). Following identification of a potential emergency problem, a technical investigation is performed, usually within 48 hours, and an emergency determination made. Of the 1,542<sup>6</sup> potential emergencies referred to the states and Office of Surface Mining in 2003, 452<sup>6</sup> were determined to be emergencies, 1007<sup>6</sup> were determined to be not of an emergency nature or not related to coal mining, and 83<sup>6</sup> were still under investigation at the end of the period. Problems which were not emergencies; but, were otherwise eligible for reclamation are considered for funding as high priority projects.

During 2003, states obligated \$15.3 million (see Table 3) and the Office of Surface Mining obligated \$11.6 million on emergency reclamation projects (see Table 5). No state expenditures exceeded the Congressionally-imposed “cap” of \$4.5 million which can be spent in any state within a year. In 2003, the states and the Office of Surface Mining started 437<sup>7</sup> Abandoned Mine Land emergency projects in 16 States (see Table 4). As usual, most emergencies occurred in Pennsylvania and Kentucky.

6. State data is for the period 10/1/02 - 6/30/03 and federal data is for the period 10/1/02 - 9/30/03.  
7. Estimated annual statistics, see footnote 2, page 1 for a description of the methodology.

## 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 as an abandoned mine land reclamation problem that meets one of the priorities of Section 403(a) or 411(c) or (f) in the Surface Mining Law. Until 1980, when states and Indian tribes began to receive approval for their Abandoned Mine Land programs, the Office of Surface Mining administered all non-emergency reclamation. However, since that time, state and tribal programs have assumed responsibility for correcting abandoned mine land problems and currently use 99 percent of non-emergency reclamation funds. During 2003, the Office of Surface Mining initiated 4 non-emergency projects and the states and tribes initiated 212<sup>8</sup> non-emergency projects.

The Abandoned Mine Reclamation Fund also is used to reclaim problems created by non-coal mines. To be eligible for funding, a non-coal project must be a priority 1 (threat to health and safety), or the state or Indian tribe must certify it has addressed all known coal-related problems. Table 6 summarizes both emergency and non-emergency abandoned coal and non-coal mine reclamation project accomplishments through 2003.

## Post-Surface Mining Law Reclamation

As authorized by the 2003 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 2003, the Office of Surface Mining funded three civil penalty projects in Alabama and Kentucky costing a total of \$80,965. An additional \$172,604 in unobligated funds will be carried over for use in 2004 reclamation projects.

## Clean Streams Program

The Clean Streams Program began as the Appalachian Clean Streams Initiative in the fall of 1994. The Program supports local efforts to eliminate environmental and economic impacts of acid mine drainage from abandoned coal mines. The mission is to facilitate the efforts of citizen groups; university researchers; the coal industry; corporations; the environmental community; and local, state, and federal government agencies in cleaning streams polluted by acid mine drainage. During 2003, 16 cooperative agreements were awarded for a total of \$6.9 million to 12 states (Alabama, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, Ohio, Oklahoma, Pennsylvania, Virginia, and West Virginia) and 20 acid mine drainage projects were begun. This funding provided the incentive for other sources to contribute to the projects, and during 2003 the funding grew to over \$22.0 million. Since 1994, when the program began, 98 Clean Streams Program projects have been funded by the Office of Surface Mining, and 71 have been completed (see Figure 1).

**Figure 1**

	<i>Clean Streams Projects</i>		<i>Watershed Projects</i>	
	<i>Started in 2003</i>	<i>Completed Since 1994</i>	<i>Started in 2003</i>	<i>Completed Since 1999</i>
Alabama	1	3	0	0
Illinois	1	1	0	0
Indiana	3	17	0	2
Kentucky	3	7	0	0
Maryland	0	4	2	7
Ohio	2	9	3	3
Oklahoma	0	1	0	0
Pennsylvania	10	18	15	15
Tennessee	0	0	1	0
Virginia	0	1	1	1
West Virginia	0	10	0	5
<b>Total</b>	<b>20</b>	<b>71</b>	<b>22</b>	<b>33</b>

One of the successful Clean Streams Program projects completed during 2003 was located in Armstrong County, Pennsylvania. The White Lake project received \$180,315 of Appalachian Clean Streams Program funds and was completed by the Pennsylvania Department of Environmental Protection. The project involved

8. For the period 10/1/02 - 6/30/03

**TABLE 6:  
1978-2002 ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS**  
PRIORITY 1 AND 2 (PROTECTION OF PUBLIC HEALTH, SAFETY AND GENERAL WELFARE) AND  
EMERGENCY PROJECTS<sup>7</sup>

	Clogged Stream <sup>1</sup>	Clogged Stream Land <sup>2</sup>	Dangerous Highway <sup>3</sup>	Dangerous Impoundment <sup>4</sup>	Dangerous Pile & Embankment <sup>2</sup>	Dangerous Slide <sup>2</sup>	Dangerous Gas <sup>4</sup>	Hazardous Equipment & Facilities <sup>4</sup>	Hazardous Water Body <sup>4</sup>	Industrial/Residential Waste <sup>2</sup>	Portal <sup>4</sup>	Polluted Water: Agricultural & Industrial <sup>4</sup>	Polluted Water: Human Consumption <sup>4</sup>	Subsidence <sup>2</sup>	Surface Burning <sup>2</sup>	Underground Mine Fire <sup>2</sup>	Vertical Opening <sup>4</sup>
Alaska	0	0	11,190	4	6	0	0	1,420	2	4	26	0	0	0	21	0	36
Alabama	1	198	249,840	1	1,446	20	0	472	69	25	1,004	5	13	30	68	0	388
Arkansas	1	0	58,076	1	751	0	0	2	73	25	25	0	0	12	4	0	102
California	0	0	0	0	0	0	0	0	0	0	34	0	0	1	0	0	41
CERT Tribes <sup>6</sup>	0	0	7,170	0	475	0	0	4	30	9	73	0	0	35	0	0	15
Colorado	0	0	52,142	0	29	0	0	2	0	2	2,353	3	0	50	35	159	3,314
Crow Tribe	1	0	2,267	1	58	23	0	32	1	0	14	3	0	16	0	0	5
Georgia	0	0	10,250	3	3	0	0	0	0	0	112	0	1	0	0	0	11
Hopi Tribe	0	0	11,662	0	0	0	0	8	0	0	9	0	0	0	0	0	2
Iowa	8	651	56,490	3	824	0	0	5	23	12	1	12	2	2	0	0	20
Idaho	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Illinois	20	1,290	33,861	7	252	3	21	312	2	71	187	11	1	88	115	0	1,139
Indiana	14	176	118,193	6	631	4	3	96	7	32	68	15	7	176	15	1	334
Kansas	1	9	141,900	1	111	3	0	2	1	24	0	3	0	24	8	0	932
Kentucky	44	8,374	25,238	113	444	2,016	0	205	31	30	1,786	6	8,420	50	224	58	140
Maryland	5	51	42,930	2	224	66	0	24	20	35	41	188	44	15	1	0	6
Michigan	0	0	950	0	0	0	0	7	2	0	0	0	1	0	8	0	39
Missouri	11	1,514	69,502	6	502	0	0	28	11	71	35	34	15	4	19	7	157
Montana	9	86	22,460	3	173	1	1	237	1	355	1,096	17	12	494	302	69	620
Navajo Nation	0	1	106,613	4	658	7	0	5	0	5	795	19	0	12	3	0	380
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
North Dakota	0	0	68,299	4	303	35	0	14	18	2	13	6	0	1,331	17	0	94
New Mexico	0	1	0	0	9	0	0	17	0	0	462	4	1	35	35	32	788
Ohio	38	5,308	56,704	7	96	396	4	49	10	34	282	53	203	106	94	3	215
Oklahoma	12	1	222,204	0	0	0	0	15	192	7	170	4	3	12	0	0	109
Oregon	0	0	0	0	0	0	0	3	0	0	12	0	0	0	0	0	3
Pennsylvania	94	140	789,016	45	563	42	0	320	121	20	279	27	37	2,454	122	915	486
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0
South Dakota	0	0	135	0	0	0	0	4	0	0	5	0	0	1	0	0	1
Tennessee	0	147	35,595	3	448	66	0	31	44	14	192	5	13	6	28	0	10
Texas	0	0	48,715	0	1,461	0	0	0	16	0	59	0	0	17	0	0	337
Utah	14	9	3,425	1	388	3	19	203	0	2	2,862	2	0	186	43	29	921
Virginia	74	846	26,860	25	259	253	0	45,982	2	2	951	0	1,584	11	51	0	106
Washington	0	0	0	0	3	0	0	7	0	0	30	0	0	7	15	0	83
West Virginia	46	150	192,022	579	4,397	503	5	541	6	36	2,239	51	9,876	304	449	20	140
Wyoming	114	1,634	501,243	136	1,950	25	0	180	376	29	509	3	0	1,136	12	41	564
<b>Total</b>	<b>507</b>	<b>20,586</b>	<b>2,964,952</b>	<b>955</b>	<b>16,464</b>	<b>3,466</b>	<b>53</b>	<b>50,227</b>	<b>1,058</b>	<b>846</b>	<b>15,724</b>	<b>471</b>	<b>20,233</b>	<b>6,621</b>	<b>1,689</b>	<b>1,334</b>	<b>11,543</b>

**TABLE 6:  
1978-2002 ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS  
PRIORITY 3 (ENVIRONMENTAL RESTORATION)<sup>7</sup>**

	Bench <sup>2</sup>	Industrial/Residential Waste <sup>2</sup>	Equipment/Facility <sup>4</sup>	Gob <sup>2</sup>	Highwall <sup>3</sup>	Haul Road <sup>2</sup>	Mine Opening <sup>4</sup>	Pit <sup>2</sup>	Spoil Area <sup>2</sup>	Slurry <sup>2</sup>	Slump <sup>2</sup>	Water Problem <sup>5</sup>
Alabama	23	14	8	214	32,435	2	50	0	9,294	5	11	379
Arkansas	0	0	0	0	0	0	0	0	8	0	0	0
CERT Tribes <sup>6</sup>	0	0	2	6	1,500	0	1	7	80	0	0	0
Colorado	3	6	7	162	2,028	0	18	83	829	0	0	1
Crow	6	0	0	35	2,245	12	2	26	25	0	4	0
Georgia	3	0	0	3	400	0	0	3	7	0	0	0
Hopi Tribe	0	0	0	25	51	15	0	10	10	0	0	0
Iowa	0	2	0	1	2,900	5	1	21	440	0	0	0
Illinois	1	6	152	2,448	10,880	178	61	574	1,880	1,112	1	836
Indiana	0	107	177	1,356	13,746	227	23	371	1,803	966	3	6,305,068
Kansas	0	0	1	89	3,200	0	0	23	316	10	0	0
Kentucky	599	0	53	222	2,000	0	69	4	1,011	58	5	0
Maryland	10	1	2	58	5,335	2	6	22	263	0	1	88
Michigan	0	0	1	27	0	1	0	1	10	0	11	0
Missouri	0	5	5	146	16,824	1	0	96	1,373	69	0	86
Montana	1	76	58	147	1,170	1	230	34	875	0	19	2,741
Navajo Nation	39	1	2	136	280	122	63	144	265	0	0	3
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	3	0	11	68	0	6	4	2	254	2	0	0
Ohio	0	0	3	162	9,620	0	19	17	418	0	0	100
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	1	0	0	0	0	0
Pennsylvania	0	0	24	54	7,658	0	21	73	2,155	1	26	91,546
Tennessee	76	0	15	67	230	8	3	82	359	0	4	360
Texas	0	0	0	8	0	0	0	0	466	0	0	0
Utah	4	7	64	255	550	5	0	8	55	1	16	20
Virginia	0	1	25	20	13,000	1	52	0	3	0	0	120
West Virginia	0	0	0	66	30,656	0	4	5	182	0	0	622
Wyoming	0	0	0	39	0	91	0	7,137	8,017	199	0	0
<b>Total</b>	<b>768</b>	<b>226</b>	<b>610</b>	<b>5,814</b>	<b>156,708</b>	<b>677</b>	<b>628</b>	<b>8,743</b>	<b>30,398</b>	<b>2,432</b>	<b>101</b>	<b>6,401,970</b>

1. Miles  
2. Acres  
3. Feet  
4. Count (Number of occurrences)  
5. Gallons/minute.  
6. CERT is the Council of Energy Resources Tribes which includes: Blackfeet; Cheyenne River Sioux; Fort Berthold (Mandan, Hidatsa, and Arikara); Fort Peck (Assiniboin and Sioux); Northern Cheyenne; Jicarilla Apache, Laguna Pueblo; Rocky Boys (Chippewa and Cree); San Carlos Apache; Southern Ute, Ute Mountain Ute; White Mountain Apache; and Wind River (Arapaho and Shoshone).  
7. These statistics do not include Office of Surface Mining emergency project accomplishments.



This 90-acre site is located about two miles from Widen, West Virginia and was part of a massive abandoned coal preparation and waste disposal facility that ceased operation in the 1950's. Before reclamation the site consisted of two large refuse areas totaling 72 acres along with an 18-acre impoundment filled with 1.5 million gallons of acidic mine water. A sizable portion of the refuse was also burning and producing irritating, noxious fumes for nearby residents. The reclamation not only eliminated the health and safety related problems; but, also successfully restored the site's pre-mined aesthetic values and appeal, and eliminated the potential for serious future flooding.

treatment of a mine discharge that was flowing from the toe of a reclaimed abandoned underground mine refuse pile. This discharge was one of the worst and largest in the Cowanshannock Creek watershed, which is stocked with trout in some segments. The discharge was characterized by high acidity and aluminum with a flow of 14 gallons per minute.

Initially, the Agriculture Department's Soil Conservation Service graded and revegetated the refuse material as part of a 1982 Rural Abandoned Mine Reclamation Program project. However, after completion a substantial contaminated seep persisted. In 1988, the Armstrong County Conservation District, in cooperation with R&P Coal Company, Pennsylvania Department of Environmental Protection, and the Armstrong Conservancy Charitable Trust, completed another project to address this seep. The second project involved construction of a subsurface rock drain, three small wetland ponds, and a large polishing pond. The large pond was named White Lake, and it was hoped that clean water from the treatment system would facilitate recreational use. However, the treatment system was unsuccessful, and highly contaminated water continued to flow into Cowanshannock Creek.

In 2002-2003, Pennsylvania Department of Environmental Protection removed the existing unsuccessful treatment system and installed state-of-the-art passive treatment technology, including a pretreatment buried limestone bed to generate alkalinity using on-site uncontaminated water; a large vertical flow limestone bed with a redundant flushing systems to help prevent clogging in the system; and a precipitation pond to remove the aluminum. The treatment system was designed to discharge uncontaminated water into White Lake. These technologies were not available in the 1980s when the first two attempts to clean up the discharge took place. The whole system was developed with the additional intent of providing recreational, interpretative,

and educational opportunities for the school students and citizens in the community.

This is an outstanding example of partnership, persistence, and use of ever improving technology to address an abandoned mine problem. The Clean Streams Program funding provided the necessary resources for the community to eliminate the water pollution and restore the environmental health of the watershed.

### ***Watershed Cooperative Agreement Program***

In 1999, the Office of Surface Mining began the Watershed Cooperative Agreement Program as part of the Clean Streams Program. The purpose was to provide funds, in the form of cooperative agreements, to not-for-profit organizations, especially small local watershed organizations, to clean streams affected by acid mine drainage. Applicants are required to have other partners contributing either funding or in-kind services.

Since the program began 85 cooperative agreements totaling more than \$6.5 million have been awarded. During 2003, 21 cooperative agreements and eight amendments to existing agreements were awarded for a total of \$2.0 million (see Figure 2). Agreements are limited to a maximum of \$100,000 and are used primarily for the construction phase of the projects; however, administrative costs associated with completion of a project are also allowable. In 2003, 22 projects were started in the Clean Streams Program states of Maryland, Ohio, Pennsylvania, Tennessee, and Virginia (see figure 1). Since 1999, 33 watershed projects have been completed.

Significant on-the-ground improvement has been made by these watershed projects. For example, about 10 years ago, the Mill Creek Coalition, in partnership with the Pennsylvania National Guard, Clarion University, the Pennsylvania Department of Environmental Protection, and numerous other local citizens, installed one of the first mine drainage treatment systems to use the emerging

**Figure 2**

<i>Organization and Project Name</i>	<i>Grant Amount</i>
<b>Maryland</b>	
Western Maryland Resource Conservation, Inc. McDonald AMD <sup>1</sup>	25,000
Georges Creek Watershed Potomac Hill AMD Project <sup>1</sup>	25,000
Western Maryland Resource Conservancy Kempton Manshaft <sup>1</sup>	55,000
<b>Ohio</b>	
Rural Action, Inc. Congo Subsidence Closure	71,500
Buckeye Hills Resource Conservation & Dev. Dist. Carbondale II Reclamation Project	100,000
Ohio State University Research Foundation Hope Mine Reclamation Project	76,836
Ohio Valley Resource Conservation & Development Mulga Run AMD Remediation Project	150,000
<b>Pennsylvania</b>	
Southern Alleghenies Conservancy Wells Creek-Moore Site	75,000
Southern Alleghenies Conservancy Wells Creek-Skeria Site	76,500
Babb Creek Watershed Rattler Mine A2-2 AMD	100,000
Babb Creek Watershed Hunters Drift Discharge	100,000
Babb Creek Watershed Rattler Mine A2-3 and A2-4	163,292
Babb Creek Watershed Anna S #1 and Anna S #2	100,000
Penn's Corner Conservancy Cenco Seep-Raccoon Creek	75,000
Chestnut Ridge Chapter Trout Unlimited Glade Run Drift Mine Phase 2	90,747
Southern Alleghenies Conservancy Boswell AMD Passive Treatment System <sup>1</sup>	80,000
Trout Unlimited, Inc. Twomile Run Treatment System <sup>1</sup>	50,000
Southern Alleghenies Conservancy Wells Creek Discharge #6 Skeria	22,000
Penns Corner Conservancy JB #2 Raccoon Creek	150,000
AMD & ART, Inc. Vitondale AMD Phase II	50,500
Headwaters Charitable Trust Back Hayes Run	27,500
Shamokin Creek Restoration Alliance Site 25	8,300
Penns Corner Conservancy Hamilton Mine Reclamation Project <sup>1</sup>	21,800
Western Pennsylvania Conservancy Big Run #2 Watershed <sup>1</sup>	15,000
National Fish and Wildlife Foundation Kettle Creek Phase III	50,000
Mountain Watershed Association Gallentine Phase II AMD Project	54,000
Wildlands Conservancy Lausanne Tunnel Discharge	150,000
Shamokin Creek Restoration Alliance Site 25 <sup>1</sup>	4,300
<b>West Virginia</b>	
Friends of the Cheat Greens Run	49,608
<b>Total</b>	<b>2,016,883</b>

1. Amendment

“passive treatment” technology which uses limestone, mushroom compost, and settling ponds to remove dissolved iron, aluminum, and neutralize acidity from the water. Up to that time, water contaminated by drainage from abandoned mine lands, if treated at all, was treated through the addition of highly alkaline chemicals in systems using tanks, water lines, and electrical pumps housed in buildings, and needing regular maintenance. Passive treatment offered the prospect of improved water quality in systems using natural materials, which were aesthetically pleasing, environmentally friendly, and could be operated and maintained on less intensive schedules using local volunteer help. As the years progressed, passive treatment designs and technology have become increasingly more complex in response to performance information gained through study of already installed systems. However, where applicable, passive treatment technologies are still preferred over other forms of “active treatment”.

Mill Creek is a large watershed in Clarion County, Pennsylvania that is heavily impacted by mine drainage from abandoned surface and underground coal mines. Since building the Howe Bridge project, the Coalition has installed numerous passive treatment systems using ever improving technologies and designs and is starting to see improvement in the water quality of the streams. Last year they returned to the original Howe Bridge site, which was losing effectiveness because the limestone was almost gone, and the settling ponds were filled with iron sludge. Using funds from the Office of Surface Mining’s Watershed Cooperative Assistance Program (\$100,000), Pennsylvania’s Growing Greener program (\$50,000), and Title IV Abandoned Mine Land grant funds awarded by the Office of Surface Mining for resource recovery activities (\$27,000), Mill Creek Coalition completely renovated the system, enlarging the treatment ponds, and installing the latest technology designed to help avoid clogging, thereby prolonging the life of the system. The iron oxide contained in the settling ponds was dug out

and placed in large porous synthetic tubes on the site for drying. When sufficient water has drained out of the sludge, it will be hauled away and sold as paint pigment. This use of iron oxide from the acid mine drainage for pigments is called resource recovery. It is a still small but growing beneficial use of certain specific types of mine drainage.

### **Summer Watershed Internship Program**

The Office of Surface Mining and the Environmental Protection Agency initiated the Summer Watershed Internship program in 1999, and in 2003, funded 26 interns in seven states. Since the program began, 123 interns have been placed in nine states (see Figure 3), all of them working directly for watershed groups on acid mine drainage issues.

The internship program enables college students (juniors and above) to bring technical expertise and youthful energy to volunteer watershed organizations. Each intern spends a semester working in a watershed and receives college credit for his or her efforts. In 2003, the Office of Surface Mining funding provided a \$2,000 stipend and \$500 for project expenses to each intern. In every case, the interns strengthened the capacity of the sponsoring watershed group, adding to their monitoring data, developing watershed plans, and building public awareness.

**Figure 3**

State	Number of Interns				
	2003	2002	2001	2000	1999
Alabama	1	1	0	3	0
Kentucky	0	0	1	2	0
Maryland	1	2	2	1	0
Ohio	5	4	3	2	1
Pennsylvania	9	8	12	5	3
Tennessee	1	3	1	3	1
Virginia	3	3	2	1	0
West Virginia	6	9	11	6	4
Indiana	0	1	1	0	1
<b>Total</b>	<b>26</b>	<b>31</b>	<b>33</b>	<b>23</b>	<b>10</b>

### **VISTA Initiative<sup>9</sup>**

The Office of Surface Mining and AmeriCorps/VISTA are working together to place full-time VISTA staff in coal-impacted watersheds across coal country. These VISTA positions are funded by the national VISTA program and include a three-year commitment to the sponsoring watershed group. The Office of Surface Mining provides a small cooperative agreement of \$5,000 for administrative support during the first year, and coordinates the activities.

The Office of Surface Mining/VISTA staff address four primary goals: Watershed Group Capacity Building, Research and Project Development, Education and Outreach, and Community Revitalization. Recognizing that the problems in the coal field watersheds include many issues, the Office of Surface Mining/VISTA team concentrates on pre-regulatory coal mining legacies; but, works to address other environmental and economic issues.

During 2003, there were 24 full-time Office of Surface Mining/VISTA staff in five states (Kentucky, Maryland, Tennessee, Virginia, and West Virginia) Six new positions in Pennsylvania and three in Alabama are expected to be filled early in 2004.

### **Brownfields Initiative**

Working under an Office of Surface Mining and Environmental Protection Agency-Brownfields Program Memorandum of Understanding, the Office of Surface Mining is bringing Brownfields Assessment Grants to the coal-impacted watersheds.

During 1999, the Office of Surface Mining initiated the first successful Environmental Protection Agency Brownfields pilot project for an entire coal-impacted watershed. Since then, the project has been completed,

9. VISTA, Volunteers in Service To America, was first organized in the 1960s and is now a part of the Corporation for National Service, a Federal agency. VISTA, AmeriCorps and the National Community Conservation Corps (NCCC) are the three primary initiatives of the Corporation for National Service. The Office of Surface Mining provides a \$5,000 Cooperative Agreement to non-profit watershed groups that sponsor Office Of Surface Mining/VISTA positions for administrative support in their first year.

and two new grants, each for \$200,000 have been awarded for projects in West Virginia and Tennessee.

The Office of Surface Mining also serves as the Chair of the Mine-Scarred Lands Working Group of the Brownfields Federal Partnership, a new group working to coordinate multiple federal agency programs to work on solving Brownfields problems.

### **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 a computer system which is accessible from the web at [www.osmre.gov/aml/inven/zintroin.htm](http://www.osmre.gov/aml/inven/zintroin.htm). The system creates reports on abandoned mine land accomplishments and problems that still require reclamation. This was the ninth year the states and Indian tribes managed their own data, entering it electronically into the Office of Surface Mining's inventory system. In 2003, this process resulted in 1,305 records added, 5,026 modified, and 161 deleted. As of September 30, 2003, the system contained information for 17,717 problem areas, mostly related to abandoned coal mines. (A problem area is a geographic area 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.)

Although the Abandoned Mine Land Program is one of the Nation's most successful environmental restoration programs, with over \$1.6 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, and new problems arise, such as subsidence and mine fires. As of September 30, 2003, a breakdown of (Priority 1, 2, and 3) costs from the inventory system show over \$8.5 billion of unreclaimed problems (see Figure 4).

Also, during 2003, the Bureau of Land Management continued to store its federal lands abandoned mine inventory in a specially modified version of the Office of Surface Mining inventory system.

### **Reclamation Awards**

After more than 26 years of abandoned mine land reclamation funded under the Surface Mining Law, thousands of dangerous health and safety problems have been eliminated. To enhance communication about achievements in abandoned mine land reclamation, the Office of Surface Mining has presented awards to those state and Indian Abandoned Mine Land programs responsible for completion of the most outstanding reclamation. (See [www.osmre.gov/amlrules01.htm](http://www.osmre.gov/amlrules01.htm) for a description of the awards program and the 2004 rules.) This year five awards were presented at the 2003 annual meeting of the National Association of Abandoned Mine Land Programs.

**Figure 4**

Completed	\$2.0 billion	19.2 percent
Funded	0.1 billion	1.1 percent
Unfunded	8.5 billion	79.7 percent
<b>Total</b>	<b>\$10.6 billion</b>	<b>100 percent</b>

■ National Abandoned Mine Land and Appalachian Region Awards -- The West Virginia Office of Abandoned Mine Lands and Reclamation Taylor Creek Impoundment project in Widen, West Virginia, won the national and regional awards for reclamation of a 90-acre abandoned coal preparation and waste disposal facility that ceased operation in the 1950's. Before reclamation this abandoned site had an 18-acre impoundment filled with acidic mine water, and a massive amount of steep-banked mine refuse, some of which was burning.

During construction 1.8 million cubic yards of refuse was excavated and reshaped, the fires extinguished, and the acid water treated. Today, in addition to the fantastic visual improvements realized by the reclamation all previous health and safety hazards have been eliminated.

■ Mid-Continent Region Award -- The Indian Division of Reclamation received the Mid-Continent Region award for reclamation of the Victory Mine Site. Once the site of barren and eroded abandoned mine refuse that created sedimentation and acid mine drainage problems of adjacent streams, it was transformed into productive land that has become an asset to the community.

Located just outside the city of Terre Haute, this site has been transformed into an outstanding wildlife habitat much of which has become an area of intense human activity. The landowner donated the reclaimed property to the Wabash Valley Family Sports Center, a nonprofit local organization, which developed a community recreation facility complex on the property. Today, this reclaimed abandoned mine site is home to a championship cross country running course that is used by local high schools and colleges and became the site of the 2002 national championships. In addition, the site has a sports center with basketball courts, weight room, and other public activity rooms. At this successful reclaimed abandoned mine site the hazards were eliminated and the site has become an important location for community

activities, sports competitions, and a wide variety of recreational uses.

■ Western Region and People's Choice Awards<sup>10</sup> -- The Navajo Abandoned Mine Land Reclamation Program, won the Western regional and People's Choice Awards for its reclamation of the Cove 3 Project. This reclamation eliminated health and safety hazards associated with 1950's uranium mining. This work was done on 61 different sites and included closing portals, grading and covering radioactive piles and embankments, eliminating highwalls, and planting vegetation.

These difficult abandoned mine problems have been successfully reclaimed and no longer pose a safety hazard to visitors of this scenic Arizona mountain range.

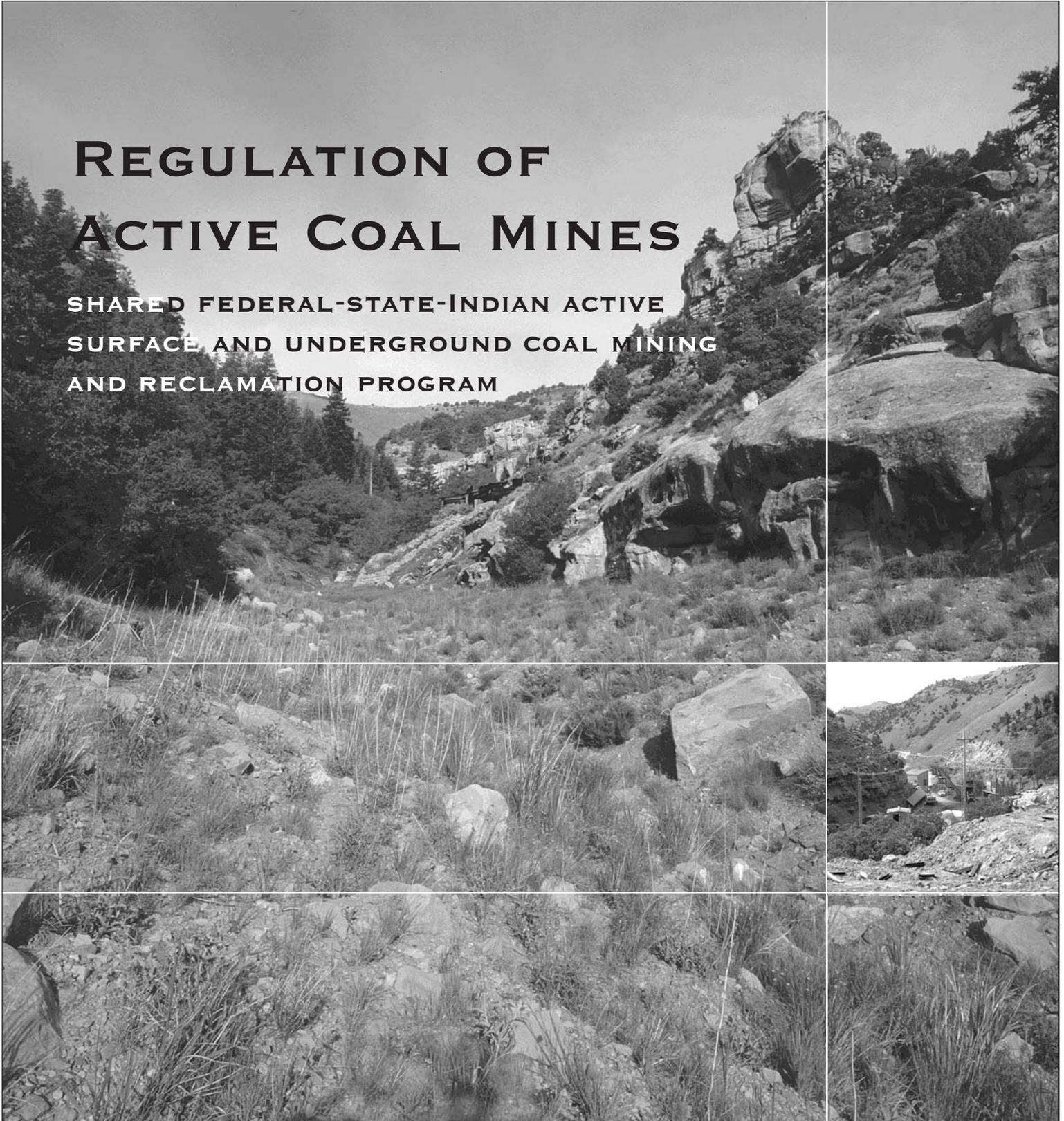
For additional information on the award program and the 2004 program rules see [www.osmre.gov/awardwin01.htm](http://www.osmre.gov/awardwin01.htm) or [www.osmre.gov/pdf/aml2003.pdf](http://www.osmre.gov/pdf/aml2003.pdf) for an illustrated description of the 2003 award winning reclamation.

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10. Using the Office of Surface Mining web site, the public selects one reclamation project they think is best. This project received the most votes and became the winner of the People's Choice Award.

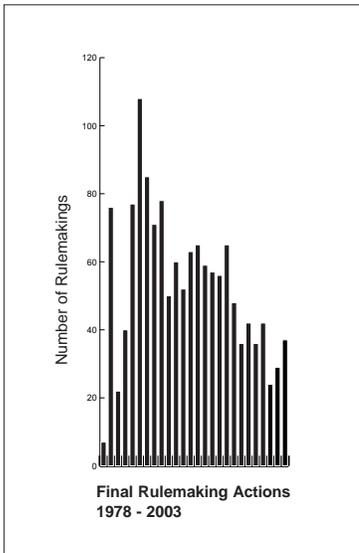
# REGULATION OF ACTIVE COAL MINES

SHARED FEDERAL-STATE-INDIAN ACTIVE  
SURFACE AND UNDERGROUND COAL MINING  
AND RECLAMATION PROGRAM



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

## Rulemaking and State Program Amendments



The 2003 rulemaking process included discussions with coal industry representatives, citizen groups, and state regulators to obtain their input and suggestions.

During the year, the Office of Surface Mining published one final permanent program rule in the *Federal Register*, Abandoned Mine Land Reclamation Notices (RIN 1029-AB99) (see

Table 7). Subject to Office of Surface Mining approval, states have the right to amend their programs at any time for appropriate reasons. Whenever the Surface Mining Law or its implementing regulations are revised, the Office of Surface Mining is required to notify the states of the changes needed to make sure that the state programs continue to meet federal requirements. As a result, the states have submitted a large number of complex amendments. The Office of Surface Mining has taken several steps to process states' submissions more efficiently. For example, the amendment review process within the Office of Surface Mining has been decentralized, and standard format and content guidelines for state program submissions have been issued to the states. In 2003, the Office of Surface Mining published 24 proposed and 37 final state program amendments in the *Federal Register*. A complete list and summary of all Office of Surface Mining *Federal Register* notices can be seen at [www.osmre.gov/ocfeder.htm](http://www.osmre.gov/ocfeder.htm).

## Significant Court Decisions

During 2003, there were five significant court decisions that influenced the implementation of the Surface Mining Law. The cases involved issues on subsidence, valley fills, bonding, and takings (see Table 8).

## 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

**TABLE 7: FINAL RULES PUBLISHED**

**Abandoned Mine Lands**

30 CFR 875

2/27/03

This rule revises Office of Surface Mining regulations governing the processing of state and tribal grant applications to build public facilities using Abandoned Mine Land Reclamation funds.

(Left) From the 1880s until 1989 this steep, mountainous canyon near Price, Utah was the site of intensive, underground coal mining. Before reclamation, the site contained portals, buildings, truck loading facilities, and large quantities of coal refuse. Today, following reclamation it is an outstanding wildlife habitat and grazing land. The streams are clean and it's once again a magnificent, picturesque mountain canyon.

## TABLE 8: SIGNIFICANT COURT DECISIONS

### **Citizens Coal Council v. Norton**, No 02-51-36 (D.C. Cir.)

On June 3, 2003, a U.S. Court of Appeals upheld the Secretary's rule interpreting subsidence from underground mining not to fall within the scope of the term "surface coal mining operations" as defined in section 701(28) of SMCRA. The rule provides that subsidence is not prohibited on lands protected by section 522(e) of SMCRA. The decision concluded that Congress did not speak unambiguously on the issue in SMCRA, and, because the court found the Secretary's interpretation reasonable, the court deferred to the Secretary.

### **Kentuckians for the Commonwealth, Inc. v. Rivenburgh**, No. 02-1736, 02-1737 (4th Cir.)

On January 29, 2003, a U.S. Court of Appeals vacated a district court injunction that prohibited the U.S. Army Corps of Engineers from issuing new valley fill permits (within its Huntington District) that have no primary purpose or use but the disposal of waste. The court held that "to create valley fills with the spoil of mountaintop- coal mining is not *ultra vires* under the Clean Water Act and that the injunction issued by the district court was overbroad." The court also found that SMCRA "does not prohibit the discharge of surface coal mining excess spoil in waters of the United States."

### **West Virginia Highlands Conservancy v. Norton**, No. 00-1062 (S.D.W.Va.)

On January 8, 2003, a U.S. District Court upheld OSM's decision to approve West Virginia's amended "alternative bonding program." That program consists of both a site-specific penal bond as well as a supplementary statewide bonding pool funded by a tax on each ton of coal mined in the state. The court also upheld OSM's approval of all but four of twenty-five miscellaneous new West Virginia program amendments.

**Appollo Fuels, Inc. v. United States**, No. 00-1L (Fed. Cl.) On December 18, 2002, the U.S. Court of Federal Claims granted the government's motion for summary judgment in this regulatory takings case. The plaintiff alleged a taking of its coal reserves and mining rights based on OSM's designation of the watershed of Little Yellow Creek in Claiborne County, Tennessee, as unsuitable for surface coal mining (but not underground mining from portals outside the petition area). The court held that there had not been a taking because: (1) plaintiff lacked a reasonable investment-backed expectation that "its land would be unfettered by regulatory imposition"; (2) the designation protected against water pollution; and (3) plaintiff failed to demonstrate the requisite economic impact of the designation. This case is currently on appeal.

### **Cane Tennessee, Inc. v. United States**, No. 96-237L; **Colten, Inc. v. United States**, No. 00-513L; **Mary Anne Wyatt v. United States**, No. 02-945L (Fed. Cl.)

(consolidated)

On June 27, 2003, the U.S. Court of Federal Claims granted the government's motion for summary judgment in two of these consolidated regulatory takings cases, dismissing the claims of plaintiffs Cane and Colten (case numbers 96-237L and 00-513L). Plaintiffs Cane and Colten own the fee interest (surface and minerals) in certain lands and the mineral interests in other lands located in close proximity to Fall Creek Falls State Park in Tennessee. Plaintiffs claim that OSM's permitting actions and the Secretary's designation of certain lands as unsuitable for surface coal mining operations effected takings of their coal rights. In support of its conclusion that there had not been a taking, the court held that: (1) plaintiffs did not suffer the requisite economic impact; and (2) plaintiffs lacked reasonable investment-backed expectations (having purchased their property after the enactment of SMCRA, plaintiffs were charged with notice of its restrictions).

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 a relationship that includes common goals and principles.

On June 19, 2003, the Director of the Missouri Regulatory Authority notified the Office of Surface Mining that funding and staffing for the Missouri Regulatory Program had been severely cut by the Missouri Legislature. The Legislature appropriated funds for bond forfeiture reclamation; but, failed to

provide adequate funding for the inspection, enforcement, permitting, and bonding portions of its program. On July 2, 2003, the Land Reclamation Program of the Missouri Department of Natural Resources' Air and Land Protection Division notified the Office of Surface Mining that as of July 18, 2003, all but four of its regulatory program staff would be transferred to other offices.

In an August 4, 2003, letter, Office of Surface Mining Director Jeffrey Jarrett notified Governor Bob Holden of Missouri that serious program implementation problems, if not addressed, could require withdrawal of state program approval and implementation of a federal regulatory program.

On August 21, 2003, the Office of Surface Mining substituted federal enforcement to address those portions of the Program no longer supported by Missouri. The Office of Surface Mining did not withdraw approval of Missouri's program based upon an indication by the state that it intends to resolve the funding and staffing deficiencies.

### 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 1980's, and the Office of Surface Mining's oversight of these programs focused on the implementation of the many procedural and process requirements such as permitting, inspection, enforcement, and penalties, each with numerous mandated requirements prescribed to achieve the environmental protection performance standards and the overall purposes of the Surface Mining Law.

The Office of Surface Mining now employs a results-oriented oversight strategy that was devised in consultation with the states and emphasizes cooperative problem-solving, tailors evaluations to state-specific conditions, and develops performance agreements between each state and its Office of Surface Mining field office.

Specifically, to further reporting of end results and on-the-ground success, the Office of Surface Mining now evaluates and reports state-specific and national findings for offsite impacts and reclamation success. The purpose of measuring offsite impacts is to protect

**TABLE 9: FEDERAL OVERSIGHT OF STATE PROGRAMS**

State	Site Visits	Violations Cited by the Office of Surface Mining <sup>1</sup>		
		Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders
Alabama	75	0	0	0
Alaska	0	0	0	0
Arkansas	8	0	0	0
Colorado	16	0	0	0
Illinois	119	0	0	0
Indiana	80	0	0	0
Iowa	10	0	0	0
Kansas	6	0	0	0
Kentucky	371	26	7	0
Louisiana	3	0	0	0
Maryland	33	0	0	0
Mississippi	1	0	0	0
Missouri	53	0	0	0
Montana	5	0	0	0
New Mexico	4	0	0	0
North Dakota	1	0	0	0
Ohio	131	0	0	0
Oklahoma	23	0	0	0
Pennsylvania	503	8	3	0
Texas	18	0	0	0
Utah	2	0	0	0
Virginia	150	1	0	0
West Virginia	468	4	1	0
Wyoming	17	0	0	0
<b>Total</b>	<b>2,097</b>	<b>39<sup>2</sup></b>	<b>11<sup>2</sup></b>	<b>0</b>

1. Excludes any Notice of Violations or Cessation Orders that have been vacated.

2. Of the 39 Notice of Violations, 36 were for Abandoned Mine Land Fee related problems (Kentucky 26, Pennsylvania 7, Virginia 1, and West Virginia 2) and of the 11 Cessation Orders, 10 were for Abandoned Mine Land Fee related problems (Kentucky 7, Pennsylvania 2, and West Virginia 1)

citizens, public and private property, and the environment outside of areas authorized for mining and reclamation activities. This measurement is intended to identify the number and severity of offsite impacts, determine causes of the impacts, and identify where improvements may be made to lessen the number and degree of these impacts. Success is determined by the number expressed as a percent of inspectable units<sup>11</sup> that achieve the goal of

11. An inspectable unit is a coal mining or exploration operation where an inspection obligation exists under the Surface Mining Law. One unit may consist of an individual permit; a consolidation of several permits issued to the same permittee, which for all practical purposes, constitutes the same mining operation; or in the case of large mines, smaller, logical units of a single permit that are more amenable to inspections.

**TABLE 10: REGULATORY PROGRAM STATISTICS**

State/Indian Lands	Regulatory Staffing	AML Staffing	New Permits	New Acreage Permitted	Total Acreage Permitted	Inspectible Units	Complete Inspections	Partial Inspections	Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders	Bond Forfeitures	Acreage of Phase I Bond Release	Acreage of Phase II Bond Release	Acreage of Phase III Bond Release
Alabama	26.00	16.75	7	2,136	84,908	224	2,488	374	161	8	0	11	4,656	3,130	5,325
Alaska	3.67	6.62	0 <sup>1</sup>	0 <sup>1</sup>	23,773 <sup>1</sup>	11	20 <sup>1</sup>	43 <sup>1</sup>	1 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>
Arizona	NA	NA	0	0	417	0	0	0	0	0	0	0	0	0	0
Arkansas	3.95	6.75	0 <sup>1</sup>	0 <sup>1</sup>	1,263 <sup>1</sup>	13	42 <sup>1</sup>	82 <sup>1</sup>	3 <sup>1</sup>	1 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	27 <sup>1</sup>	0 <sup>1</sup>	43 <sup>1</sup>
Colorado	22.00	14.00	0 <sup>1</sup>	494 <sup>1</sup>	3,723,701 <sup>1</sup>	52	145 <sup>1</sup>	266 <sup>1</sup>	13 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	154 <sup>1</sup>	253 <sup>1</sup>	1,510 <sup>1</sup>
Crow	1.30	3.70	0	27	4,768	1	3 <sup>1</sup>	6 <sup>1</sup>	0	0	0	0	609 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>
Georgia	0.00	0.00	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	6	6 <sup>1</sup>	1 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>
Hopi	2.45	6.40	0	0	6,137	2	6	4	0	0	0	0	0	0	0
Illinois	52.00	28.00	1 <sup>1</sup>	0 <sup>1</sup>	74,661 <sup>1</sup>	86	932 <sup>1</sup>	2,277 <sup>1</sup>	34 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	12,030 <sup>1</sup>	13,974 <sup>1</sup>	16,523 <sup>1</sup>
Indiana	50.00	21.00	5 <sup>1</sup>	7,810 <sup>1</sup>	228,176 <sup>1</sup>	137	551 <sup>1</sup>	1,065 <sup>1</sup>	30 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	2 <sup>1</sup>	5,136 <sup>1</sup>	2,652 <sup>1</sup>	3,602 <sup>1</sup>
Iowa	3.15	4.45	0 <sup>1</sup>	0 <sup>1</sup>	4,133 <sup>1</sup>	24	67 <sup>1</sup>	6 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	23 <sup>1</sup>	0 <sup>1</sup>	3,453 <sup>1</sup>	0 <sup>1</sup>
Kansas	3.25	10.75	1 <sup>1</sup>	3,449 <sup>1</sup>	4,237 <sup>1</sup>	11	33 <sup>1</sup>	100 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	565 <sup>1</sup>	565 <sup>1</sup>
Kentucky	340.54	80.00	74	39,192	1,691,660	2,043	8,626	15,528	738	134	31	17	12,327	6,952	11,918
Louisiana	2.65	0.60	0 <sup>1</sup>	0 <sup>1</sup>	44,225 <sup>1</sup>	2	6 <sup>1</sup>	12 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>
Maryland	11.38	4.80	0 <sup>1</sup>	0 <sup>1</sup>	5,864 <sup>1</sup>	61	290 <sup>1</sup>	476 <sup>1</sup>	13 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	53 <sup>1</sup>	65 <sup>1</sup>	81 <sup>1</sup>
Michigan	0.00	0.00	0	0	0	0	0	0	0	0	0	0 <sup>1</sup>	0	0	0
Mississippi	2.28	0.00	1	5,809	5,809	1	4	8	0	0	0	0	0	0	0
Missouri	12.10	8.20	0 <sup>1</sup>	0 <sup>1</sup>	18,085 <sup>1</sup>	46	83 <sup>1</sup>	140 <sup>1</sup>	11 <sup>1</sup>	6 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	149 <sup>1</sup>	1,064 <sup>1</sup>
Montana	16.80	8.85	0 <sup>1</sup>	0 <sup>1</sup>	63,354 <sup>1</sup>	16	75 <sup>1</sup>	60 <sup>1</sup>	5 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>
Navajo	6.00	23.40	0	0	96,322 <sup>1</sup>	23	44	41	7	0	0	0	448	0	320
New Mexico	10.50	9.05	1 <sup>1</sup>	0 <sup>1</sup>	103,280 <sup>1</sup>	13	52 <sup>1</sup>	104 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	150 <sup>1</sup>
North Dakota	8.70	6.41	0 <sup>1</sup>	0 <sup>1</sup>	78,620 <sup>1</sup>	35	105 <sup>1</sup>	354 <sup>1</sup>	2 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	72 <sup>1</sup>	72 <sup>1</sup>	72 <sup>1</sup>
Ohio	26.00	41.73	23 <sup>1</sup>	2,071 <sup>1</sup>	100,337 <sup>1</sup>	357	1,069 <sup>1</sup>	1,528 <sup>1</sup>	130 <sup>1</sup>	0 <sup>1</sup>	13 <sup>1</sup>	3 <sup>1</sup>	3,670 <sup>1</sup>	2,214 <sup>1</sup>	4,478 <sup>1</sup>
Oklahoma	25.80	7.00	2 <sup>1</sup>	3,145 <sup>1</sup>	31,000 <sup>1</sup>	86	254 <sup>1</sup>	358 <sup>1</sup>	12 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	1,689 <sup>1</sup>	3,889 <sup>1</sup>	1,989 <sup>1</sup>
Pennsylvania	240.00	121.00	47 <sup>1</sup>	5,800 <sup>1</sup>	397,782 <sup>1</sup>	2,025	5,934 <sup>1</sup>	8,658 <sup>1</sup>	776 <sup>1</sup>	25 <sup>1</sup>	NA	10 <sup>1</sup>	4,877 <sup>2</sup>	4,974 <sup>2</sup>	4,068 <sup>3</sup>
Tennessee	42.00	4.00	6	5,067	30,370	367	947	969	31	2	1	0	402	824	899
Texas	40.00	8.00	1 <sup>1</sup>	17,660 <sup>1</sup>	264,128 <sup>1</sup>	30	76 <sup>1</sup>	162 <sup>1</sup>	9 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	279 <sup>1</sup>	0 <sup>1</sup>	473 <sup>1</sup>
Utah	23.00	10.00	0 <sup>1</sup>	84 <sup>1</sup>	50,747 <sup>1</sup>	27	102 <sup>1</sup>	144 <sup>1</sup>	12 <sup>1</sup>	4 <sup>1</sup>	6 <sup>1</sup>	0 <sup>1</sup>	57 <sup>1</sup>	62 <sup>1</sup>	0 <sup>1</sup>
Ute Mountain Ute	0.00	0.00	0	0	175	2	1	4	0	0	0	0	0	0	0
Virginia	77.00	15.00	22	3,695	74,480	572	2,743	3,349	194	2	9	0	646	1,189	2,563
Washington	NA	0.00	0	0	14,930	2	15	2	0	0	0	0	0	0	0
West Virginia	295.00	67.60	73	14,262	305,550	2,426	7,736	11,563	1,278	89	31	20	2,450 <sup>1</sup>	5,551 <sup>1</sup>	4,545
Wyoming	21.59	14.75	0 <sup>1</sup>	3,013 <sup>1</sup>	343,262 <sup>1</sup>	35	111 <sup>1</sup>	176 <sup>1</sup>	7 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	0 <sup>1</sup>	6,647 <sup>1</sup>	0 <sup>1</sup>	453 <sup>1</sup>
<b>Total</b>	<b>1,369.11</b>	<b>548.81</b>	<b>264</b>	<b>113,714</b>	<b>7,876,154</b>	<b>8,736</b>	<b>32,566</b>	<b>47,860</b>	<b>3,467</b>	<b>271</b>	<b>91</b>	<b>86</b>	<b>56,229</b>	<b>49,968</b>	<b>60,641</b>

1. Estimated annual statistics, see footnote 2, page 1 for a description of the methodology.  
 2. Pennsylvania estimated Phase I and II bond release data based on an average of the past four years of data, and then adjusted those averages downward for the 9-month evaluation period.  
 3. Pennsylvania determined Phase III bond release acres by calculating the difference between 2002 and 2003 permitted acreage, and then deducting the number of acres associated with new permits issued in 2003. The remainder represents the total number of acres bond released and bond forfeited during 2003. Finally, the number of forfeited acres was deducted to arrive at the acres of Phase III release. The decrease in Pennsylvania's bond release data in 2003 is in part due to the significant effort required to transition from an alternative bond system to a conventional bonding system.  
 NA Not available.

having no offsite impacts and on the number of acres that meet the bond release requirements for the various phases of reclamation. During 2003, 92.8<sup>12</sup> percent of the inspectable units were free of offsite impacts (the same percentage as 2002) and does not meet the goal of 94 percent of the sites free from offsite impacts.

Since 1996, the Office of Surface Mining has completed four reviews of the implementation of the oversight policy. Although there are a few exceptions, the four reviews showed that the cooperative approach provides for better problem resolution with states. Also, this oversight strategy has resulted in improvements to state program implementation and in the resolution of some long-standing issues. (See [www.osmre.gov/report03.htm](http://www.osmre.gov/report03.htm) for copies of current Annual State Oversight Reports.)

Table 9 provides a summary of the Office of Surface Mining's oversight inspection and enforcement activities during 2003. Detailed reports are available monthly at [www.osmre.gov/ieindex.htm](http://www.osmre.gov/ieindex.htm).

## Federal Programs

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

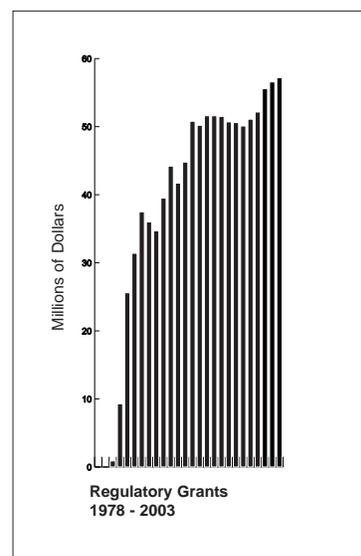
- the state's proposal for a permanent program has not been approved by the Secretary of the Interior;
- the state does not submit its own permanent regulatory program; or
- the state does not implement, enforce, or maintain its approved state program.

Although the Office of Surface Mining encourages and supports state primacy in the regulation of coal mining

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

Of the federal program states, only Tennessee and Washington had active coal mining in 2003. Table 10 includes the regulatory activities in those two states during 2003.

## Grants to States and Tribes



Section 705 of the Surface Mining Law authorizes the Office of Surface Mining to provide grants to states with approved regulatory programs in amounts not exceeding 50 percent of annual state program costs, matching state regulatory costs dollar for dollar. In addition, when a state elects to administer an approved program on federal land through a cooperative agreement

with the Office of Surface Mining, the state becomes eligible for financial assistance of up to 100 percent of the amount the federal government would have spent to regulate coal mining on those lands. Table 11 shows grant amounts provided to states during 2003 to administer and enforce regulatory programs. During 2003, the Office of Surface Mining awarded 100 percent of the regulatory grants to the states within 60 days of receiving the grant application.

12. Estimated annual statistic, see footnote 4, page 1 for a description of the methodology.

**TABLE 11: REGULATORY GRANT OBLIGATIONS**

State/Tribe	2003 Federal Funding	2002 Federal Funding	Cumulative Through 2003 Federal Funding <sup>1</sup>
Alabama	\$1,050,377	\$1,021,425	\$26,122,208
Alaska	184,220	182,455	5,720,450
Arkansas	147,512	137,851	3,561,667
Colorado	1,930,677	1,885,631	29,555,683
Illinois	2,984,915	2,884,006	54,943,560
Indiana	1,918,700	1,874,576	32,826,990
Iowa	127,150	126,089	2,727,378
Kansas	111,191	125,114	2,921,817
Kentucky	13,158,691	13,067,882	272,434,078
Louisiana	165,322	158,404	3,629,809
Maryland	561,704	572,272	11,784,983
Michigan	0	0	135,458
Mississippi	112,328	109,628	1,255,199
Missouri	84,633	505,153	8,530,397
Montana	1,018,122	957,649	17,422,186
New Mexico	728,439	743,966	12,965,143
North Dakota	486,543	421,240	11,511,192
Ohio	1,822,626	2,135,541	58,847,422
Oklahoma	899,535	1,230,080	18,554,467
Pennsylvania	10,534,351	11,380,931	217,426,617
Rhode Island	0	0	158,453
Tennessee	0	0	5,340,085
Texas	1,495,192	1,451,800	23,178,610
Utah	1,709,100	1,763,318	29,131,252
Virginia	3,197,057	3,183,539	68,359,686
Washington	0	0	4,893
West Virginia	10,056,687	7,929,525	125,026,210
Wyoming	2,038,607	2,023,230	34,219,505
Crow Tribe	62,102	72,832	1,098,870
Hopi Tribe	171,834	168,849	1,713,146
Navajo Nation	443,147	435,450	4,253,780
Northern Cheyenne Tribe	0	26,564	88,379
<b>Total</b>	<b>\$57,200,762</b>	<b>\$56,575,000</b>	<b>\$1,085,449,573</b>

1. Includes obligations for AVS, TIPS, Kentucky Settlement, and other Title V cooperative agreements. Figures for 2003 do not include downward adjustments of prior-year awards. However, cumulative figures are net of all prior-year downward adjustments.

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 147 billion tons of recoverable 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. Through 2003, the Secretary had entered into such cooperative agreements with Alabama, Colorado, Illinois, Indiana, Kentucky, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Utah, Virginia, West Virginia, and Wyoming (see [www.osmre.gov/coop.htm](http://www.osmre.gov/coop.htm)). Under the Surface Mining Law, once the Secretary and a state have signed a cooperative agreement, the state regulatory authority assumes permitting, inspection, and enforcement responsibilities for surface coal mining activities on federal lands in that state. The Office of Surface Mining maintains an oversight function to ensure that the regulatory authority fully exercises its delegated responsibility under the cooperative agreement. In states without cooperative agreements, the required permitting, inspection, and enforcement activities are carried out by the

Office of Surface Mining. In 2003, the Office of Surface Mining did not issue any new permits on federal lands.

For states with leased federal coal, the Office of Surface Mining prepares the Mining Plan Decision Documents required by the Mineral Leasing Act and documentation for other nondelegable authorities, for approval by the

## 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



This Southern Indiana site was mined during the 1990s. Reclamation has established diverse wildlife habitats, with particular emphasis on wetlands. Warm season grasslands and legume foraging areas were established to provide grazing and nesting areas. Tree and shrub species were planted strategically throughout the site to provide thickets and woodlands. And, large portions of the reclaimed area have been accepted into the Indiana Department of Natural Resources Classified Wildlife Habitat Program and the Classified Forest Program. This outstanding reclamation is a credit to the mine operator and a valuable resource for the community for years to come.

Secretary of the Interior. During 2003, four mining plan actions were prepared and approved for coal mines on federal land (one each in Colorado, Oklahoma, Utah, and Wyoming).

Pursuant to Section 701 of the Surface Mining Law, the Office of Surface Mining regulates coal mining and reclamation on Indian Lands. On September 30, 2003, there were 10 surface coal mining operations permitted on Indian reservations or Indian-owned lands as follows:

- Three active permanent program operations on the Navajo reservation (Mckinley, Navajo, and Burnham Mines);
- Two active operations on both the Navajo and Hopi reservations—one permanent and one initial program permit (Kayenta and Black Mesa Mines). An active preparation plant on the Navajo Reservation (Kayenta Mine) has had a separate permit application submitted in accordance with the permanent Indian Lands Program, and is operating under administrative delay;
- Two initial program operations on the Navajo reservation that are being reclaimed (Amcoal and Burnham Mines). The Office of Surface Mining, in cooperation with the Bureau of Indian Affairs and the Navajo Nation, is overseeing the final reclamation at these sites;
- One active mine producing coal owned by the Crow tribe on the Crow ceded strip (Absaloka Mine);
- One portion of an underground mine on lands owned by the Ute Mountain Ute tribe (King Coal Mine); and
- One permitted haul road on the Ute Mountain Ute reservation (La Plata Haul Road).
- During 2003, one mine on the Navajo Reservation was granted final bond release under the Indian Lands

Program and the Office of Surface Mining terminated its jurisdiction in August 2003 (De-Na-Zin Mine).

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. Development grant funding for 2003 was \$677,083. Table 10 includes statistics on regulatory activities on Indian lands during 2003.

## Mountaintop Mining

As part of a 1998 settlement agreement in *Bragg v. Robertson, No. 98-0636 (S.D.W.Va.)*, the Office of Surface Mining has continued to work with the U.S. Environmental Protection Agency, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, and the West Virginia Department of Environmental Protection to prepare an environmental impact statement (EIS) on mountaintop mining and valley fills in the steep slope regions of Appalachia. In May 2003, the agencies published an eleven-volume, 4,000 page draft EIS encompassing more than 30 technical studies. The draft EIS is available on-line at: [www.epa.gov/region3/mnttop/index.htm](http://www.epa.gov/region3/mnttop/index.htm). The public comment period for the draft EIS ended January 6, 2004, and the final EIS is currently scheduled for winter 2004.

The draft EIS recommends actions designed specifically to ensure more effective protection for human health and the environment while enabling the Nation to continue to receive the energy benefits of cleaner burning Appalachian coal. The steps outlined in the draft EIS

build upon federal and state actions undertaken in recent years that are effectively reducing mountaintop coal mining-related environmental impacts. The draft EIS evaluates a broad range of possible federal and state actions proposed to further prevent or reduce adverse environmental impacts to Appalachian streams, as well as to clarify lines of responsibility among the agencies, designed to improve implementation of the Clean Water Act and the Surface Mining Law. The draft EIS recommends that federal and state agencies work cooperatively to make the following program enhancements applicable to mountaintop coal mining operations:

- Better protection of streams from direct, indirect, and cumulative impacts, by improved characterization of aquatic resources and better prediction of potential adverse effects.
- To ensure full replacement of lost aquatic functions through stream restoration with improved design, inspection, and enforcement.
- More watershed level advance planning to identify special/high value environmental resources where impacts should be avoided.
- Review Clean Water Act water quality standards to fully protect against potential water quality impacts downstream of mining operations and to require better stream monitoring.
- Clarification where necessary of Surface Mining Law regulations to ensure that any necessary excess spoil fills are as small as possible and located where they cause the least environmental impact.
- Development of “Best Management Practices” for mine site reclamation to better avoid or minimize adverse environmental impacts, and that promote the benefits of reforestation.

- Preparation of guidance for improved surface water runoff analysis from mining operations to ensure these operations do not increase the risk of floods.
- Preparation of “Best Management Practices” to improve control of fugitive dust and blasting fumes under the Clean Air Act.
- Development of additional specific protection plans for threatened and endangered species.

As provided in the settlement agreement, the Office of Surface Mining also continued to cooperate with West Virginia in the review of permit applications proposing to construct large fills as part of the mining operation. During 2003, the Office of Surface Mining participated in the review of six permit applications.

A complete listing of mountaintop mining information is available at [www.osmre.gov/mtindex.htm](http://www.osmre.gov/mtindex.htm).

### **Pennsylvania Anthracite Program**

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

In 2002<sup>13</sup>, the anthracite mining industry produced approximately 3.82 million net tons, a decrease of two percent from year 2001. Anthracite operators mined approximately 1.89<sup>14</sup> million tons from culm and bank material (compared to 2.09 in 2001), 1.63 million tons from surface mines (compared to 1.65 million tons in

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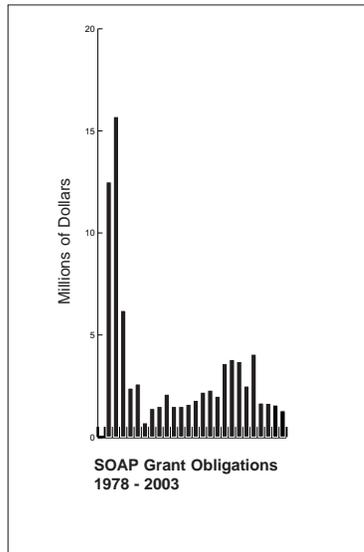
13. Calendar Year

14. Pennsylvania Department of Environmental Protection, Harrisburg, 2002

2001), and 0.30 million tons from underground mines (compared to 0.15 million tons in 2001). The reprocessing of anthracite culm banks accounts for a little over half of the total anthracite coal production and helps to fuel several cogeneration plants.

The Pennsylvania anthracite program currently includes 319 inspectable units (58 underground, 14 preparation plants, 4 refuse disposal sites, 121 reprocessing operations, and 122 surface mines). Pennsylvania's Department of Environmental Protection conducted 2,862 inspections (compared to 3,290 last year) and issued 147 violations (compared to 161 last year) in the Anthracite regions. Pennsylvania's Department of Environmental Protection continues to successfully carry out the provisions of the anthracite regulatory program.

### Small Operator Assistance Program (SOAP)



Section 401 (c)(11) of the Surface Mining Law authorizes up to \$10 million annually of the fees collected for the Abandoned Mine Reclamation Fund to be

used to help qualified small mine operators obtain technical data needed for permit applications. Qualifying operators produce no more than 300,000 tons of coal per

year. The Energy Policy Act of 1992 (Public Law 102-486) expanded the technical permitting services eligible for funding under the Small Operator Assistance Program to 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 the statement of overburden analysis required under Section 507(c) of the Surface Mining Law.

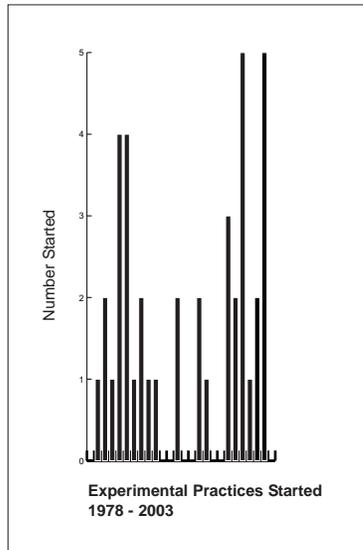
The Small Operator Assistance Program is operated by the states that have Office of Surface Mining approved surface mining programs. In states with federal programs, the Office of Surface Mining operates the Small Operator Assistance Program. In 2003, 56 small mine operators received assistance (compared to 107 in 2002 and 79 in 2001). Table 12 provides a summary of the Small Operator Assistance Program by state during 2003.

**TABLE 12: SMALL OPERATOR ASSISTANCE PROGRAM**

State	Grant Amount <sup>1</sup>		Operators	Projects Started
	2003	2002		
Alabama	\$35,000	\$35,000	1	1
Kentucky	403,631	513,441	20	22
Maryland	0	35,000	1	5
Ohio	57,884	100,000	5	5
Pennsylvania	729,200	805,054	26	28
West Virginia	64,929	84,743	3	0
<b>Total</b>	<b>\$1,290,644</b>	<b>\$1,573,238</b>	<b>56</b>	<b>61</b>

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

## Experimental Practices



Section 711 of the Surface Mining Law allows variances from Sections 515 and 516 of the performance standards as alternative, or experimental, mining and reclamation practices to encourage advances in mining technology or to allow innovative industrial, commercial, residential, or public postmining land uses.

However, the experimental practices

must be potentially more, or at least as, environmentally protective as the environmental protection performance standards established by the Surface Mining Law. Approval and monitoring of a permit containing an experimental practice requires a close working relationship between the mine operator, the state, and the Office of Surface Mining.

Since the program began, 44 projects have been undertaken. In addition to the 19 experimental practices currently underway, 18 were determined to be successful, three unsuccessful, one was terminated due to a regulation change, and three have been completed though a final report has 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 result in outstanding on-the-ground performance. For a description of the active

mining award program and 2004 rules, see [www.osmre.gov/activerules01.htm](http://www.osmre.gov/activerules01.htm).

This year, for the first time the Office of Surface Mining presented three Good Neighbor Awards. The three awards were presented for achievement of exemplary interaction, communication, and involvement with the surrounding land owners and local community. Establishment of good working relations and interaction with mine neighbors is an important element of the Surface Mining Law that mine operators are achieving in many different ways. These awards recognize this achievement and promote the Good Neighbor concepts so others can use them.

The 2003 Awards were presented October 1, 2003, at a banquet hosted by the National Mining Association, and the award winners were 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 to both the United Minerals Company and Black Beauty Coal Company, for working together to create exemplary wetlands at the Deer Ridge Mine.

In the steeply rolling hills and deep valleys of rural Pike and Warrick Counties in Indiana, this reclamation resulted in 44 shallow wetlands covering approximately 160 acres. They range in size from less than one to more than 20 acres, and all have variable water depths.

In addition, there are now 72 permanent impoundments covering approximately 246 acres. Many of the impoundments were constructed with remnant standing timber that provides protected bird nesting sites.

Although many of the reclamation techniques are not unique to the mining industry, the quality and extent of the project leaves a valuable wetland resource.

**National Awards:**

■ The Drummond Company Cedrum No. 4 Mine, located in Townley, Alabama has many unique aspects that make it one of the best in 2003.

Extensive mitigation of premining natural areas was accomplished by constructing wetlands that now provide a diverse plant and animal community.

Following mining 2,600 feet of stream was replaced and improved to provide additional habitat for the endangered flattened musk turtle.

Four cemeteries were located on the property. They were not disturbed and are all integrated into the landscape.

Today, without any trace of coal mining this land provides a rich wetland and a pastoral Alabama landscape that is even more diverse than the surrounding unmined areas.

■ The Peabody Energy, Caballo Mine, located just south of Gillette, Wyoming in the Powder River Basin, mines over 21 million tons of coal per year using the truck and shovel mining method.

Reclamation has returned the land to a livestock grazing and wildlife habitat. Small ponds were constructed replacing wetlands that were eliminated during mining. These areas are an oasis for water fowl and shore birds and provide a dependable source of water for the native wildlife.

Many natural premining features have been incorporated into the landscape. An outcrop of scoria, or coal outcrops that caught fire and burned, formed steeper slopes than

the surrounding terrain. Incorporated into the reclamation, these features retain the characteristic look of the Wyoming landscape.

■ TXU Mining Company's Monticello Mine reclamation in East Texas has shifted from predominantly agriculture to trees and native vegetation, resulting in the wildlife habitat becoming a significant percentage of the land use.

Reclamation at this 412 acre site included native grasses, pasture, hardwood trees, and ponds.

The area now contains all elements of food, water, and cover to support and perpetuate resident as well as migratory wildlife. The establishment of a tall grass prairie adds to the very small amount remaining in the country.

Twenty-two different species of trees were planted with upland and bottomland oaks emphasized around the wetland areas. They provide both fast growing cover and wildlife corridors.

In the years to come this vegetation will continue to grow and enhance this reclaimed Texas landscape.

■ Located at the southern end of the Powder River Basin, Kennecott Energy's Antelope Mine has produced over 169 million tons of coal since it began operations in 1984.

Field studies have indicated that the Mountain Plover, a migratory bird under status review, has a strong affinity for black-tailed prairie dog colonies at the mine. As a result, part of the reclamation plan includes establishment of artificially constructed colonies of prairie dogs.

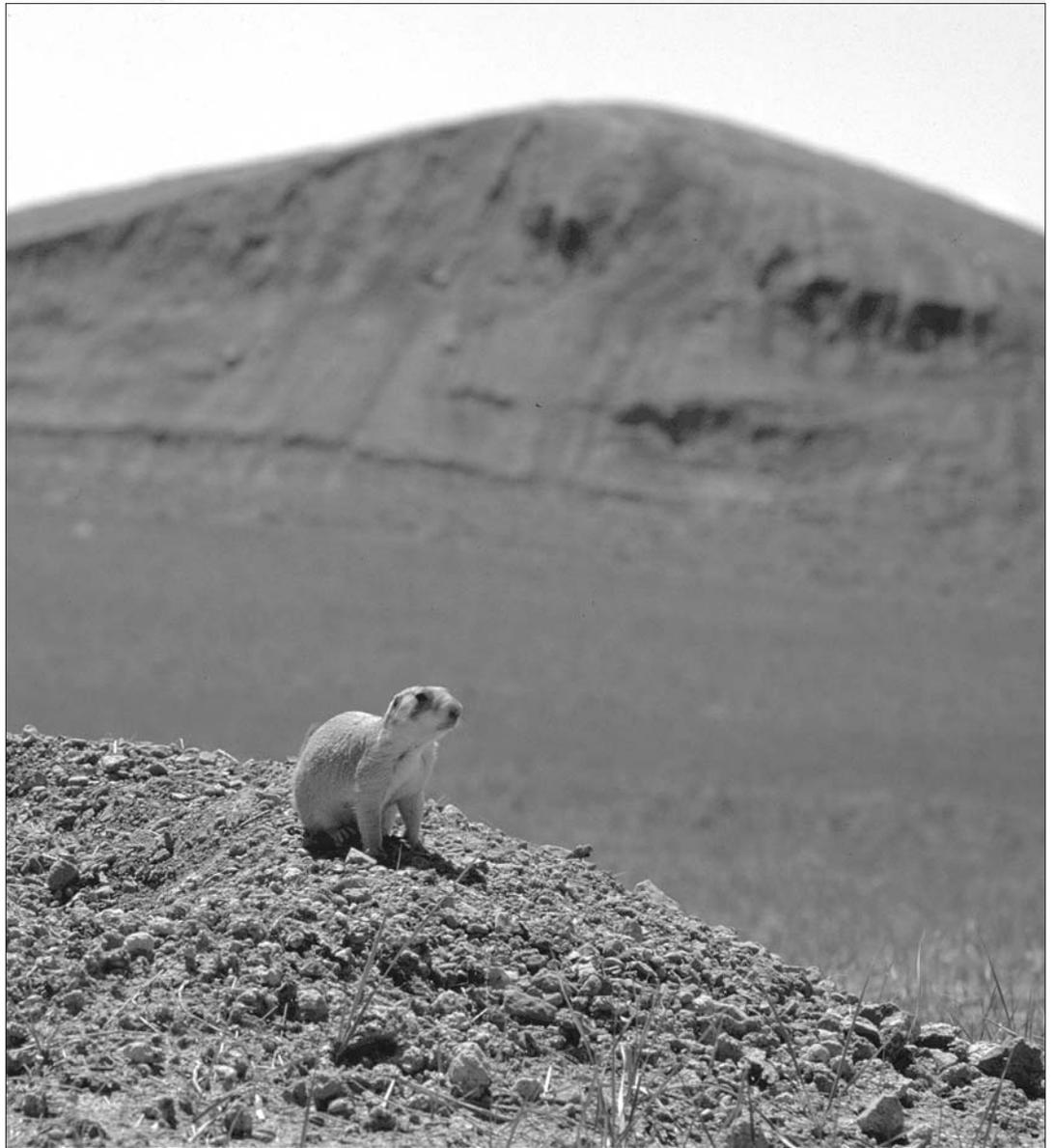
Before trapped animals were moved to the reclaimed land, burrow tunnels and chambers were constructed. Plywood boxes lined with grass nests were set in the ground and corrugated four inch plastic pipe used for the burrow tunnels.

Since relocation the prairie dogs have also dug natural burrows.

This innovative relocation work shows that reclaimed mine lands can be used to enhance wildlife habitats and increase long-term survival of the native species.

■ Castle Gate Holding Company, Castle Gate Mine is located in a steep, mountainous canyon near Price, Utah, underground coal mining started in the 1880's. Before reclamation, the site contained buildings such as a coal cleaning plant, bath houses, and truck loading facilities. The buildings and old equipment were removed along with large quantities of coal refuse.

The entire area was covered with soil and graded to include small basins about four feet wide and two feet deep. This prevented water runoff and eliminated the need for hundreds of feet of silt fence.



Wildlife does not usually come to mind when people think of coal mining. However, many companies include wildlife habitats into the reclamation and reestablish or even improve wildlife habitats. At this reclaimed Wyoming mine site a prairie dog colony was successfully relocated. This relocation was primarily to provide a home for the mountain plover, a bird that is currently under status review by the U.S. Fish and Wildlife Service and lives in close proximity to prairie dog colonies. At this site, both the prairie dogs and mountain plovers are living on the reclaimed land, and prairie dog predators such as golden eagles, coyotes, badgers, bobcats, and red fox are seen on the reclaimed site.

Native grasses, forbs, and shrubs were planted, and there is a large increase in vegetative cover compared to undisturbed adjacent areas.

This is a great model for other sites with historic mine problems in dry, steep terrain. Today, it's a magnificent, picturesque mountain canyon.

■ Mining at the Consolidation Coal Company Burning Star No. 5 Mine from 1975 to 1989 required reclamation of 3,200 acres of land, an area that previously contained wetlands and prime farmland.

More than 148 acres were restored into wetlands. Depths up to 12 feet provide both shallow water for natural colonization by emergent, submergent, and floating vegetation, as well as deeper water that allows the aquatic species to survive the cold winters.

Riparian forests of cypress, river birch, pin oak, sycamore, and button bush now surround the wetland areas which are annually flooded.

In addition, approximately 1,400 acres of cropland was reestablished, providing feeding areas for resident and migratory wildlife.

■ The Squaw Creek Coal Company, Squaw Creek Mine, located near Chandler, Indiana, was reclaimed with a mixture of cropland, pasture land, forest, water impoundments, wildlife habitat, and a residential area.

At the suggestion of the Indiana Department of Natural Resources mine inspector, native species of grasses were used for the wildlife areas to add diversity and provide cover and food for grassland birds.

In 2000 the mining company purchased a special warm season grass drill for planting native grasses – Indian grass, big bluestem, little bluestem, and switch grass. These grasses produce hay crops, yield additional seed for planting natural grass areas, and provide wildlife with a unique habitat.

The value of the land to both the community and the land owners has been enhanced. It's an outstanding example of the opportunities land reclamation offers.

### ***Good Neighbor Awards:***

■ **Bronze Award:** Between 1988 and 2000 the Bridgeview Coal Company in Farmington, Pennsylvania mined and reclaimed just over 800 acres that is now actively farmed just as it was before mining.

The company and community continually worked together.

- A dangerously twisting township road was changed to a safe, reasonably straight road.
- The company donated a water truck to the local fire department and built a stock car racetrack that is the principle source of fund raising for the fire department.
- A ball field was constructed at the local park, and the company made their excavators and loader available for township use.
- A safe shooting range was built for a nearby hunting and shooting club.
- Culverts and drainpipes were installed, and township roads resurfaced.

The Bridgeview Coal Company, with community cooperation, mined the coal and reclaimed the land to the highest standards. And, throughout the operation the coal company was an integral part of the community.

■ **Silver Award:** The Vigo Coal Company constructed a 45 acre wetlands/flood control area at its Cypress Creek Mine in Boonville, Indiana.

Newspaper headlines tell the story. Historic coal mining had created continuous downstream flooding in Boonville, Indiana. Farmers had crop losses, the city's waste water treatment plant was frequently flooded, and roads were often not passable.

As part of its mine plan, Vigo hauled approximately 2 million yards of excess spoil to create the 250 acre-feet of storm water storage for the drainage system. Today the water discharge goes through a 36 inch diameter pipe, and a 15 foot wide grouted riprap channel acts as an emergency spillway.

The benefits to the community are obvious: downstream flooding has been eliminated and the integral wetland area is enjoyed by the community.

Vigo's good neighbor policy has had a Boon to Boonville.

■ **Gold Award:** Located just South of Monument Valley on the Navajo and Hopi Indian reservations, the Peabody Western Coal Company's Kayenta and Black Mesa Mines have reclaimed more than 12,000 acres, and made being a good neighbor part of everyday life for residents of the area.

- A supply of potable drinking water is available at two stands.
- 150 miles of local roads are maintained and graded by the company on a regular basis.
- There is a 24-hour emergency medical clinic, equipped with a modern ambulance.
- Peabody provides fence and homesite improvements as well as a water delivery service for homes and livestock.

For more than 30 years this good neighbor policy has helped many residents and established a unique company/community relationship.

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

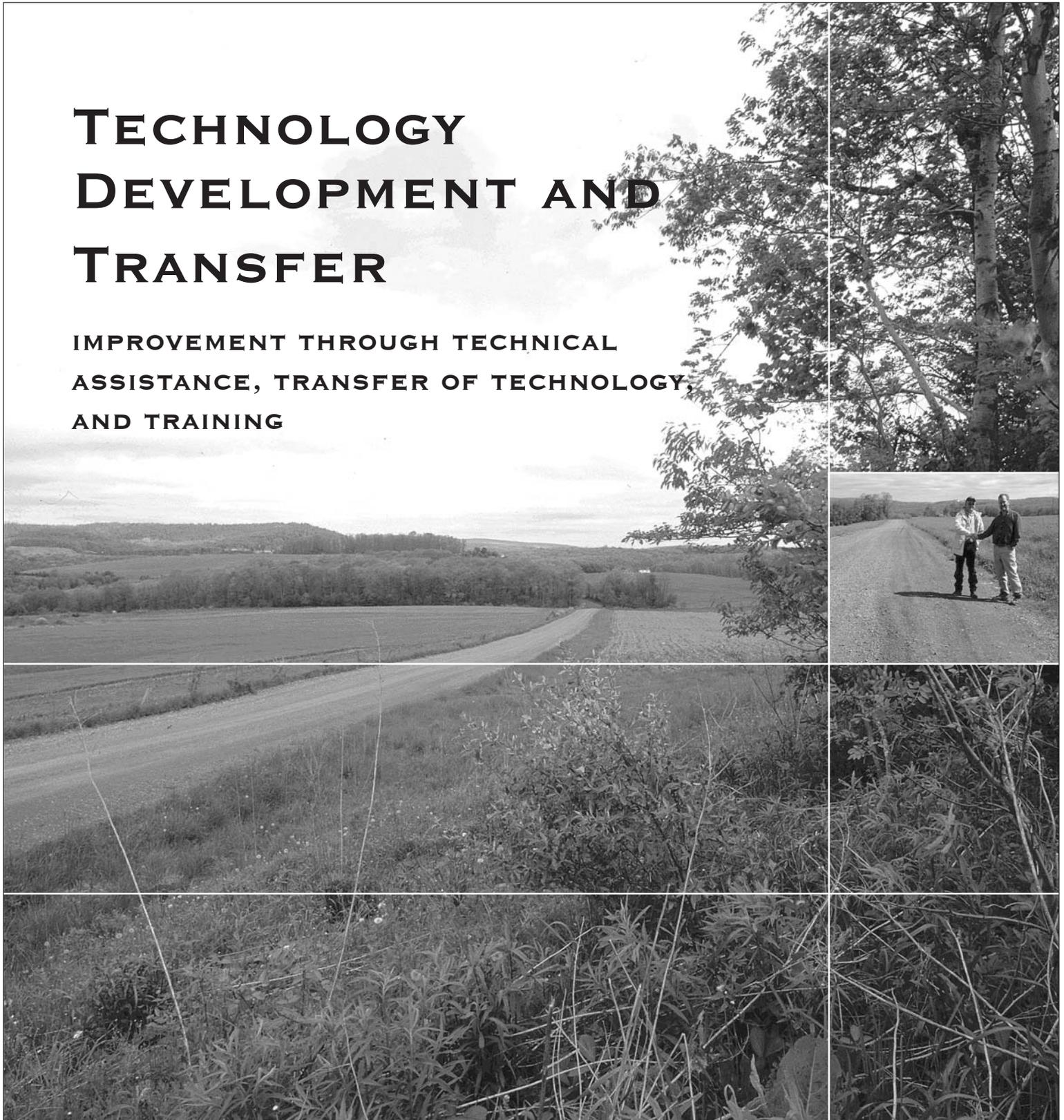
Since 1996, when the Office of Surface Mining began presenting annual awards for the best reclamation, it was evident that in most cases there were one or two individuals responsible for achieving the success. It was sometimes the mine manager, the reclamation specialist, or in one case a reclamation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

The 2003 award was presented to an individual who was responsible for reclamation that has not been easy and required continued testing and use of many new reclamation techniques. In each case the success can be attributed to personal foresight, initiative, and creative implementation--attributes that make this person a model in both the coal industry and government regulatory environment.

Accomplishing outstanding reclamation is always a balance between production schedules, costs, and desire for the best possible reclamation. The ability to make it all work while achieving award-winning reclamation was exemplified by the 2003 Best-of-the Best winner, Johnny Pappas, Environmental Engineer, Castle Gate holding Company, in Helper, Utah.

# TECHNOLOGY DEVELOPMENT AND TRANSFER

IMPROVEMENT THROUGH TECHNICAL  
ASSISTANCE, TRANSFER OF TECHNOLOGY,  
AND TRAINING



The Office of Surface Mining provides states, Indian tribes, federal agencies, and the coal industry with the technical information and tools they need to carry out their responsibilities under the Surface Mining Law. These activities include:

- providing direct *technical assistance* to address specific mining and reclamation problems;
- maintaining automated *systems and databases* used by others in making decisions under the Surface Mining Law; and
- transferring technical capability to others through *training, consultations, forums, and conferences.*

The goal is to help them develop the skills needed for solving problems on their own. In recent years, the Office of Surface Mining has been supplementing its traditional oversight presence with an increased emphasis on providing technical assistance and support to states and tribes.

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

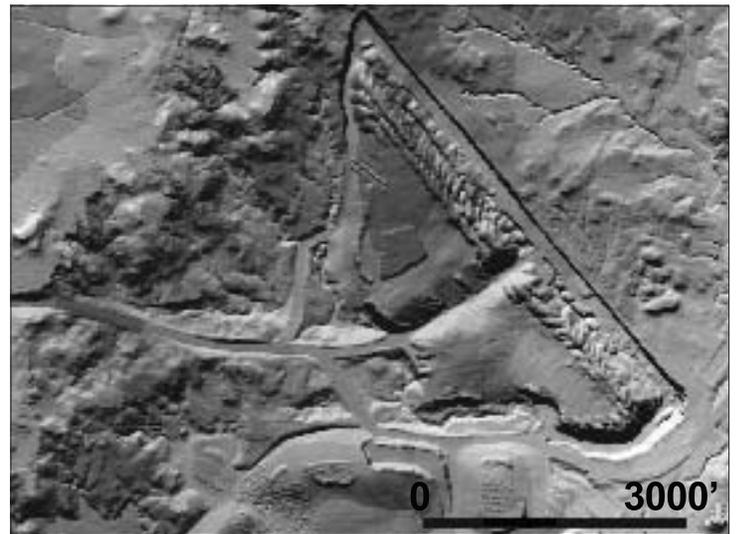
## Technical Assistance

### *Computer Tools and Services*

The Office of Surface Mining provides states regulators with a comprehensive set of analytical tools to aid in technical decision-making related to the Surface Mining

Law. The services provided are centered on off-the-shelf scientific and engineering computer hardware and software supported by the Office of Surface Mining in partnership with the states and tribes. This technical assistance has grown from a few applications available on a single specially designed shared workstation, to a suite of software on each user's desktop computer. Costs are held low through shared licensing of the software via the Internet.

Currently the assistance consists of Windows-based computers at state, tribal, and Office of Surface Mining offices with access to the licensed servers via the Internet and Office of Surface Mining Wide Area Network. The 19 commercially available software applications cover a wide range of regulatory and Abandoned Mine Land subjects.



High Resolution Airborne LIDAR data is used at the active surface coal mine to map topography. In this hill-shaded example, many details about the mining operation can be seen including regraded areas, topsoil stockpiles, spoil ridges, and the location of the active highwall. The LIDAR data is used to perform accurate volumetric analysis to verify bond compliance, surface water hydrologic flow, and volumes of topsoil. The Office of Surface Mining has used this data to support regulatory action at four western mines and to do abandoned mine land design work at five sites in Oklahoma.

(Left) Mining and reclamation at this Pennsylvania site between 1988 and 2000 resulted in outstanding reclamation and interaction between the company and community. Working closely with Jack Lewis, Warton Township Supervisor the mining company made many long-term improvements to the community. At this location a dangerously twisting township road was reconstructed to a safe reasonably straight road. Being a good neighbor to this mining company has included being part of the community and helping just the way neighbors do everyday.

During 2003, on average 115 customers use software provided by Technical Innovation and Professional Services each workday. The customer base is composed of over 700 desktop computers at 44 state, tribal, and Office of Surface Mining offices throughout the country. In 2003, personnel provided 7 software updates to each of the 44 customer sites as part of a semiannual service to keep the software tools up to date.

### ***Remote Sensing Technology***

In the western region, aerial and satellite imagery are an integral part of the regional geographic information system with quarterly updates acquired, processed, and provided to permitting and inspection staff. The inspectors routinely use this imagery to plan field visits, during consultations with mine operators, and when preparing maps for inspection reports.

The Office of Surface Mining assisted the Pennsylvania Department of Environmental Protection in developing a report entitled *Conventional Full Cost Bonding of Anthracite Mining Operations*. The Department of Environmental Protection received direct assistance in procuring aerial photography, Global Positioning System surveying, contour generation from the aerial photography, and earthVision modeling. The effort resulted in several revised bond amounts and a good methodology for use in other locations.

Use of high resolution digital aerial photography and satellite imagery are continuing to be used by state and Office of Surface Mining offices throughout the country. In 2003, the Office of Surface Mining provided imaging and mapping services on over 250,000 acres of permitted mining lands in seven states.

In June of 2003, a joint cooperative effort between Office of Surface Mining, Wyoming Land Quality Division, and Powder River Coal Company resulted in the initiation of a pilot project. Satellite imaging data was purchased and

will be used for resolving bond release and reclamation issues. This effort may lead to new techniques in streamlining effective bond release techniques.

### ***Mobile Computing***

During 2003, software running on mobile computing devices for both reclamation and regulatory applications was successfully tested in the states of Missouri, Indiana, Oklahoma, and Illinois. Mobile computing is the next step beyond Global Positioning System data collection. It uses full function computing hardware to implement field solutions.

Wyoming state and Office of Surface Mining inspectors verify slope angle, topsoil depth, and placement of wildlife habitat features in the field through the use of company-supplied digital maps. This verification is now done without the previous delays involved in downloading data to desktop computers in the office.

State reclamation experts are using mobile Geographic Information System technology in Alaska and Ohio to map reclamation project features and prepare bid documents for reclamation project design. The ability to create quick-turnaround, accurate maps has replaced costly surveying or hand-sketched maps previously used to prepare these documents. The Office of Surface Mining will continue to support this technology and to move it into the day to day operations of regulatory and Abandoned Mine Land programs in 2004.

### ***Acid Drainage Technology Initiative***

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

The Coal Mining Sector of the Initiative directs and coordinates activities of Initiative partners. The

Interstate Mining Compact Commission, representing Eastern and Midwestern coal-producing states, and the National Mining Association, representing the U.S. coal industry, are also participants. The National Mine Land Reclamation Center at the West Virginia University serves as the central location for Acid Drainage Technology Initiative activities and related technology transfer. While the focus of the Initiative initially was on the coalfields of Appalachia, the scope was expanded when the Metal Mining Sector Work Group was formed in 1999 to include Western and other hard rock mining.

The Office of Surface Mining has been funding this initiative at approximately \$200,000 per year. During 2003 this funding was used for field verification of acid mine drainage prediction; monitoring and follow up evaluation of acid mine drainage passive treatment systems; the printing of additional copies of the *Handbook of Technologies for Avoidance and Remediation of Acid Mine Drainage*; and continuation of work on standard Acid Drainage Technology Initiative kinetic testing protocols used in evaluating acid mine drainage potential, monitoring the performance of in-situ drainage treatment systems, evaluating methods of identifying selenium in geologic and overburden materials, and evaluating methods to remove selenium from drainage water.

### **Slurry Impoundments**

Since 1996, there have been four breakthroughs from coal preparation plant slurry impoundments into underground mines. The National Research Council of the National Academies of Science conducted a study on preventing coal waste impoundment failures and breakthroughs and released a report on that study in October 2001. The report included several recommendations for joint work by the Office of Surface Mining and the Labor Department's Mine Safety and Health Administration to minimize the potential for future breakthroughs. The Office of Surface Mining and Mine Safety and Health Administration established a joint technical committee to

facilitate ongoing coordination. In addition, several ad hoc technical working groups were developed to prepare responses to the specific recommendations contained in the National Research Council report. These groups, which also involved representatives from state regulatory authorities, prepared a report to Congress, which was released on August 15, 2003 (See [www.osmre.gov/pdf/coalwastereport081503.pdf](http://www.osmre.gov/pdf/coalwastereport081503.pdf) for a copy of the report). In addition during 2003, the Mine Safety and Health Administration hosted a one-day technical meeting on the use of geophysical methods for identifying underground mine voids and the Office of Surface Mining along with the Mine Safety and Health Administration hosted a three-day interactive forum on geophysical methods.

### **Revised Universal Soil Loss Equation**

For the second consecutive year the Office of Surface Mining distributed, a CD-ROM package containing *Guidelines for the Use of the Revised Universal Soil Loss Equation (RUSLE) on Mined Lands, Construction Sites, and Reclaimed Lands*, for the public domain RUSLE Version 1.06, along with the software. The upgraded software now operates in WINDOWS 2000 and XP environments. The guidelines are providing information for maximizing the accuracy of soil-loss prediction estimates, recommending procedures ensuring soil-loss estimates calculations that are generally reproducible, and identifying critical areas for future research. In its outreach, the Office of Surface Mining is modifying the above RUSLE Guidelines to complement the new Department of Agriculture's RUSLE 1.06c software, and the Agriculture Department has incorporated the Office of Surface Mining Guidelines into their version of RUSLE 2.0 for agricultural purposes.

### **Coal Combustion By-Products**

The Office of Surface Mining has continued to be involved in several Coal Combustion By-Product related activities, including technology transfer, rulemaking

efforts by the Environmental Protection Agency, and research efforts by the Energy Department's National Energy Technology Laboratory.

During 2003 the Office of Surface Mining also provided extensive technical and regulatory guidance on by-product placement at coal mining sites to the Interstate Mining Compact Commission for its State/Federal Initiative that is building a state consensus on Coal Combustion By-Products regulatory guidance. In support of by-product research activities, the Office of Surface Mining actively participates on the Energy Department's Combustion By-Products Recycling Consortium national steering committee that evaluates and makes recommendations for funding of Coal Combustion By-Products research. For additional information on by-product placement at mine sites see [www.mcrcc.osmre.gov/ccb](http://www.mcrcc.osmre.gov/ccb).

### ***Bat Conservation and Mining***

The Office of Surface Mining has worked to protect the populations and habitats of bats associated with mining since 1998 when a Memorandum of Understanding was signed with Bat Conservation International. During 2003, the Office of Surface Mining began planning for its third technical forum on bat conservation and mining. The subject of this forum is Protection of the Endangered Indiana Bat associated with Coal Mining. The Office of Surface Mining has also continued its efforts to produce a "state-of-the-art" manual on Bat Gate Design for distribution by Bat Conservation International and the U.S. Fish and Wildlife Service during 2004. The manual will include 41 presentations on why bats and their habitats need protection, how to plan for a mine or cave closure project, how to design specific bat friendly closures, how to manage the construction of a bat friendly closure, and how to maintain a closure structure and monitor the effects of that closure on bat populations. A Bat Conservation and Mining information is available at, [www.mcrcc.osmre.gov/bats](http://www.mcrcc.osmre.gov/bats).

### ***Reforestation***

The Office of Surface Mining has sponsored outreach and technology transfer events and many technical and policy forums to promote a market-based approach to reclaiming mined lands and increasing carbon storage through reforestation. The environmental and economic benefits of this approach include higher quality reclamation, an increase in the number of sites reclaimed, economic opportunities including employment for local communities, aesthetic and recreational improvements, sale of forest products by landowners or lessee, and the opportunity for reporting carbon reductions through sequestration in forests. This activity is of interest to mining companies, electric utilities, land management companies, environmental organizations, and provides the opportunity to promote ecologically diverse balanced forest ecosystems.

The Office of Surface Mining's Reforestation effort embraces all the aspects of Secretary Norton's philosophy of partnering by working with state agencies, coal and electric utility companies, schools and universities, local communicators, conservation groups, and other federal agencies to achieve her 4Cs goal. The market-based approach to our reforestation initiative maximizes opportunities and incentives for partnering among various groups such as companies who have a special interest in planting and monitoring trees to measure carbon sequestration, water quality enhancement, and the use of coal by-products as plant growth stimulants. Reforestation also fosters environmental stewardship. In one instance, the Office of Surface Mining partnered with a coal company and a high school environmental science class. Students learned the basics of forestry, tree identification, and surveying and then assisted with statistical sampling and data collection to document survival and growth rates. This sampling will continue on an annual basis for the next ten years. In some states, the Office of Surface Mining is working with the coal industry to encourage reforestation in a manner that is in



Located in the heart of the Powder River Basin, this mine operates on a 12,150 acre permit and has removed more than 345 million tons of coal since it began in 1978. Reclamation includes reestablishing the gently rolling prairie landscape and vegetation that existed before mining began. In addition, wetlands that were disturbed during mining have been replaced. In this dry climate the water habitat provides protection for waterfowl and is an outstanding habitat for wetland plants and animals. The quality of this reclamation reflects the intent of the Surface Mining Law to minimize the adverse impacts of coal mining on fish and wildlife habitats and to enhance those environmental values where possible.

line with that state's established guidelines. The goals of other reforestation projects involving states and universities include demonstrating the technical and economic feasibility of reclaiming mined land to forest, and research on environmental practices concerning innovative reforestation techniques.

An Outreach Packet outlining the benefits of reforestation and designed to attract the attention of these potentially interested parties has been published and is available for downloading at [www.osmre.gov/market-basedindex.htm](http://www.osmre.gov/market-basedindex.htm). A more technical manual is being developed and will become available in 2004. A ten minute video, *Reforestation: Build a Forest for the Future*, is also available. This video explains the forestry reclamation approach technology useful to creating successful and productive forest land on reclaimed mine sites.

For additional information on the Office of Surface Mining's Reforestation Initiatives, see [www.mcrcc.osmre.gov/tree](http://www.mcrcc.osmre.gov/tree).

### ***International Activities***

During 2003, the Office of Surface Mining and its state partners continued to work with the Indonesian Ministry of Energy and Mineral Resources to provide assistance in the reform of mining policy and the improvement of mine environmental management in Indonesia. The Ministry is continuing to decentralize many of its operations and responsibilities to lower levels of government, and the Office of Surface Mining is providing training to promote the implementation of decentralization activities.

As in previous years, the United States Agency for International Development provided the Office of Surface Mining with one hundred percent funding for its activities in support of technical assistance to the Ministry.

The model of Cooperative Federalism found in the Surface Mining Law is being used as a point of departure for helping the Ministry train local government officials in the many functions that make an effective mine regulatory program. As in previous years, the Office of Surface Mining has continued to rely upon personnel from state regulatory authorities to provide the expertise and technical capacity to train and otherwise assist Ministry and local government officials in their new tasks. The highly visible role of the state regulatory authorities in the project has been important in demonstrating to Ministry officials how national and regional government personnel can work together to produce positive results. Joint teams of federal and state experts have carried out most of the project's activities.

In October, a team of federal and state personnel from the regulatory authorities of Kentucky and Pennsylvania presented a course on principles of mine inspections to trainees from local and provincial governments in Kalimantan, Indonesia. Students from several provinces and local governments throughout the Indonesian archipelago attended the course, which included extensive fieldwork at mine sites in East Kalimantan.

Because of the uncertain situation in Indonesia following the violence in Bali, Office of Surface Mining international activities in Indonesia were suspended until May 2003. The activities resumed with the visit of a seven Indonesians to the United States for the purpose of learning how the federal and state regulatory programs work together to improve mining operations and protect the environment. With the assistance of personnel from the Maryland, Pennsylvania, and Colorado Regulatory Authorities, the visitors were provided with an extensive background in the key elements that contribute to a successful regulatory program. The delegation met with state regulatory program officials, visited a number of active mine sites, and were briefed by officials from other federal agencies which worked with the Office of Surface Mining and state regulatory authorities.

The Office of Surface Mining's and the states' successful program of training Ministry and local agency officials in the suppression of coal seam fires led to international media attention for the efforts of the project to eliminate hazardous fires and protect the habitat of threatened species such as the orangutan. The Project Director and other officials involved in the project presented a paper on the program's accomplishments at the February 2003 annual meeting of the American Association for the Advancement of Science.

## **Systems and Databases**

### ***Applicant/Violator System***

One of the underlying principles in the Surface Mining Law is that those who conduct mining are responsible for returning the land and water to productive use. Section 510(c) of the Law prohibits the issuance of new permits to applicants who own or control operations with unabated or uncorrected violations.

The primary purpose of the Applicant/Violator System is to provide state regulatory authorities with a central database of application, permit, ownership and control, and violation information. Federal and state officials review Applicant/Violator System data when evaluating the applicant's eligibility for new permits. The system is also used to determine the eligibility of potential recipients of Abandoned Mined Land reclamation contracts and for inspection and oversight purposes.

Access to the system is available to the public, coalfield citizens, coal companies, and industry representatives through the use of communications software distributed (free of charge) by the Applicant/Violator System Office in Lexington, Kentucky. Upon request, this office provides system users with demonstrations and training, often tailored to meet the specific needs of the target audience, on how to access and interpret system information.

During the first three quarters of this reporting year, the Office Surface Mining responded with quality reviews for 3,055 requests for Applicant/Violator System data evaluations from state and federal regulatory authorities and state abandoned mined Land Program officials. The Office Surface Mining collected and/or settled payments of civil penalties and reclamation fees in the amount of \$1,467,297 due, in part, to violation information in the system. For this same period, customer satisfaction ratings averaged 98 percent, making this the fifth consecutive year that the Lexington office has received extremely high customer satisfaction ratings.

Over the next two years, the Office of Surface Mining will be expanding and improving the Applicant/Violator System. In order to bring the now nine-year-old system into the modern "E-gov" generation, the system is being rewritten/redesigned and changed from a software dependent system to an enhanced web-based service.

General information about the system, including access and user information, instructions for obtaining access software, and how to obtain customer assistance, can be found at [www.avs.osmre.gov](http://www.avs.osmre.gov).

### ***Geographic Information System Databases***

Development of Geographic Information System databases continues to be a priority in the Western Region. Personnel are taking both map and tabular data from mining operations and placing it into databases. This enables reviewers to bring up any of the permit application data on the computer screen for quick reference and analysis. It also allows reviewers to combine data for detailed analyses.

In 2003, the Knoxville Field Office continued development of its Geographic Information System. Coal mining permit boundaries and geologic and hydrologic resources in Tennessee were added to the system. This information was used to conduct reviews of permit applications, conduct field inspections of coal

mining operations, support water quality inspections, and supply information used in the Mountain Top Mining and Valley Fill Draft Environmental Impact Statement.

### ***Technical Library Resource Center***

In 2003 the Office of Surface Mining Technical Library continued to actively publicize the URL [www.wrcc.osmre.gov/glas](http://www.wrcc.osmre.gov/glas) for access to the on-line catalogue by making it available through the Colorado Virtual Library ([www.aclin.org/](http://www.aclin.org/)). This was done to make it more widely known as a resource for information related to surface mining, reclamation, and other technical subjects in the mining and environmental protection field. The bibliographic records for the books and reports, along with a growing electronic media library, on-line searches, research services, and interlibrary loans enabled the librarian to respond to more than 335 requests from state regulatory agency staff, other federal agency staff, citizens, coal industry, consultants, and academics, in addition to fulfilling more than 240 Office of Surface Mining requests for information. An “Ask A Librarian” link for individuals to contact the Librarian directly, was a new feature initiated during 2003. The technical library plays a significant role in technology transfer in assisting with the dissemination of electronic information and publications to the Office of Surface Mining’s constituents.

## **Training, Consultations, Forums, and Conferences**

### ***National Technical Training Program***

The Office of Surface Mining continued its emphasis on providing technical assistance to the states and tribes by enhancing the technical skills of regulatory and reclamation staff. During 2003, 52 sessions of 33 different courses were offered (see Figure 5). In addition to regularly scheduled courses, in response to specific requests, special sessions of the Subsidence, Blasting and Inspection, and the Excess Spoil Handling and Disposal courses were held for West Virginia students.

**Figure 5**

Course Name	Sessions	Students
Acid-forming Materials: Fundamentals & Applications	1	22
Acid-forming Materials: Planning & Prevention	1	16
Acid Passive Treatment	1	15
Advanced Blasting: Investigations & Analysis	4	67
AML Design Workshop: Dangerous Openings	1	12
AML Design Workshop: Dangerous Highwalls	1	12
AML Design Workshop: Fires	1	13
AML Workshop: Subsidence	1	8
AML Realty	1	17
AML Reclamation Projects	1	24
Applied Engineering Principles	2	34
Basic Inspection Workbook	0	38 <sup>1</sup>
Blasting and Inspection	2	30
Bonding Workshop: Administrative & Legal Aspects	1	12
Bonding Workshop: Cost Estimation	1	19
Effective Writing	2	48
Enforcement Procedures	1	21
Erosion and Sediment Control	2	33
Evidence Preparation and Testimony	1	18
Excess Spoil Handling	2	46
Expert Witness	1	11
Historic and Archeological Resources	3	66
Historic and Archeological Resources: Refresher	1	16
Instructor Training Course	1	16
NEPA Procedures	2	48
Permit Findings Workshop	1	22
Permitting Hydrology	1	16
Principles of Inspection	2	35
Soils and Revegetation	2	39
SMCRA and the ESA: Implementation of the 1996 Biological...	2	56
Subsidence	3	72
Surface and Groundwater Hydrology	2	30
Underground Mining Technology	2	38
Wetlands Awareness	2	42
<b>Total</b>	<b>52</b>	<b>974</b>

1. Workbooks distributed



Approximately 50 percent of the U.S. surface coal mining production came from the Powder River Basin in Wyoming during 2003. In this region where the land is flat to moderately rolling and the mine sites are large, the overburden is excavated down to the coal seam using large equipment. Because very thick coal seams are mined, these operations disturb only a small amount of acreage per ton of coal mined. However, under the Surface Mining Law, they must reclaim the land and meet the same standards that all U.S. coal mines follow.

Additionally, a special session of the Principles of Inspection course was held for Alaska, and a special session of the Advanced Blasting course held for Kentucky. A new course, SMCRA and the Endangered Species Act, was offered for the first time to facilitate implementation of the 1996 Biological Opinion issued to the Office of Surface Mining by the U.S. Fish and Wildlife Service. This course, which was developed in conjunction with Fish and Wildlife Service and personnel representing the State Regulatory Authorities, provides information on how requirements of the Endangered Species Act are integrated into the Surface Mining Law permitting process. Another new course offering was Advanced Blasting: Investigation and Analysis of Blasting Effects. This course enhances student skills in gathering and analyzing blast-related information and will assist in resolving citizen complaints concerning ground vibrations, air blasts, fumes, and flyrock. Another recently developed course, Acid-Forming Materials AML Workshop, was designed to assist abandoned mine land students in the Midwest in reclaiming problematic areas. This course is currently being adapted for use by Eastern abandoned mine land experts. Modeling on the accomplishments of the highly successful state and tribal 2002 PHC/CHIA benchmarking session, the training program worked with the Interstate Mining Compact Commission to determine appropriate topics for future workshops. The initial workshop shared information about model State programs with the goal of adopting or adapting processes to more effectively delivering products and services (e.g., permitting) to customers. The Office of Surface Mining anticipates that additional workshops will be held in the near future with one on mine mapping planned for early 2004 and a second to be held later in 2004 on drilling and grouting on abandoned mine land sites or other reclamation technologies.

In line with the President's e-government initiative and in conjunction with the states, the Office of Surface Mining initiated development of a new on-line training course to provide students with basic information on acid-forming

materials prior to attending advanced acid-materials classes. This will result in better prepared students and more in-class time to address applications and advanced concepts. Some cost savings from reduced travel are anticipated as well. A new course, Passive Treatment Systems for Acid-Mine Drainage, was piloted in Summer 2003. The purpose of the course is to provide students with highly interactive information and exercises that can be used to evaluate the application of passive treatment in clean streams, abandoned mine lands, and active mining projects; estimation of treatment costs; development of actual treatment designs; and assessment of existing passive treatment projects. The audience for this course is permitting specialists, inspectors, and abandoned mine land specialists.

All aspects of the National Technical Training Program - from identification of training needs through course development and presentation - are cooperative efforts of state, tribal and Office of Surface Mining offices. This joint effort exemplifies Secretary Norton's 4Cs of cooperating, communicating, consulting with local agencies, all for the purpose of fostering good conservation practices. During 2003, there were 171 instructors - 50 percent from 15 Office of Surface Mining offices, 40 percent from 13 States, five percent from the Interior Department's Solicitor's Office, and five percent from other sources. The 52 class sessions, which reached 974 students, were presented in 29 locations in 15 states. State students accounted for 81 percent of students; tribal students for four percent; Office of Surface Mining students for 13 percent; and remaining two percent for other participants. The program's Government Performance and Results Act attendance goal of 900 students was exceeded by 74 students and the customer satisfaction rating of 96 percent exceeded the goal of 90 percent by 6 percent.

### ***Scientific and Engineering Software Applications Training***

Training of state, tribal, and Office of Surface Mining personnel in the practical application of analytical software is an integral part of the technical assistance. Instructor-led courses incorporate the reclamation experience of its instructors and students to provide a unique training experience. Training during 2003 totaled 415 students in 88 classes, compared to 2002 levels of 500 students in 59 classes. Eight instructor-led courses were held at customer sites with critical training needs for software use. The training program employed 43 different instructors in 2003; 20 of these were state program experts. The Government Performance and Results Act rating for this training satisfaction for 2003 was 91 percent. The four categories making up this score breakdown as follows: class satisfaction 88 percent, facility 89 percent, lead instructor 94 percent, and co-instructor 91 percent. New courses offered in 2003 included Global Positioning System hardware and software use in Abandoned Mine Lands, and courses in Geographic Information Systems spatial analysis, and remote sensing.

Additional E-training courses were offered to students in 2003. Thirteen on-line Geographic Information System courses were offered in multiple sessions through a contract with the Environmental Systems Research Institute Virtual Campus for basic geographic information system training. During the year 175 students participated in the Institute classes. By the end of 2003, 89 students had completed their courses, a completion rate of over 50 percent, well above industry e-learning training completion averages.

### ***Technical Workshops***

As a part of Billings Land Reclamation Symposium's joint meeting with American Society of Mining and Reclamation, the Office of Surface Mining sponsored and video-recorded the one-day Stream Channel Design

Reclamation Workshop – using the Fluvial Geomorphic Approach to Mined Land Reclamation.

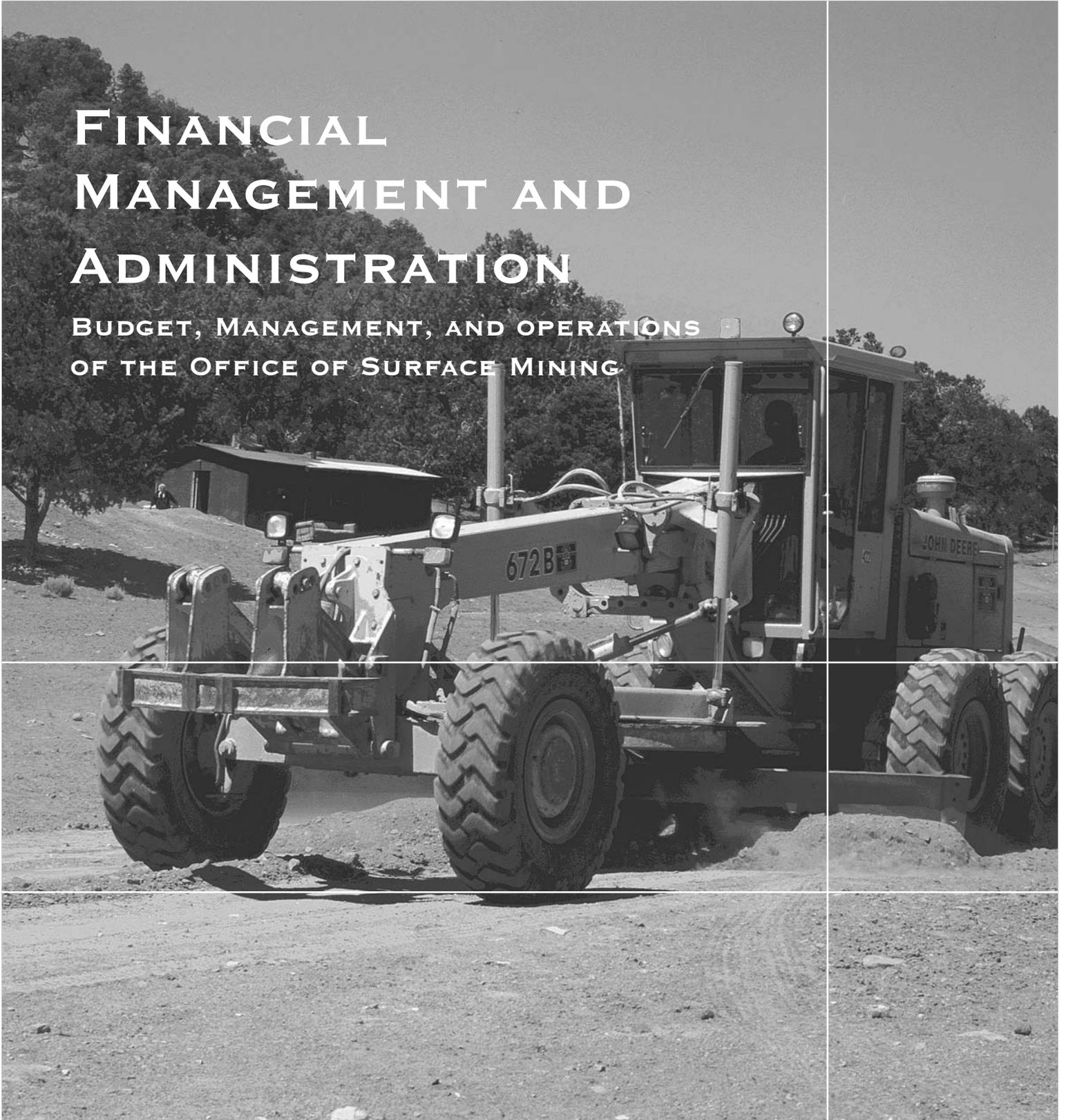
In addition, the Office of Surface Mining and the Environmental Protection Agency cosponsored three joint implementation coordination workshops related to the newly promulgated Environmental Protection Agency 40 CFR Part 434 subcategory of Western Alkaline Coal Mine Drainage and four related to the 40 CFR Part 434 Remining Operations subcategory.

### ***Bonding Assistance***

During 2003 the Office of Surface Mining contracted for on-site administrative bonding technical assistance by a Bonding Specialist who provided topic specific training to the states of Alaska, Colorado, Montana, New Mexico, Utah and Wyoming. In addition, all Western state bonding staff were notified about fraudulent bonds being issued by an illegal Florida agent, in addition to providing updates and advice on the U.S. Treasury Department's Circular 570 that identifies qualified surety companies.

# FINANCIAL MANAGEMENT AND ADMINISTRATION

BUDGET, MANAGEMENT, AND OPERATIONS  
OF THE OFFICE OF SURFACE MINING



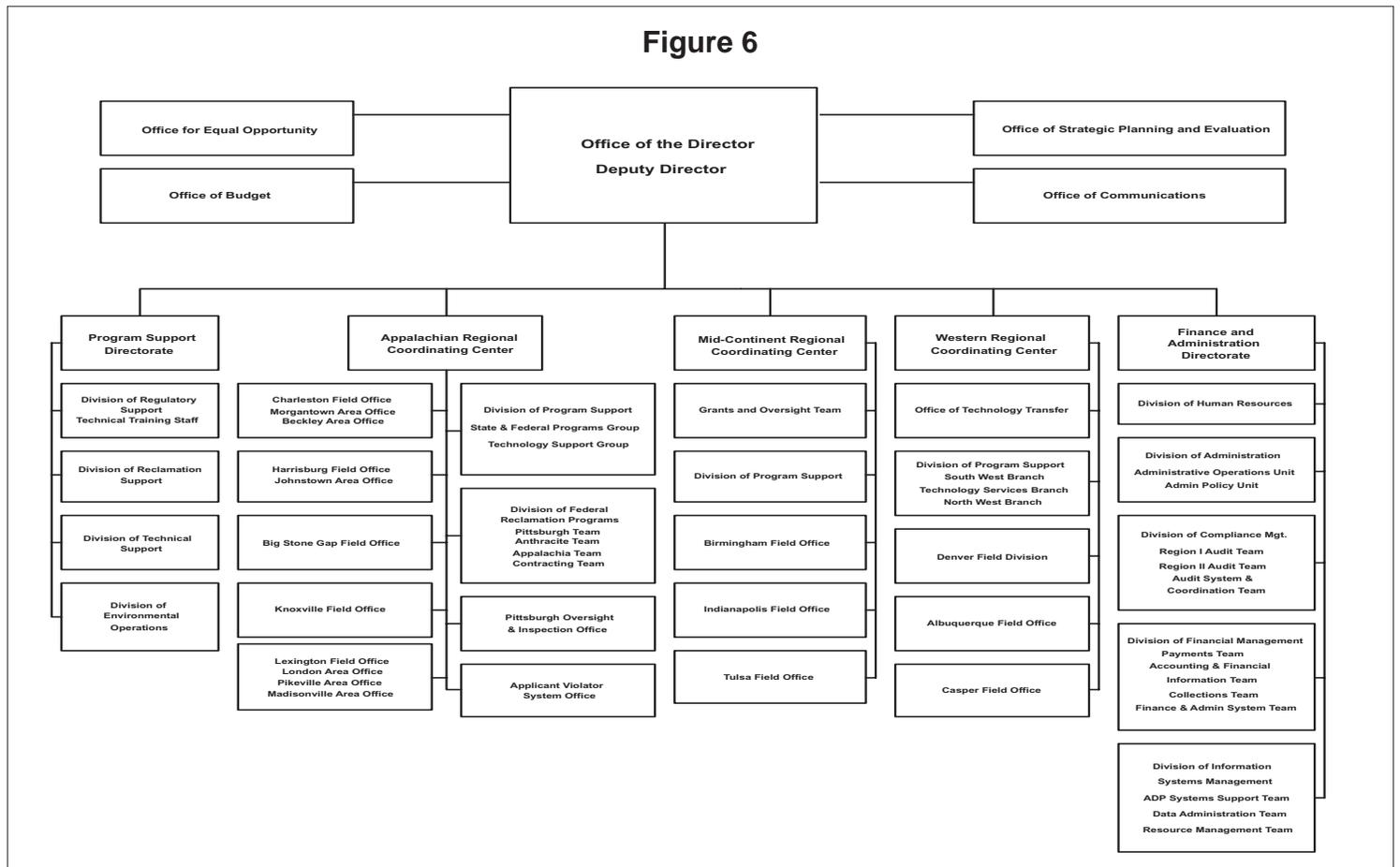
Since 1977, protecting the environment during coal mining and making sure the land is reclaimed after the coal is removed have been required by the Surface Mining Law. Making sure those requirements are met is the responsibility of the Office of Surface Mining. Functionally, the agency is organized around the two principal requirements of the Surface Mining Law: reclaiming abandoned mines and regulating active coal mining.

## Organization

The Office of Surface Mining is field-oriented, with headquarters in Washington, D.C. Three regional coordi-

nating centers (Pittsburgh, Pennsylvania; Alton, Illinois; and Denver, Colorado) provide technical assistance to the field offices, states, and tribes. Ten field offices (Albuquerque, New Mexico; Big Stone Gap, Virginia; Birmingham, Alabama; Casper, Wyoming; Charleston, West Virginia; Harrisburg, Pennsylvania; Indianapolis, Indiana; Knoxville, Tennessee; Lexington, Kentucky; and Tulsa, Oklahoma), and six area offices (Beckley, West Virginia; Johnstown, Pennsylvania; London, Kentucky; Madisonville, Kentucky; Morgantown, West Virginia; and Pikeville, Kentucky) located where coal mining is most active, are responsible for the on-the-ground regulation and oversight (see figure 6). The Office of Surface Mining also maintains a financial

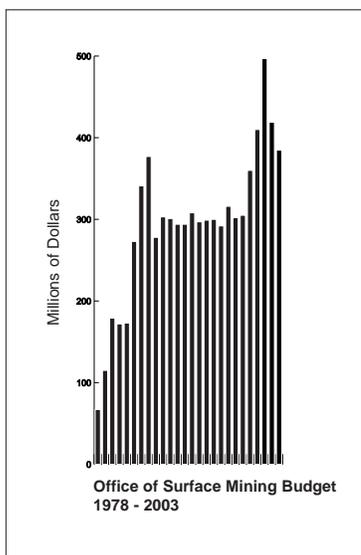
Figure 6



(Left) Mining on the Navajo and Hopi reservation has evolved into a close partnership between the company and the residents. One example is the extensive road system that spans more than 150 miles within and adjacent to the mine lease area. These roads provide access for mining vehicles and residents. The paved roads are maintained year-round and unpaved roads are graded on a regular basis.

management office in Denver, Colorado; an Anthracite Office in Wilkes-Barre, Pennsylvania; Appalachia Abandoned Mine Land Office in Ashland, Kentucky; and Oversight and Inspection Offices in Columbus, Ohio and Olympia, Washington.

## Budget and Appropriations



The Department of the Interior and Related Agencies Appropriations Act of 2003 (Public Law 108-7) appropriated

\$105,092,000 from the General Fund for the Office of Surface Mining's regulation and technology activities

(\$2,292,000 more than 2002). Also, \$191,745,000 was made available for obligation from the Abandoned Mine Reclamation Fund (\$11,710,000 less than 2002). That same public law reduced \$683,098 and \$1,246,343 from the Regulation and Technology and the Abandoned Mine Land appropriations respectively for the purpose of a "government-wide" reduction. And, as authorized by Public Law 108-7, \$89,858,283 of interest was transferred to the United Mine Workers of America Combined Benefit Fund (see Table 13).

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

	2003	2002
<b>Regulation &amp; Technology</b>		
Environmental Restoration	160,947	157,400
Environmental Protection	78,644,467	77,743,965
<i>Regulatory Grants</i>	(57,200,763)	(56,575,000)
Technology Development & Transfer	12,511,146	12,549,616
Financial Management	481,847	445,037
Executive Direction & Administration		
<i>Executive Direction</i>	(2,401,289)	(2,346,529)
<i>Administrative Support</i>	(4,249,200)	(3,995,441)
<i>General Services</i>	(5,960,006)	(5,521,012)
Subtotal:	104,408,902	102,759,000
<b>Abandoned Mine Reclamation Fund</b>		
Environmental Restoration	16,501,042	27,112,000
<i>Reclamation Grants</i>	(158,547,698)	(159,585,000)
Environmental Protection	0	0
Technology Development & Transfer	2,649,665	4,118,000
Financial Management	6,138,836	6,070,000
Executive Direction & Administration		
<i>Executive Direction</i>	(1,304,465)	(1,269,100)
<i>Administrative Support</i>	(2,173,778)	(2,160,900)
<i>General Services</i>	(3,183,174)	(3,122,000)
Subtotal:	190,498,658	203,437,000
Legislated Office of Surface Mining Budget	294,907,560	306,196,000
Legislated Transfer to United Mine Workers Fund	89,858,283	113,681,198
<b>Total</b>	<b>384,765,843</b>	<b>419,877,198</b>

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

The 2003 Regulation and Technology appropriation included the following provisions:

- Where the Office of Surface Mining is the regulatory authority, proceeds of performance bonds forfeited under Section 509 of Surface Mining Law can be used to reclaim lands where the mine operator did not meet all the requirements of the Law and the permit. In 2003, this resulted in revenue collections of \$22,073.
- Federal civil penalties and related interest collected under Section 518 of Surface Mining Law can be used to reclaim coal mine lands abandoned after August 3, 1977. In 2003, \$97,320 in civil penalties was collected. Of that amount, \$96,413 (base penalty and interest) was deposited

into the Civil Penalty Fund for reclamation purposes, while \$907 (penalties and administrative charges) was transferred to Treasury. During 2003, \$80,965 from this fund was obligated for post-Surface Mining Law reclamation projects.

- State regulatory program grants were funded at \$57,575,000 which was \$1,000,000 more than 2002. These grants are used to fund state regulatory program payroll and other operational costs.

The Abandoned Mine Land appropriation included the following provisions:

- State reclamation grants were funded at \$159,585,000, which was the same amount appropriated in 2002.

- Expenditures up to \$10,000,000 were authorized for supplemental grants to States for the reclamation of abandoned sites with acid rock drainage through the Appalachian Clean Streams Program.

- 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 2002.

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

All appropriation provisions were met.

## Financial Management

The Office of Surface Mining financial management includes three principal activities: Fee Compliance, Grants Management, and Revenue Management.

### *Fee Compliance*

Fee Compliance includes the collection, accounting, audit, investment of Abandoned Mine Land Reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee issues. During 2003 direct program costs were only about two percent of collections.

The current balance owed by coal companies is \$3,002,726. Of this amount, the Office of Surface Mining assigned \$745,789 to the Office of the Solicitor for legal action and referred \$300,700 to the Department of Treasury because the Office of Surface Mining had exhausted all debt collection avenues. The remaining \$1,956,238 is going through the appeal process, payment plans, or initial debt collection procedures. Table 14 summarizes collections management. Although the Office of Surface Mining is working to eliminate noncompliance, some level of noncompliance will probably always occur as a result of company errors and financial difficulties.

**TABLE 14: COLLECTIONS MANAGEMENT**

Category	Amount Collected	Balance Owed
AML Fees <sup>1</sup>	\$282,554,597	\$2,728,591
Civil Penalties	\$97,320	\$274,135
Administrative	0	0
<b>Total</b>	<b>\$282,651,917</b>	<b>\$3,002,726</b>

1. Abandoned Mine Land Fees & Audits

### ***Grants Management***

Grants management includes the accounting, disbursement, and reporting on grants awarded to states and tribes for Abandoned Mine Land and regulatory grants. All states and tribes have remote access to the Office of Surface Mining or U.S. Treasury systems to request payments. They receive those payments the next business day. Grant recipients can also access on-line reports maintained by the Office of Surface Mining so they can track their grant activity. During 2003, the Office of Surface Mining provided \$239,981,073 of grants to the states and Indian tribes.

### ***Revenue Management***

Revenue management involves managing a variety of non-fee revenues and receivables that come from Office of Surface Mining's operations. These include the accounting and collection of revenue for civil penalties issued for mining violations, bond forfeitures by federally permitted mining companies, and fees for mine permit reviews and blaster certification training. During 2003, \$97,320 was collected in civil penalties. The amount collected is low due to the good financial condition of the companies that incur civil penalties, i.e. companies that are in good financial condition fix their violations and incur relatively small penalties.

### ***Administrative Accounting***

The Office of Surface Mining also performs accounting functions needed by program offices to implement the Surface Mining Law. This includes paying bills, accounting for expenditures, issuing financial management reports, assuring that expenditures are within allocations, collecting administrative debts, and maintaining computer systems that support these functions.

### ***Audited Financial Statements***

Since 1990, the Office of Surface Mining has prepared an annual financial statement, as required by the Chief Financial Officers Act of 1990 (Public Law 101-576). In 2003, KPMG LLP audited the financial statements included in this report and gave the Office of Surface Mining its 13<sup>th</sup> consecutive "clean" audit opinion. This means that Office of Surface Mining financial results are fairly stated and conform to generally accepted accounting principles for federal agencies.

### ***Cost Accounting***

The Office of Surface Mining continued to enhance its cost accounting in 2003, by providing fiscal year comparative data for each program, graphical representation of costs for all programs, supporting data depicting direct charges, overhead and allocation, and summary level program activities to facilitate cost comparison between offices and regions.

### ***Electronic Funds Transfer***

The Office of Surface Mining continued to emphasize compliance with the Electronic Funds Transfer provisions of the Debt Collection Improvement Act of 1996. The Office of Surface Mining transmitted 99.95 percent of vendor payments and 100 percent of miscellaneous payments electronically in 2003, for a total of 100 percent of all dollars paid.

### ***Integrated Charge Card***

During 2003 use of the Integrated Charge Card included 11,352 transactions and \$ 3,107,771 was spent, covering 14 percent of all vendor dollars disbursed.

### ***E-Government Initiatives***

The Office of Surface Mining is working on expanding electronic government, one of the President's five Management Agenda goals for improving federal management and delivering results that matter to the American people. Initiatives in this area include:

■ **Electronic-filing of quarterly Coal Reclamation Fee Reports (OSM-1 Forms).** Electronic filing can be accomplished using a website where coal companies file their quarterly Coal Reclamation Fee Reports (OSM-1 Forms). The E-filing system streamlines reporting, lowers costs, and reduces the dependency on paper-based processes. Currently approximately 27 percent of the companies file on-line, reporting 68.9 percent of the total reclamation fees.

■ **Treasury Department's Pay.gov.** Coal companies can also pay the quarterly coal reclamation fees to the Office of Surface Mining using the Internet. Companies schedule their payments using the Office of Surface Mining's E-filing system and Treasury's Pay.gov system. During 2003, 103 companies used Pay.gov to make payments of \$21 million or 30.6 percent of the reclamation fees collected.

■ **Single Source Coal Reporting.** The Office of Surface Mining modified its E-Filing website to allow companies to report excise taxes to the Internal Revenue Service, and safety and production data to the Mine Health and Safety Administration and the Commonwealth of Pennsylvania, while filing quarterly Coal Reclamation Fee Reports with the Office of Surface Mining. The system consolidates reporting to multiple agencies and reduces redundant reporting. Since the Single Source Coal Reporting pilot program began in January 2003, twenty-one companies have tested the system's various filing options. Of the companies that participated, 81 percent reported that it was either substantially easier to use than filing each form separately, or somewhat easier to use. Currently, the Single Source Coal Reporting option is available only through the pilot program. A comprehensive filing system is being evaluated under the Business Gateway Initiative led by the Small Business Administration.

## **Information Technology**

The Office of Surface Mining continues to use information technology to improve efficiency and provide accurate and up-to-date information. During 2003 the security of the agency's automated information systems and telecommunications network (including both the Wide and Local Area Networks) have been significantly improved. These improvements reduced security threats and improved the integrity of automated information systems through increased network perimeter security; issuance of an updated security policy; upgrading and purchasing additional security software; increased frequency of network security vulnerability scans; increased security training for management and staff; implementing a Virtual Private Network; and improving the password security policy. In addition, the agency has improved its firewall software, implemented better Intrusion Detection Software, met the Office of Management and Budget A130 requirements for certification and accreditation of information systems in Washington, D.C. Headquarters and the Financial Management office in Denver, Colorado, and is moving toward a common Enterprise Environment.

## **Human Resources Management**

### ***Automated Recruitment***

During 2003, the QuickHire Automated Recruitment, Rating and Ranking System (SMART), continued to be a significant tool for the Division of Human Resources. In 40 months of use the Office of Surface Mining has attracted over 11,000 applicants to its jobs despite being in a hiring freeze. Using this system more diverse candidates are being attracted. Currently, more than 40 percent are minority candidates and over 50 percent are women.

### ***Minority Recruitment***

The Office of Surface Mining continues to extend outreach to the minority community to gain a more diverse applicant pool and greater interest in working for

the Office of Surface Mining. Staff attended various minority based conferences and colleges and met with members of the minority community and minority business. Efforts were continued with the Interior Department to encourage a unified approach to attract more candidates and save the individual bureaus travel costs. This effort will be expanded in 2004 as part of the Bureau Work force Plan.

### ***Competitive Sourcing***

The Office of Surface Mining completed an analysis on 50 percent of the positions in its 2000 Competitive Sourcing Inventory using the Javitts Wagner O'Day preferred source program. In addition, the Competitive Sourcing Study results have been linked with the Work Force Plan and Competitive Sourcing Study is currently in the process of being implemented.

### ***Succession Planning***

As part of the succession planning process that was started three years ago, staff worked with the Interior Department's Human Resources Work force Planning subcommittee to develop plans for each division of the Office of Surface Mining.

Retirement calculations and counseling sessions continued during 2003, and 106 employees were eligible for immediate retirement, with approximately 70 percent being employed outside of Washington, D.C. Over twice that number are currently eligible for early retirement which means they will be eligible for immediate retirement within the next few years. Almost 80 percent of the second group are employed outside of Washington, D.C. Many employees requested multiple retirement calculations and associated actions, such as military payback, in order to prepare for and make decisions about retirement.

## **Monitoring Potential Conflicts of Interest**

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 conflicts with an employee's official duties. In 2002<sup>15</sup>, 611 Office of Surface Mining, 585 other federal, and 1,684 state employees filed financial disclosure statements. One violation was identified and resolved by the head of the state regulatory authority. In addition, 309 Office of Surface Mining employees received annual ethics training.

## **Labor Management Partnership**

The Office of Surface Mining maintains two labor-management agreements with the National Federation of Federal Employees -- Washington, D.C. headquarters Local 1993 and Albuquerque, New Mexico Field Office Local 2148. There are three other exclusive recognitions: the Casper Wyoming Field Office, Lexington Kentucky Field Office, and the Division of Compliance Management-Region II in Lexington, Kentucky.

## **Equal Opportunity**

The Office of Surface Mining instituted a hiring freeze, effective July 11, 2002. As a result, only limited improvement was achieved in the representation of women, minorities, and persons with disabilities. Nevertheless, there were encouraging improvements and during 2003, one Hispanic female was converted from a student position to a permanent employee, and 12 White females and 14 minorities were promoted. One of the promotions included an African American female to the GS-15 level. Prior to this promotion, excluding the Office of Surface Mining's Deputy Director, there were no African American females at the GS-15 or above level. In spite of these small but positive gains, separations continue to have a negative impact on the work force. For example,

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15. Data for 2002 are reported here because 2003 federal statistics will not be available until January 2004 and state statistics until May 2004.

29 employees left the Office of Surface Mining during the year. This included 10 White females and 4 minorities.

The Office of Surface Mining strives for a diverse work force that is free from illegal discrimination. As a result, pertinent Equal Employment Opportunity training has been provided to managers and employees throughout the year. The training, which focused on Diversity, Alternative Dispute Resolution (ADR), the prevention of Sexual Harassment, Sexual Orientation and Complaints processing, received positive feedback from the participants.

Alternative Dispute Resolution continues to play a major role in resolving informal complaints. As a result, more than a third of the employees that received training used it for conflict resolution. During 2003, only five employees were counseled due to allegations of discrimination. As in the past, this decrease in the Equal Employment Opportunity counseling can be attributed to training in conflict resolution skills. In addition to employees, all counselors received 32 hours of training in conflict resolution. This training enabled them to better address disputes raised by employees.

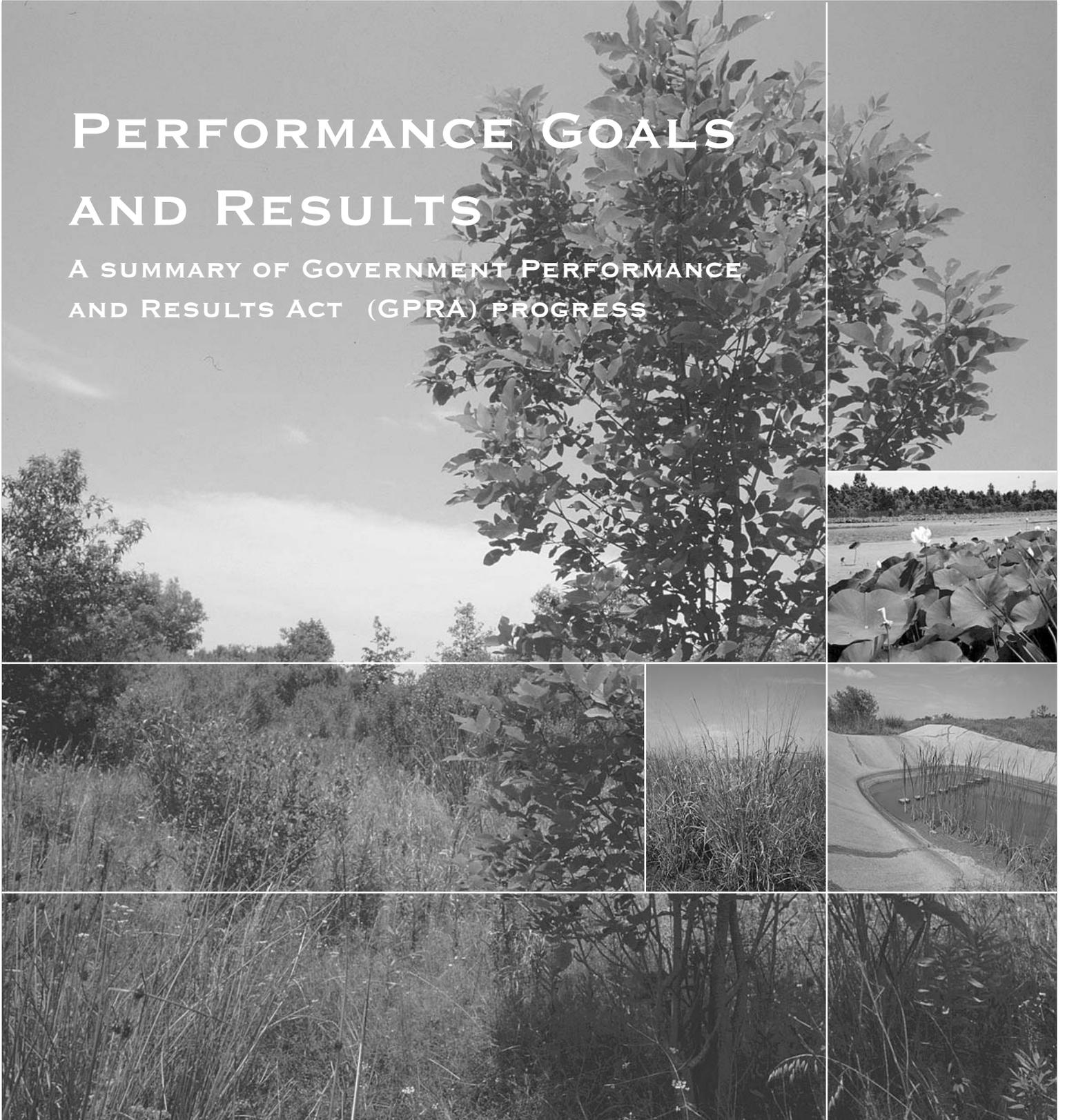
During the 2003, only two discrimination complaints were filed against the Office of Surface Mining. This number represents a 75 percent decrease over the previous year. This very impressive decrease can be attributed to a concerted management effort to resolve disputes at the earliest possible stage of the complaints process. At the end of the year the total case load was reduced by 43 percent.

In addition, during African American Heritage Month, the Office of Surface Mining sponsored an outstanding art exhibit titled, *Working in the Seams: An Initial Photographic View into African American Coal Culture of Southern Illinois*. The exhibit included more than 20 photographs and accompanying text which were

displayed in the main corridor of the Washington, D.C. Interior Department building. The exhibit was a cooperative effort by several researchers and photographers from Southern Illinois University at Carbondale and was well received by both the Interior Department employees and the public.

# PERFORMANCE GOALS AND RESULTS

A SUMMARY OF GOVERNMENT PERFORMANCE  
AND RESULTS ACT (GPRA) PROGRESS



The Office of Surface Mining's mission is to carry out the requirements of the Surface Mining Law in cooperation with states and tribes (see Figure 7). Our primary objectives are to ensure that coal mines are operated in a manner that protects citizens and the environment during mining, assures that the land is restored to beneficial use following mining, and to mitigate the effects of past mining by aggressively pursuing reclamation of abandoned coal mines.

In accordance with the Government Performance and Results Act of 1993 and associated Office of Management and Budget guidance, the Office of Surface Mining prepared an annual performance plan for 2003. The Surface Mining plan focuses on on-the-ground program accomplishments to be achieved in each of our core mission goal areas.

In addition, the Office of Surface Mining sought improved management efficiencies through implementation of the President's Management Agenda and Secretary's Norton's Citizen-Centered Governance Plan. These initiatives compliment the Government Performance and Results Act and focus on program performance by improvement in five key management areas: Strategic Management of Human Capital, Competitive Sourcing, Electronic Government, Financial Management, and Budget and Performance Integration. The link between the budget resources and program performance was strengthened with a revision of the Agency's cost management system to capture the full cost of programs.

Secretary's Norton's Citizen-Centered Governance Plan implements the President's agenda within the Department

## Figure 7

### Mission

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

### Vision

- In regulating active coal mining, we will maintain compliance at high levels and ensure that all mines are properly operated and promptly reclaimed to the standards established under the Law. We will emphasize prevention and ensure that long-term environmental problems do not occur. We will ensure that the premining productivity of the land is restored.
- In reclaiming abandoned mine lands, we will aggressively pursue reclamation with a primary emphasis on correcting the most serious problems related to public health, safety, and the general welfare. We will ensure maximum public benefit through the prompt and fair distribution of public funds.
- In cooperating with state regulatory authorities, the primary enforcers of the Surface Mining Law, and with tribes, we will promote a shared commitment to the goals of the Law. We will develop a comprehensive understanding of the fairness, effectiveness, and efficiency of the Surface Mining Law programs. We will provide constructive program reviews, oversight monitoring, and technical assistance that focus on results. We will act independently to protect the public interest in situations of imminent harm or when a state does not implement an approved regulatory program.
- In dealing with those who are affected by mining and reclamation, we will ensure the protection of citizens from abusive mining practices, be responsive to their concerns, and allow them full access to information needed to evaluate the effect of mining on their health, safety, general welfare, and property.
- In our relations with the coal industry, we will have clear, fair, and consistently applied policies and will respect the importance of coal production as a source of our Nation's energy supply.
- In all communications, we will maintain open, courteous, constructive, and timely dialogue and will use information to understand and improve our programs and those of our state and tribal partners.
- In demonstrating leadership in mining and reclamation, we will promote the development of the highest quality technical information and research and will seek the transfer of technology to those who would benefit.
- In meeting our responsibilities, we will be a diverse, competent, innovative, and highly-trained work force. We will serve with integrity, and demonstrate technical, legal, administrative, and professional excellence at all times. We will constantly strive to create a more responsive, efficient, and effective process for achieving the objectives of the Surface Mining Law.

(Left) Over the last decade, postmining landuse at this Texas mine has shifted away from predominantly agriculture and domesticated vegetation to tree-related uses and native vegetation. As part of this shift, wildlife habitat has become a significant percentage of the postmining land use. Several innovative practices were incorporated into the reclamation. Drop structures were designed to retain flood flow and enhance hydrology for wetland development. One wetland was constructed with shallow water depths and a concrete overflow structure to control water elevations. And, the revegetation integrated many species of woody and herbaceous plants on a relatively small habitat site.

of the Interior based upon the Secretary's vision of how the Department is to conduct business using the four Cs: Communication, Cooperation, and Consultation in the service of Conservation. In carrying out the mandates of the Surface Mining Law, the Office of Surface Mining continues to seek input from state and tribal partners, industry, citizens, and citizens groups. The development of the current suite of goals and measures was completed after extensive consultations with these partners and stakeholders in the mid-1990s. Starting in 2002 and continuing in 2003, the Office of Surface Mining is meeting with states and tribes to establish new measures which better reflect program performance. It is expected that these new measures will be reported on in 2004 and 2005.

Although the core mission has not changed in the 26 years since the passage of the Surface Mining Law, the coal industry itself has evolved and changed. New mining methods are being used to extract coal creating different environmental problems; a large amount of the coal industry has become consolidated with large mining corporations instead of the small "mom and pop" coal operations that were common in the 1960's and 70's. In addition, the day-to-day on-the-ground accomplishments are primarily due to program performance results achieved by the states and tribes, while the Office of Surface Mining's role has become more oversight and technical assistance.

The objectives of the Surface Mining Law are accomplished through our two mission goal areas; environmental restoration and environmental protection.

## **Environmental Restoration: Abandoned Mine Land Reclamation**

**Mission Goal:** To provide a cleaner and safer environment by reclaiming and restoring land and water degraded by past mining.

In order to report on program accomplishment toward the final desired outcome (i.e. results) – restore a safe and clean environment in order to protect people and property--the Office of Surface Mining developed intermediate measures as indicators of program success. The primary measure is the number of acres reclaimed. For reporting consistency, reclamation results for each of the hazard types (e.g., number of open shafts, miles of stream, feet of highwall) listed in the inventory are converted to acres. It is estimated that over 1.5 million acres of land have been disturbed and 11,500 miles of streams polluted by coal mining. Since 1977, over 180,000 acres of health and safety coal related problems such as underground fires, subsidence, landslides, open shafts, and highwalls have been reclaimed and over 493 miles of streams have been reclaimed.

### ***Performance Results***

The 2003 goal of 6,900 acres to be reclaimed through the Abandoned Mine Land Program achieved 94 percent and 6,539 acres were actually reclaimed. The acres reported reclaimed by states and tribes are usually completed two to four years after initial grant funding. Duration of projects varies due to project size, type of problem being addressed, and weather conditions -- this year having above average rainfall slowed project progress.

A component of the Abandoned Mine Land Program is the Appalachian Clean Streams Program which is designed to facilitate development of partnerships, in the form of cooperative agreements to private not-for-profit organizations, to undertake local acid mine drainage reclamation projects. The 2003 goal of 28 new agreements was exceeded and 37 new agreements were awarded. One factor affecting annual performance is the amount awarded for each agreement. If the average awards are greater than planned, less funding will be available reducing the total number of agreements awarded.

### ***Cost to Reclaim an Acre***

In accordance with the Statement of Federal Financial Accounting Standards Number 4 – Managerial Cost Accounting “outputs produced by responsibility segments should be accumulated and, if practicable, measured in units (and) the full cost should be assigned to outputs...”. Full costs include operating costs in addition to other costs such as depreciation, bad debts, and future funding expenses. To comply with this standard the Office of Surface Mining has computed the cost per acre reclaimed. In the 2002 Office of Surface Mining Annual Report the cost per acre was reported as \$19,897 based on 8,019 acres reclaimed. The 8,019 acres were estimated and when actual figures were received, the number increased to 8,606 acres, resulting in a cost per acre of \$18,540. For 2003, this cost is determined to be \$23,987 per acre, measured on a full cost basis.

### **Environmental Protection: Regulation of Active Coal Mines**

***Mission Goal:*** Protect people and the environment during current mining operations and to ensure that the land is restored to beneficial use after mining has ceased.

The Office of Surface Mining and state regulatory programs enforce performance standards of the Surface Mining Law for current mining. The law addresses protection of people, property, and the environment during current mining and restoring the land at the conclusion of the mining. Prior to 1977, there were no nationwide requirements for operators to restore the land following coal mining activities.

As with the Abandoned Mine Land Program, intermediate measures of program success have been developed. On-the-ground results are measured by the percentage of coal operations that are free of offsite impacts and by the acres released from Phase III Performance Bonds. It is the ultimate goal of the Surface

Mining Program to have 100 percent of mine sites free of offsite impacts. As part of each federal and state mine inspection, a determination is made as to whether any negative offsite impacts have occurred at the mine site. The goal of the Office of Surface Mining and state partners is to minimize offsite impacts at all mines.

### ***Performance Results***

The 2003 goal of 94 percent of mine sites being free of offsite impacts was not achieved by 1.2 percent as the actual percentage of sites free of offsite was 92.8 percent<sup>16</sup>.

The second measure for this goal is the number of acres released from Phase III Bonds, an indication that after mining, the permitted mine sites have been returned to a productive state that no longer poses safety or environmental threats. Phase III Bond releases are the number of acres that have been released as useful and productive land. The 2003 goal of 70,000 acres was not achieved by 9,359 acres as the actual acres released was 60,641<sup>16</sup>. Annual performance is dependent on mining operators filing application for bond release. Recent experience shows that reclamation is occurring, but that operators are not applying for bond release in a timely manner.

### **Program Assessment Rating Tool**

Improving programs by focusing on results is an integral component of the President’s budget and performance integration initiative. To achieve this end, the Program Assessment Rating Tool was developed and implemented by the Office of Management and Budget. The Program Assessment Rating Tool is a series of questions designed to provide a consistent approach to rating programs across the federal government. Programs are rated in four distinct areas: purpose and design, strategic planning, program management, and program results. The

16. Estimated statistic, see footnote 2, page 1 for a description of the methodology and Table 10 for acreage by state.

Office of Management and Budget identified approximately 20 percent of federal programs that were rated for 2004 utilizing the Program Rating Assessment Tool. For the Office of Surface Mining, the Abandoned Mine Land Grants Program was selected for review under this process. For 2005, an additional 20 percent of programs were assessed. For the 2005 review, the Office of Surface Mining had its Regulation of Surface Coal Mining Activities selected for review. The Office of Management and Budget, along with Interior Department and Office of Surface Mining staff conducted the review.

### United Mine Workers Combined Benefit Fund Program

Under Public Law 102-486 the Office of Surface Mining is required to transfer annually a portion of the interest earned from the Abandoned Mine Land Special Fund to the United Mine Workers of America Combined Benefit Fund.

### Performance Measures

The Office of Surface Mining determined meaningful performance measures for this transfer are not possible. Once the transfer is made (within five business days of the request by the United Mine Workers of America Combined Benefit Fund), the Office of Surface Mining has no authority over how the transferred money is used. In February 2002, the Office of Surface Mining requested an audit of these funds by the Inspector General's office to ensure that the transferred funds were used in accordance with the provisions of Public Law 102-486, and Public Law 95-87. The Office of Inspector General was unable to perform the review due to higher priorities. The Office of Surface Mining plans to resubmit the request for review in 2005.

**Figure 8**

**SUMMARY OF ANNUAL ABANDONED MINE LAND INTEREST COLLECTIONS AND TRANSFERS TO THE COMBINED BENEFIT FUND (CASH BASIS)**

As of September 30, 2003  
(in Thousands)

Year of Interest Collection	Interest Collection	1996 Transfer	1997 Transfer	1998 Transfer	1999 Transfer	2000 Transfer	2001 Transfer	2002 Transfer	2003 Transfer	Transfer To-Date	Interest Balance
1992	32,328	0	0	0	0	0	32,328			32,328	0
1993 - 1995	132,453	0	0	0	0	68,000	46,573	(23,253)	41,133	132,453	0
1996	69,384	47,184	0	(10,721)	9,554	(2,535)	3,413	4,688	17,801	69,384	0
1997	81,007		31,374	7,034	15,129	(4,240)	4,254	5,590	19,610	78,751	2,256
1998	67,031			36,249	9,495	7,961	3,896	5,049	1,580	64,230	2,801
1999	82,830				47,588	(2,708)	18,647	4,465	1,776	69,768	13,062
2000	94,369					42,482	5,231	21,317	970	70,000	24,369
2001	103,496						67,502	2,497	(48)	69,951	33,545
2002	43,278							70,000	(26,722)	43,278	0
2002	23,620								33,758	33,758	(10,138)
<b>Total</b>	<b>729,796</b>	<b>47,184</b>	<b>31,374</b>	<b>32,562</b>	<b>81,766</b>	<b>108,960</b>	<b>181,844</b>	<b>90,353</b>	<b>89,858</b>	<b>663,901</b>	<b>65,895</b>

**FINANCIAL STATEMENTS,  
NOTES TO FINANCIAL  
STATEMENTS, AND OTHER  
REQUIRED ACCOUNTABILITY  
REPORT INFORMATION**

## COMPLIANCE WITH LEGAL AND FINANCIAL REQUIREMENTS

The following provides information on OSM's compliance with:

- Federal Managers' Financial Integrity Act (FMFIA);
- Federal Financial Management Improvement Act (FFMIA);
- Other key legal and regulatory requirements

### Federal Managers' Financial Integrity Act (FMFIA)

The FMFIA requires agencies to annually provide a statement of assurance of the effectiveness of internal controls in achieving reliability of financial reporting, compliance with applicable laws and regulations, and reliability of performance reporting.

#### *Assurance Statement*

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



Jeffrey Jarrett, Director

### Management Control Review

The Office of Surface Mining conducted its annual assessment of agency programs and systems in accordance with the Federal Managers' Financial Integrity Act (FMFIA) and Office of Management and Budget circular A-123. FMFIA requires us to conduct periodic reviews of our programs and systems to provide reasonable assurance that management controls are in compliance with the applicable laws, regulations, and policies.

For 2003, we conducted assessments of selected programs and administrative functions sufficient to ensure adequacy of controls in place. Areas for improvement were identified and corrective actions are being implemented. In general, we found our management controls adequate to safeguard our programs and systems against waste, fraud, abuse, and mismanagement. No material weaknesses were identified (see Figure 9).

**Figure 9  
2003 Management Control Reviews**

Review	Scope	Results
Space Management-Leased Space	Determine the amount of usable square footage at each OSM location by measuring the offices and rooms; and analyze the needs requirements of each OSM location to determine if the space provided meets or exceeds the requirements.	No Material Weaknesses Noted
Printing, Publications and Reprographics	Determine if the OSM printing, publications, and reprographics programs have adequate management controls to prevent fraud, waste, abuse and mismanagement of Federal funds. A comprehensive review of controls over all high risk areas was performed.	No Material Weaknesses Noted
Personal Property Performance Assessment	Identify what controls or processes exist to ensure all field office staff are entering and maintaining required personal property information into the PALS; Analyze existing controls or processes to determine overall effectiveness.	No Material Weaknesses Noted
Federal Reclamation Program	Examine the Division's processes to assure compliance with the National Environmental Policy Act while administering the Federal Abandoned Mined Land Emergency program.	Minor improvements were commended, no material weaknesses were found.
Computer Centers	Tests were conducted on the Computer Center at DFM to complete an Initial Assessment (IA) security review and to provide a reasonable assurance of detecting weakness of a material or significant nature. The systems reviewed included ABACIS, AFBACS/FEEBACS, AVS, IDEAS, Condors, OSM-1 Electronic Filing, MAPS, GIFTS and their LAN General Support System Support.	No Material Weaknesses Noted
Sensitive Automated Information Systems (General Support Systems)	Determine if adequate controls for the ARCC, MCRCC, and WRCC Local Area Networks are in place to prevent waste, fraud and abuse, and mismanagement of Federal funds; and to determine if they are being operated in an effective, efficient and secure manner.	No Material Weaknesses Noted
Sensitive Automated Information Systems (Major Application)	Determine if adequate controls for the Grants Information Financial Tracking System (GIFTS) are in place to prevent waste, fraud and abuse, and mismanagement of Federal funds; and to determine if they are being operated in an effective, efficient and secure manner.	No Material Weaknesses Noted
Acquisition Management Review	On-site acquisition review of OSM's contracting activity located at the Division of Financial Management in Denver, CO. Examined the customer service, timeliness and procurement support provided by DFM procurement staff.	No Material Weaknesses Noted
Fleet Management	Assess OSM options regarding leasing vs. owning vehicles. The major components included: identify what controls or processes exist to ensure documentation and approvals are in place prior to establishing a Home-To-Work Program; and analyze existing controls or processes to determine overall effectiveness of maintaining a safe and serviceable fleet within targeted review of Home-to-Work and Fleet Management within OSM.	No Material Weaknesses Noted

## **Federal Financial Management Improvement Act (FFMIA)**

This law requires agencies to report on their substantial compliance with three sets of requirements: federal financial management system requirements, federal accounting standards, and the U.S. Government Standard General Ledger. It also requires agencies to provide full disclosure of financial data, which is accomplished through the financial statements included in this report.

Based on the results of OSM's independent financial statement audit for FY 2003, OSM can conclude that it is in substantial compliance with the U.S. Government Standard General Ledger at the transaction level, and with Federal accounting standards as required by the FFMIA. As a result of reportable conditions identified in the FY 2003 financial statement audit, however, OSM concluded that its financial management systems did not substantially comply with all Federal financial management systems requirements. OSM has reported this non-compliance with the financial management system component of the FFMIA and has established a remediation plan to achieve substantial compliance.

## **Other Key Legal and Financial Regulatory Requirements**

### *Prompt Payment Act*

OSM substantially complies with the Prompt Payment Act as evidenced by the fact that 99.5 percent of its payments are made on time. OSM took the following steps to ensure that this continues:

- Credit cards were used to cut through red tape and expedite payment. Almost 86 percent of purchase transactions were made with credit cards in FY 2003, and the agency continues to promote their increased use, and
- Electronic funds transfer (EFT) was used to make 99.95 percent of the agency's vendor payments covering 100% of the dollar amount paid.

### *Debt Collection Improvement Act*

OSM collected over 99.75 % of the Abandoned Mine Land Reclamation Fees due this year, for a total of \$ 282.6 million. This is the result of an integrated fee compliance program that works with the coal mining industry to provide clear guidance on fee payment and reporting issues, as well as active follow-up through audits and several other compliance activities. The current uncollected outstanding accounts receivable balance is \$3.0 million, comprised of \$ 2.7 million in AML Fees and Audit debt, and \$ 0.3 million in civil penalties. The \$ 3.0 million balance includes accounts that may not be collectible. After deducting a \$ 1.7 million estimate for uncollectible receivables, we estimate that \$ 1.3 million should be collectible.

OSM is in substantial compliance with the Debt Collection Improvement Act and has referred its eligible, uncollected debts to the Department of the Treasury for collection.

### *Civil Monetary Penalty Act*

OSM has increased the assessment amounts of civil monetary penalties in accordance with the Act, and is in compliance. The agency issues civil monetary penalties for violations of the Surface Mining Control and Reclamation Act.

## DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

### Objectives of Financial Reporting

- Budgetary integrity (accounting for resources obtained and resources spent),
- Operating performance (the cost of programs and the results achieved for the dollars spent),
- Systems and controls (the presence of cost-effective systems and controls to adequately safeguard assets).

To meet these reporting objectives, OSM is presenting the following financial reports in this Annual Report:

**Consolidated Balance Sheets:** These statements report on the operating assets and liabilities related to the delivery of goods and services. It displays the dollar value of unspent funds, assets (such as accounts receivable, inventory, investments, and property, plant and equipment), and liabilities (such as accounts payable and various accrued liabilities).

**Consolidated Statements of Net Cost and the Consolidated Statements of Changes in Net Position:** These two statements report the costs of providing governmental goods, services, and benefits, and provide information on the changes in financial position from one year to the next. They contain the total cost of operations, revenue generated from operations, and appropriations (dollars) used to fund the net cost of operations.

**Combined Statements of Budgetary Resources and the Consolidated Statements of Financing:** The Combined Statements of Budgetary Resources shows the budgetary resources made available through appropriations and other sources, obligations incurred against those resources, and the dollar amount of cash outlays. The Consolidated Statements of Financing explain and reconcile the relationship of budgetary obligations to the net cost of operations.

OSM believes the statements are a fair and accurate presentation of its financial position, net cost of operations, changes in net position, and budgetary resources, as well as details regarding financing. This is reflected in the unqualified (clean) audit opinion rendered on OSM's financial statements by its independent auditors. Sound financial management is a top priority for OSM at all levels of the organization.

#### *Limitations of the Financial Statements*

The financial statements have been prepared pursuant to the requirements of the Chief Financial Officers Act of 1990. While the statements have been prepared from OSM's books and records in accordance with the guidance provided by the Office of Management and Budget, the statements differ from financial reports used to monitor and control budgetary resources that are prepared from the same books and records.

The statements should be read with the realization that they are for a component of a sovereign entity, that liabilities not covered by budgetary resources cannot be liquidated without enactment of an appropriation that provides the resources and the legal authority to do so.

#### *Significant Financial Statement Issues*

OSM was involved in financial transactions during the year that resulted in significant changes in certain line items on the financial statements between FY 2003 and FY 2002.

OSM's 2003 statements include an accrued accounts receivable from the United Mine Worker's Combined Benefit Fund in the amount of \$33.7 million. This receivable can be classified as an adjustment to OSM's annual payment to the UMWA-CBF. This adjustment resulted from the Social Security Administration's reassignment of certain beneficiaries and an over payment of estimated AML Fund interest earnings due to declining interest rates during FY 2003. Please see Notes 1.G, 6, 12, and 18 for additional information.

OSM's estimates for contingent legal liabilities resulting from pending litigation against OSM have been significantly revised upwards during FY 2003 by the amount of \$43.5 million. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements and the resultant outcomes should not materially affect OSM's future financial condition. Please see Notes 10 and 12 for additional information.

*Net Position Analysis*

OSM's Total Net Position at the end of FY 2003 was \$1.9 billion, an increase of approximately \$22 million from FY 2002. OSM's Net Position consists of Unexpended Appropriations and Cumulative Results of Operations. OSM's Unexpended Appropriations remained relatively constant from the previous year while the \$22 million increase occurred in Cumulative Results of Operations. OSM's routine operations as well as the significant events described above contributed to the overall increase in net position.

**Department of the Interior  
Office of Surface Mining  
Consolidated Balance Sheets**

As of September 30, 2003 and 2002  
(dollars in thousands)

	2003	2002
<b>ASSETS</b> (Note 2)		
<b>Intragovernmental Assets:</b>		
Fund Balance with Treasury (Notes 3 and 18)	\$42,763	\$47,653
Investments (Notes 4 and 18)	1,926,867	1,895,100
Accounts Receivable (Note 5)	30	17
Other:		
Advances and Prepayments	161	-
<b>Total Intragovernmental Assets</b>	<u>1,969,821</u>	<u>1,942,770</u>
Accounts and Interest Receivable, Net (Notes 6 and 18)	35,010	1,235
General Property, Plant & Equipment, Net (Note 7)	2,978	2,682
<b>TOTAL ASSETS</b>	<u>\$2,007,809</u>	<u>\$1,946,687</u>
<b>LIABILITIES</b> (Note 8)		
<b>Intragovernmental Liabilities:</b>		
Accounts Payable (Note 18)	\$259	\$220
Other:		
Accrued Payroll and Benefits	218	570
Unfunded Payroll Costs	919	894
Other Liabilities (Note 9)	714	243
<b>Total Intragovernmental Liabilities</b>	<u>2,110</u>	<u>1,927</u>
<b>Public Liabilities:</b>		
Accounts Payable (Note 18)	12,054	8,023
Federal Employees' Compensation Act Liability (Note 18)	4,440	3,460
Other:		
Accrued Payroll and Benefits (Note 18)	1,194	2,694
Unfunded Payroll Costs	4,340	4,307
Contingent Liabilities (Note 10)	68,500	25,049
Other Liabilities (Note 9)	575	8,371
Total Public Liabilities	<u>91,103</u>	<u>51,904</u>
<b>TOTAL LIABILITIES</b>	<u>93,213</u>	<u>53,831</u>
Commitments and Contingencies (Notes 10, 11, and 17)		
<b>Net Position</b>		
Unexpended Appropriations	36,299	36,038
Cumulative Results of Operations	1,878,297	1,856,818
<b>Total Net Position</b> (Note 18)	<u>1,914,596</u>	<u>1,892,856</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<u>\$2,007,809</u>	<u>\$1,946,687</u>

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

**Department of the Interior  
Office of Surface Mining  
Consolidated Statements of Net Cost**

For the years ended September 30, 2003 and 2002  
(dollars in thousands)

	2003	2002
<b>Environmental Restoration</b>		
Gross Cost	\$191,354	\$194,401
Less: Earned Revenue	182	406
Net Cost (Note 18)	<u>191,172</u>	<u>193,995</u>
<b>Environmental Protection</b>		
Gross Cost	154,454	55,962
Less: Earned Revenue	1,084	947
Net Cost	<u>153,370</u>	<u>55,015</u>
<b>United Mine Workers Combined Benefit Fund</b>		
Gross Cost	48,249	77,984
Less: Earned Revenue	-	-
Net Cost (Note 18)	<u>48,249</u>	<u>77,984</u>
<b>Totals</b>		
Gross Costs	394,057	328,347
Less: Earned Revenue	1,266	1,353
<b>Net Cost</b> (Note 12)	<u>\$392,791</u>	<u>\$326,994</u>

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

**Department of the Interior  
Office of Surface Mining  
Consolidated Statements of Changes in Net Position**

For the years ended September 30, 2003 and 2002  
(dollars in thousands)

	2003	2002
<b>UNEXPENDED APPROPRIATIONS</b>		
<b>Beginning Balances</b>	\$36,038	\$40,319
<b>Budgetary Financing Sources</b>		
Appropriations Received, General Funds	105,092	102,800
Appropriations-Used	(103,609)	(105,471)
Other Adjustments (rescissions, etc.)	(1,222)	(1,610)
<b>Total Budgetary Financing Sources</b>	261	(4,281)
<b>Ending Balance - Unexpended Appropriations</b>	<u>\$36,299</u>	<u>\$36,038</u>
<b>CUMULATIVE RESULTS OF OPERATIONS</b>		
<b>Beginning Balances</b>	\$1,856,818	\$1,752,258
<b>Budgetary Financing Sources</b>		
Appropriations-Used	103,609	105,471
Transfers Out without Reimbursement	(271)	-
Non-Exchange Revenue:		
Abandoned Mine Land Fees (Note 18)	282,411	285,580
Forfeitures of Cash	112	4
Other Non-Exchange Revenue (Note 18)	23,712	36,251
<b>Other Financing Sources</b>		
Imputed Financing from Costs Absorbed by Others	4,784	4,285
Transfers Out without Reimbursement	(87)	(37)
<b>Total Financing Sources</b>	414,270	431,554
<b>Net Cost of Operations</b>	(392,791)	(326,994)
<b>Ending Balance - Cumulative Results of Operations</b>	<u>\$1,878,297</u>	<u>\$1,856,818</u>

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

**Department of the Interior**  
**Office of Surface Mining**  
**Combined Statements of Budgetary Resources**

For the years ended September 30, 2003 and 2002  
(dollars in thousands)

	2003	2002
<b>Budgetary Resources:</b>		
Budget Authority -		
Appropriations Received (Note 13)	\$387,031	\$419,971
Unobligated Balance -		
Beginning of Fiscal Year	53,524	54,265
Spending Authority From Offsetting Collections:		
Earned		
Collected	1,173	24,620
Receivable From Federal Sources	36	14
Change in Unfilled Customer Orders		
Without Advance From Federal Sources	9	(227)
Recoveries of Prior Year Obligations	26,937	34,711
Temporarily Not Available Pursuant to Public Law	-	(23,502)
Permanently Not Available	(2,690)	(1,628)
<b>Total Budgetary Resources</b>	<b>\$466,020</b>	<b>\$508,224</b>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred (Note 14):		
Direct	\$421,557	\$453,540
Reimbursable	1,000	1,160
Total Obligations Incurred	422,557	454,700
Unobligated Balance		
Apportioned	39,372	50,337
Unobligated Balance not Available	4,091	3,187
<b>Total Status of Budgetary Resources</b>	<b>\$466,020</b>	<b>\$508,224</b>
<b>Relationship of Obligations to Outlays:</b>		
Obligations Incurred (Note 14)	422,557	454,700
Obligated Balance, Net, Beginning of Fiscal Year	353,962	352,355
Obligated Balance, Net, End of Fiscal Year:		
Accounts Receivable	53	17
Unfilled Customer Orders From Federal Sources	263	254
Undelivered Orders	(351,793)	(342,733)
Accounts Payable	(13,725)	(11,500)
Less: Spending Authority Adjustments	(26,982)	(34,498)
Outlays:		
Disbursements	384,335	418,595
Collections	(1,173)	(24,620)
Subtotal	383,162	393,975
Less: Offsetting Receipts (Note 15)	(23,842)	(43,556)
<b>Net Outlays</b>	<b>\$359,320</b>	<b>\$350,419</b>

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

**Department of the Interior**  
**Office of Surface Mining**  
**Consolidated Statements of Financing**

For the years ended September 30, 2003 and 2002  
(dollars in thousands)

	2003	2002
<b>Resources Used to Finance Activities:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$422,557	\$454,700
Less: Spending Authority From Offsetting Collections/Recoveries	(28,155)	(59,118)
Obligations Net of Offsetting Collections and Recoveries	394,402	395,582
Less: Offsetting Receipts (Note 15)	(23,842)	(43,556)
Net Obligations	370,560	352,026
Other Resources:		
Transfers In/Out Without Reimbursement	(87)	(37)
Imputed Financing From Costs Absorbed by Others	4,784	4,285
Net Other Resources Used to Finance Activities	4,697	4,248
Total Resources Used to Finance Activities	375,257	356,274
<b>Resources Used to Finance Items Not Part of the Net Cost of Operations:</b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(9,212)	(4,253)
Resources That Fund Expenses Recognized in Prior Periods	(7,343)	(68,911)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations:		
Offsetting Receipts and Other	23,849	43,546
Resources That Finance the Acquisition of Assets	(885)	(637)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	6,409	(30,255)
<b>Total Resources Used to Finance the Net Cost of Operations</b>	<b>381,666</b>	<b>326,019</b>
<b>Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:</b>		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	34	311
Other	10,755	215
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	10,789	526
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	590	531
Allocation Transfer Account Reconciling Item (Note 16)	(254)	(82)
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	336	449
<b>Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</b>	<b>11,125</b>	<b>975</b>
<b>Net Cost of Operations</b>	<b>\$392,791</b>	<b>\$326,994</b>

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

# OFFICE OF SURFACE MINING

## NOTES TO FINANCIAL STATEMENTS

### SEPTEMBER 30, 2003 AND 2002

#### **Note 1. Summary of Significant Accounting Policies:**

##### **A. Reporting Entity**

The Office of Surface Mining (OSM) was established as a Bureau of the U.S. Department of the Interior by Public Law 95-87, also known as the Surface Mining Control and Reclamation Act of 1977 (SMCRA). SMCRA was passed by Congress on August 3, 1977, and has since undergone several revisions, the most recent being the Energy Policy Act of 1992 (Public Law 102-486). Although SMCRA initially empowered OSM with the authority to collect a statutory coal reclamation fee through FY 1992, a 1992 revision extended this authority through September 30, 2004. The main purpose of this fee is to fund the reclamation of abandoned mine lands.

During 2003, the OSM Director has been discussing Abandoned Mine Land fee reauthorization with members of Congress, coal industry representatives, state reclamation officials and environmentalists. In the upcoming year OSM will be assisting Congress in identifying issues, analyzing alternatives and drafting reauthorization legislation.

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

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

In fulfilling its mission, the OSM administers a variety of funds:

1. General Funds: These funds consist of expenditure accounts used to record financial transactions arising from Congressional appropriations as well as receipt accounts. The principal general fund expenditure and receipt accounts maintained are:
  - a. Regulation and Technology - These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations to spend general revenue. These funds support the financing of state regulatory grants, oversight of state regulatory programs, research and development facilitating the transfer of reclamation expertise to states, and the partial financing of all OSM operations and maintenance costs. Funding is appropriated on an annual basis.
  - b. Bond Forfeitures – This fund consists of receipt and expenditure accounts used to collect bonds forfeited by coal operators. Funds from these bonds are used to reclaim the mine site.
2. Special Funds: These funds consist of special fund receipt, expenditure, and investment accounts and include the following:
  - a. Abandoned Mine Land (AML) Funds - These funds were established by SMCRA for the deposit of coal reclamation fees, related late payment interest, and administrative charges recovered in pursuing collections. Available reclamation fees are used solely to finance the AML reclamation program. However, before AML funds can be used, a Congressional appropriation is necessary to authorize yearly spending limits. Available AML special fund balances, in excess of current cash requirements, are regularly invested in non-marketable federal securities as authorized under Public Law 101-508.
  - b. Civil Penalties - This fund consists of receipt and expenditure accounts used to collect penalties levied against permittees who violate any permit condition or provision of Title 30 U.S.C; 1268. Funds from these assessments are used to reclaim lands adversely affected by coal mining practices on or after August 3, 1977.
3. Deposit Funds: These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Additionally, OSM collects miscellaneous interest, judicial service and administrative fees which are credited to Treasury's general fund. In the billing and collection of these funds, OSM is merely acting as an agent for the Treasury.

Government Performance and Results Act (GPRA) Program Activities - Beginning in Fiscal Year 1998, OSM is responsible for reporting costs by GPRA program activity. OSM's GPRA program activities are:

1. Environmental Restoration - This program is responsible for the reclamation of abandoned mine land affected by mining that took place before the Surface Mining Law was passed in 1977. It includes grants to States and Indian Tribes, emergency projects, the Appalachian Clean Streams Initiatives, financial management of Abandoned Mine Land fees and investments, as well as funding of related OSM activities.
2. Environmental Protection - This program is responsible for ensuring that the Surface Mining Law's goals are achieved, primarily through the States and Indian Tribes. It includes OSM rule making, grants to States and Indian Tribes to conduct and develop their regulatory programs, OSM regulatory operations in non-primacy states, and OSM state program evaluations and oversight.
3. United Mine Workers of America Combined Benefit Fund Transfer – This program is for the transfer of funds to the United Mine Workers of America Combined Benefit Fund. This is an annual transfer required by the Energy Policy Act of 1992. The transfer is used to pay for health care benefits for certain coal miners and their beneficiaries.

## **B. Basis of Accounting and Presentation**

These financial statements have been prepared to report the financial position, the net cost, the changes in net position, the budgetary resources, and the reconciliation of net cost of budgetary resources, 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 accounting principles generally accepted in the United States of America using guidance issued by the Federal Accounting Standards Advisory Board (FASAB), the Office of Management and Budget (OMB) and OSM's accounting policies, which are summarized in this note. In certain instances, prior year amounts have been reclassified to conform to current year presentation. These financial statements present proprietary and budgetary information while other financial reports also prepared by OSM pursuant to OMB directives are used to monitor and control OSM's use of budgetary resources.

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

The accounting structure of OSM is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, generally 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.

Intragovernmental assets and liabilities arise from transactions with other Federal agencies. Significant interfund balances and transactions have been eliminated in consolidation.

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:

1. FASAB Statements entitled Statements of Federal Financial Accounting Standards (SFFAS). These statements reflect the accounting principles, standards, and requirements recommended by the FASAB and approved by the General Accounting Office (GAO), OMB and Treasury. Additionally, FASAB Interpretations provide further clarification to the approved standards.
2. Form and content requirements for financial statements, as presented in OMB Bulletin No. 01-09 (Form and Content of Agency Financial Statements). Note that the provisions of published SFFAS and interpretations take precedence over OMB Form and Content Guidance.
3. Other Authoritative Guidance. If questions arise regarding issues that are not addressed by SFFAS or OMB Form and Content guidance, the agency looks to authoritative guidance issued by other standard setting bodies, such as the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB).
4. The accounting principles and standards contained in departmental and bureau accounting policy and procedures manuals, and/or related guidance.
5. 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 reporting entity and the presentation of financial information.

**Office of Surface Mining  
Notes to Financial Statements  
September 30, 2003 and 2002 (continued)**

**C. Revenues and Financing Sources**

OSM receives most of the funding needed to support its programs through appropriations authorized by Congress. OSM receives annual and no-year appropriations that may be used within statutory limits for operating and capital expenditures.

The 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. Fees collected, but not yet appropriated, are held for future appropriations. Payments to the United Mine Workers of America Combined Benefit Fund are funded through earnings on investments of undisbursed AML fund balances. See Notes 1G and 4 for additional information. In accordance with Federal financial accounting standards the AML fees are recognized when the fees are specifically identifiable and legally enforceable. This occurs thirty days after the close of a calendar quarter.

Additional amounts are obtained through reimbursements for services performed to other Federal agencies. These revenues may be used to offset the cost of producing products or furnishing services and to recover overhead costs. Additionally, OSM receives imputed financing from the Office of Personnel Management (OPM) for current and future pension and retirement benefits paid by OPM on behalf of OSM, and from the Treasury Judgment Fund for payment of any settlements resulting from litigation against OSM.

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

OSM distributes the Congressional appropriation from the collections of AML fees through grants to states and tribes. The distribution contains two main components: state-share distribution and federal- share distribution. The state-share portion is based on the percentage of each state's balance in the AML Special 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 fund. OSM distributes additional monies from the federal-share portion of the AML appropriation based upon state historical coal production prior to 1978. Under the minimum program provision, OSM distributes at least \$1.5 million to states or tribes with qualifying reclamation projects. This provides additional funding for Priority 1 (protection of public health, safety, general welfare, and property from extreme danger of adverse effects of coal mining practices) and Priority 2 (protection of public health, safety, and general welfare from adverse effects of coal mining practices) AML coal projects. OSM also distributes monies to be used only for qualifying emergency programs from the federal-share portion of the appropriation.

**E. Grant Expenditures**

OSM awards grants to states and Indian tribes to facilitate the accomplishment of its overall mission. To meet immediate cash needs, grantees draw down funds that are disbursed through an automated payment system. OSM records these draw downs as expenditures because they are either reimbursements or the state or tribe immediately disburses the money for its program. All of OSM disbursements are made by the Treasury. Either semiannually or annually, grantees report costs incurred to OSM.

**F. Fund Balance with Treasury**

OSM maintains all cash accounts with the Treasury. The account "Fund Balance with Treasury" represents appropriated and special fund balances, both available and unavailable. Cash receipts and disbursements are processed by Treasury. OSM reconciles its records with those of the Treasury on a monthly basis. Note 3 provides additional information on Fund Balances with Treasury.

**G. Investments**

OSM invests excess cash from AML fee collections in Treasury certificates. Note 4 provides additional information concerning investments. Some of these investment earnings are transferred to the United Mine Workers of America Combined Benefit Fund.

**H. Allowance for Doubtful Accounts**

OSM uses two different methodologies to recognize bad debts arising from uncollectible accounts receivable, the net of the allowance method and the specific analysis method. The net of the allowance method is used for special and civil penalty funds accounts receivable. Under this method, an allowance for doubtful accounts is calculated based upon OSM's past experience in successfully collecting delinquent accounts receivable by aging category. However, the specific analysis method was used for one account because it represented 36% of the outstanding accounts receivable. For all other types, the allowance is based on an analysis of each account receivable.

## I. 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 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 may contribute up to eight percent of their gross pay to CSRS. OSM makes matching contributions to CSRS on behalf of CSRS employees. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS. CSRS employees, however, do contribute to Medicare. FERS employees are subject to Social Security and Medicare taxes. OSM also contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay for FERS employees. FERS employees can contribute up to thirteen percent of their gross earnings to the plan. CSRS employees have the option of contributing to the thrift savings plan up to eight 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.

Pursuant to OMB guidance, the presentation of Federal Employees' Compensation Act actuarial liability is based on Department of Labor computations. This liability includes the expected future liability for death, disability, medical, and other approved costs relating to current compensation act claims.

## J. 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.

## K. Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses during the reporting period. Actual results will invariably differ from those estimates.

### Note 2. Asset Analysis:

Assets can be classified as entity or non-entity and restricted or unrestricted. Entity assets are those that OSM has the authority to use in its operations. Non-entity assets include certain accounts and interest receivable that will be forwarded to the Treasury upon collection. OSM's nonentity receivables are less than one thousand dollars for both fiscal years presented below. In general, large trust funds that are outside the scope of bureau day-to-day operations are further classified by the Department of Interior as restricted. OSM does not hold any restricted assets.

(dollars in thousands)	Unrestricted Entity 2003	Unrestricted Entity 2002
<b>ASSETS</b>		
<b>Intragovernmental Assets:</b>		
Fund Balance with Treasury	\$42,763	\$47,653
Investments, Net	1,926,867	1,895,100
Accounts and Interest Receivable	30	17
Other		
Advances and Prepayments	161	-
<b>Total Intragovernmental Assets</b>	<b>1,969,821</b>	<b>1,942,770</b>
Accounts and Interest Receivable, Net	35,010	1,235
General Property, Plant & Equipment, Net	2,978	2,682
<b>TOTAL ASSETS</b>	<b>\$2,007,809</b>	<b>\$1,946,687</b>

**Office of Surface Mining  
Notes to Financial Statements  
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**Note 3. Fund Balance with Treasury:**

The Treasury performs cash management activities for all federal government agencies. The Fund Balance with Treasury represents the right of OSM to draw on the Treasury for allowable expenditures. The Fund Balance with Treasury represents OSM's unexpended, uninvested account balances. All funds reported on these statements are entity funds.

The status of the fund balance may be classified as unobligated available, unobligated unavailable, and obligated not yet disbursed. Unobligated funds, depending on budget authority, are generally available for new obligations associated with current operations. Unavailable authority includes amounts appropriated in prior fiscal years, which may not be used for current operations. Obligated funds represent amounts designated for payment of goods and services ordered, but not received.

Obligated and unobligated balances reported for the status of fund balance with Treasury do not agree with obligated and unobligated balances reported on the Statement of Budgetary Resources because: (1) the budgetary balances include amounts supported by other than fund balance with Treasury, such as investments in Treasury Securities and allocation transfers (transferring agency); and (2) the fund balance with Treasury amounts include items for which budgetary resources are not recorded, such as deposit and suspense funds and allocation transfers (receiving agency). Allocation transfers result in differences for both the transferring and receiving agency because the budgetary amounts are reported by the agency transferring the funds but the proprietary amounts are reported by the receiving agency.

**Fund Balances by Fund Type**

(dollars in thousands)

	2003	2002
General Funds	\$41,213	\$41,399
Special Funds	823	5,550
Other Fund Types	727	704
Total Fund Balance with Treasury by Fund Type	<u>\$42,763</u>	<u>\$47,653</u>

**Status of Fund Balance with Treasury**

	2003	2002
Unobligated		
Available	\$1,789	\$1,815
Unavailable	4,818	3,891
Obligated Not Yet Disbursed	36,156	41,947
Total Status of Fund Balance with Treasury	<u>\$42,763</u>	<u>\$47,653</u>

**Note 4. Investments, Non-Marketable:**

Effective October 1, 1991, OSM was given authority to invest the balance of the AML 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, and one-day certificates. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities. During FY 2003 and 2002 OSM was fully invested in one-day certificates.

(dollars in thousands)

Security Type	Cost	Market Value Disclosure
<b>2003</b>		
Non-Marketable:		
Market Based	\$1,926,867	\$1,926,867
Accrued Interest	-	-
Totals	<u>\$1,926,867</u>	<u>\$1,926,867</u>
<b>2002</b>		
Non-Marketable:		
Market Based	\$1,895,000	\$1,895,000
Accrued Interest	100	100
Totals	<u>\$1,895,100</u>	<u>\$1,895,100</u>

**Note 5. Intragovernmental Accounts Receivable:**

There is no allowance for doubtful accounts recorded for receivables with other government agencies because such amounts are deemed fully collectible. All intragovernmental accounts receivable are aged as current.

(dollars in thousands)	2003	2002
Unbilled Intragovernmental Accounts Receivable	<u>\$30</u>	<u>\$17</u>

**Note 6. Accounts and Interest Receivable, Net:**

Accounts receivable with the public are recorded net of the allowance for doubtful accounts. These receivables represent uncollected Abandoned Mine Land, civil penalty and audit fees. Additionally, OSM has an accrued accounts receivable from the United Mine Worker's Combined Benefit Fund in the amount of \$33.7 million as of September 30, 2003. This receivable can be classified as an adjustment to OSM's annual payment to the UMWA-CBF. This adjustment resulted from the Social Security Administration's reassignment of certain beneficiaries and an over payment of estimated AML Fund interest earnings due to declining interest rates during FY 2003.

An aging of OSM's accounts receivable with the public is displayed below for both fiscal years. An analysis of OSM's allowance for doubtful accounts is also provided below.

(dollars in thousands)	2003	2002
<b>Accounts Receivable from the Public</b>		
Current	\$1,564	\$1,560
1 - 180 Days Past Due	387	421
181 - 365 Days Past Due	611	218
Over 1 Year Past Due	460	838
Total Billed Accounts Receivable - Public	<u>3,022</u>	<u>3,037</u>
Unbilled Accounts Receivable	<u>33,723</u>	<u>-</u>
Total Accounts Receivable - Public	<u>36,745</u>	<u>3,037</u>
Allowance for Doubtful Accounts	<u>(1,735)</u>	<u>(1,802)</u>
<b>Total Accounts Receivable - Public, Net</b>	<u>\$35,010</u>	<u>\$1,235</u>
<b>Change in Allowance for Doubtful Accounts</b>		
Allowance for Doubtful Accounts, beginning	\$1,802	\$1,372
Additions	1,558	2,762
Deletions	<u>(1,625)</u>	<u>(2,332)</u>
<b>Allowance for Doubtful Accounts</b>	<u>\$1,735</u>	<u>\$1,802</u>

**Office of Surface Mining  
Notes to Financial Statements  
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**Note 7. General Property, Plant and Equipment, Net:**

OSM does not own any real estate or buildings. All property and equipment are valued at historical cost. Property and equipment are capitalized whenever the initial acquisition cost is \$15 thousand or greater and the estimated useful life is two years or longer. Leasehold improvements and computer software are not capitalized unless the acquisition cost is \$100 thousand or more. All property and equipment is depreciated using the straight-line method and the asset's useful life is determined using OMB guidance.

<b>2003</b> (dollars in thousands)	Service Life in years	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment				
ADP	15	\$1,520	(\$1,031)	\$489
Office	11-20	924	(277)	647
Vehicles	6-10	2,993	(1,702)	1,291
Leasehold Improvements	2-10	599	(48)	551
Totals		<u>\$6,036</u>	<u>(\$3,058)</u>	<u>\$2,978</u>
<b>2002</b> (dollars in thousands)	Service Life in Years	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment				
ADP	15	\$1,930	(\$1,402)	\$528
Office	11-20	974	(261)	713
Vehicles	6-10	2,987	(1,546)	1,441
Leasehold Improvements	2-10	-	-	-
Totals		<u>\$5,891</u>	<u>(\$3,209)</u>	<u>\$2,682</u>

**Note 8. Liabilities:**

Liabilities covered by budgetary resources and liabilities not covered by budgetary resources are combined and presented together in the balance sheets. Liabilities covered by budgetary resources are liabilities to be paid with existing appropriation authority. Liabilities not covered by budgetary authority represent those liabilities for which Congressional action is needed before budgetary resources can be provided. Current liabilities are expected to be liquidated during the subsequent fiscal year.

2003 (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$259	\$0	\$0	\$0	\$259
Other					
Accrued Payroll and Benefits	218	-	-	-	218
Unfunded Payroll Costs	-	-	300	619	919
Other Liabilities	152	-	83	479	714
<b>Total Intragovernmental Liabilities</b>	<b>629</b>	<b>-</b>	<b>383</b>	<b>1,098</b>	<b>2,110</b>
<b>Public Liabilities:</b>					
Accounts Payable	12,054	-	-	-	12,054
Federal Employees' Compensation Act Liability	-	-	-	4,440	4,440
Other					
Accrued Payroll and Benefits	1,194	-	-	-	1,194
Unfunded Payroll Costs	-	-	-	4,340	4,340
Contingent Liabilities	-	-	68,500	-	68,500
Other Liabilities	-	-	575	-	575
Total Public Liabilities	13,248	-	69,075	8,780	91,103
<b>Total Liabilities</b>	<b>\$13,877</b>	<b>\$0</b>	<b>\$69,458</b>	<b>\$9,878</b>	<b>\$93,213</b>

2002 (dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
<b>Intragovernmental Liabilities:</b>					
Accounts Payable	\$220	\$0	\$0	\$0	\$220
Other					
Accrued Payroll and Benefits	570	-	-	-	570
Unfunded Payroll Costs	-	-	290	604	894
Other Liabilities	243	-	-	-	243
<b>Total Intragovernmental Liabilities</b>	<b>1,033</b>	<b>-</b>	<b>290</b>	<b>604</b>	<b>1,927</b>
<b>Public Liabilities:</b>					
Accounts Payable	8,023	-	-	-	8,023
Federal Employees' Compensation Act Liability	-	-	-	3,460	3,460
Other					
Accrued Payroll and Benefits	2,694	-	-	-	2,694
Unfunded Payroll Costs	-	-	-	4,307	4,307
Contingent Liabilities	-	-	25,049	-	25,049
Other Liabilities	-	-	8,371	-	8,371
Total Public Liabilities	10,717	-	33,420	7,767	51,904
<b>Total Liabilities</b>	<b>\$11,750</b>	<b>\$0</b>	<b>\$33,710</b>	<b>\$8,371</b>	<b>\$53,831</b>

**Office of Surface Mining  
Notes to Financial Statements  
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**Note 9. Other Liabilities:**

Other liabilities consist of advances from others for reimbursable agreements, miscellaneous liabilities associated with non-entity receivables that will be transferred to Treasury upon collection and amounts recorded in deposit and suspense funds. Amounts recorded in deposit and suspense funds include; permit and civil penalty escrows, bonds, misapplied deposits pending correction and excess AML fee payments due to be refunded or remitted to Treasury.

Additionally, OSM is required by law to annually transfer a portion of the interest earned from the Abandoned Mine Land Special Fund to the United Mine Workers Combined Benefit Fund to provide health benefits for certain eligible retired coal miners and their dependents. Payments are made in advance based on the number of beneficiaries and an estimate of their benefit costs. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid in subsequent years.

(dollars in thousands)	2003	2002
Intragovernmental Other Liabilities:		
Advances from Others	\$0	\$243
Liability for Deposits Funds and Suspense	151	-
Other Unfunded Liabilities	563	-
Total Intragovernmental Other Liabilities	<u>\$714</u>	<u>\$243</u>
Public, Other Liabilities:		
Liability for Deposits Funds and Suspense	\$575	\$462
Due and Payable to the UMWA-CBF	-	7,909
Total Public, Other Liabilities	<u>\$575</u>	<u>\$8,371</u>

**Note 10. Contingent and Environmental Liabilities:**

Contingent Liabilities:

There have been claims filed against OSM with adjudications pending. As of September 30, 2003 a liability of \$68,500 thousand has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability is estimable. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements and the resultant outcomes should not materially affect OSM's future financial condition. The related liability at September 30, 2002 was \$25,049 thousand.

In addition to the amounts disclosed above, OSM has adjudications pending where the likelihood of an unfavorable outcome is reasonably possible. An estimate of potential loss for pending adjudications in this category for FY 2003 ranges from \$100 to \$10,000 thousand and the FY 2002 amounts range from \$560 to \$22,645 thousand. However, no amounts have been accrued in the financial records for claims where the probability or amount of judgment is uncertain.

Environmental Liabilities:

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.

**Note 11. Commitments and Contingencies:**

OSM does not have any loss contingencies other than those disclosed in Note 10 related to pending litigation. Additionally, OSM does not have obligations related to canceled appropriations or contractual arrangements, which may require future financial obligations.

**Note 12. Net Cost by Segment:**

OSM's net cost is presented below by responsibility segment and program activity with intragovernmental and public disclosures. The Office of Surface Mining Operations segment accounts for those net costs required to operate OSM and its Federal programs that are not transferred to states and tribes in the form of grants. The FY 2002 negative net cost in the Operations segment and Environmental Protection program is attributable to a large downward re-estimate of a contingent legal liability, see Note 10 for additional information. Intragovernmental gross costs approximate intragovernmental revenues with the addition of a pro rata share of imputed costs.

**2003 Supporting Schedule by Responsibility Segment**

(dollars in thousands)	Office of Surface Mining Operations	Grants to States and Tribes	Authorized Special Payments	2003 Total
<b>Environmental Restoration</b>				
Gross Costs with the Public	\$38,429	\$152,828	\$0	\$191,257
Less: Earned Revenue from the Public	86	-	-	86
Net Cost with the Public	38,343	152,828	-	191,171
Intragovernmental Gross Costs	97	-	-	97
Less: Intragovernmental Earned Revenue	96	-	-	96
Intragovernmental Net Costs	1	-	-	1
Total Net Costs	38,344	152,828	-	191,172
<b>Environmental Protection</b>				
Gross Costs with the Public	95,978	57,489	-	153,467
Less: Earned Revenue from the Public	117	-	-	117
Net Cost with the Public	95,861	57,489	-	153,350
Intragovernmental Gross Costs	987	-	-	987
Less: Intragovernmental Earned Revenue	967	-	-	967
Intragovernmental Net Costs	20	-	-	20
Total Net Costs	95,881	57,489	-	153,370
<b>UMWA CBF Transfer</b>				
Gross Costs with the Public	-	-	48,249	48,249
Less: Earned Revenue from the Public	-	-	-	-
Net Cost with the Public	-	-	48,249	48,249
Intragovernmental Gross Costs	-	-	-	-
Less: Intragovernmental Earned Revenue	-	-	-	-
Intragovernmental Net Costs	-	-	-	-
Total Net Costs	-	-	48,249	48,249
<b>Total</b>				
Gross Costs with the Public	134,407	210,317	48,249	392,973
Less: Earned Revenue from the Public	203	-	-	203
Net Cost with the Public	134,204	210,317	48,249	392,770
Intragovernmental Gross Costs	1,084	-	-	1,084
Less: Intragovernmental Earned Revenue	1,063	-	-	1,063
Intragovernmental Net Costs	21	-	-	21
Total Net Costs	\$134,225	\$210,317	\$48,249	\$392,791

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**2002 Supporting Schedule by Responsibility Segment**

(dollars in thousands)	Office of Surface Mining Operations	Grants to States and Tribes	Authorized Special Payments	2002 Total
<b>Environmental Restoration</b>				
Gross Costs with the Public	\$37,477	\$156,574	\$0	\$194,051
Less: Earned Revenue from the Public	58	-	-	58
Net Cost with the Public	37,419	156,574	-	193,993
Intragovernmental Gross Costs	350	-	-	350
Less: Intragovernmental Earned Revenue	348	-	-	348
Intragovernmental Net Costs	2	-	-	2
Total Net Costs	37,421	156,574	-	193,995
<b>Environmental Protection</b>				
Gross Costs with the Public	(6,398)	61,402	-	55,004
Less: Earned Revenue from the Public	37	-	-	37
Net Cost with the Public	(6,435)	61,402	-	54,967
Intragovernmental Gross Costs	958	-	-	958
Less: Intragovernmental Earned Revenue	910	-	-	910
Intragovernmental Net Costs	48	-	-	48
Total Net Costs	(6,387)	61,402	-	55,015
<b>UMWA CBF Transfer</b>				
Gross Costs with the Public	-	-	77,984	77,984
Less: Earned Revenue from the Public	-	-	-	-
Net Cost with the Public	-	-	77,984	77,984
Intragovernmental Gross Costs	-	-	-	-
Less: Intragovernmental Earned Revenue	-	-	-	-
Intragovernmental Net Costs	-	-	-	-
Total Net Costs	-	-	77,984	77,984
<b>Total</b>				
Gross Costs with the Public	31,079	217,976	77,984	327,039
Less: Earned Revenue from the Public	95	-	-	95
Net Cost with the Public	30,984	217,976	77,984	326,944
Intragovernmental Gross Costs	1,308	-	-	1,308
Less: Intragovernmental Earned Revenue	1,258	-	-	1,258
Intragovernmental Net Costs	50	-	-	50
Total Net Costs	\$31,034	\$217,976	\$77,984	\$326,994

**Note 13. Appropriations Received:**

In addition to amounts annually appropriated by Congress, OSM transfers a portion of the Abandoned Mine Land Fund in an amount equal to the annual payment to the United Mine Workers Combined Benefit Fund. This transfer can be classified as a permanent indefinite appropriation, i.e., the budget authority is a permanent authorization in SMCRA and is of an indefinite amount determined on an annual basis to comply with the provisions of the law.

**Note 14. Obligations Incurred:**

OMB usually uses one of two apportionment categories to distribute budgetary resources. Category A apportionments distribute budgetary resources by fiscal quarters. Category B apportionments typically distribute budgetary resources by activities, projects, or objects. All of OSM's direct and reimbursable obligations are incurred against amounts apportioned under Category B, as determined in accordance with OMB Circular A-11. This amount agrees with the aggregate of the related information reported on the year-end SF-133, Reports on Budget Execution.

**Note 15. Offsetting Receipts:**

Offsetting Receipts are cash collections, resulting from business-type activities that are credited to the offsetting receipt accounts and deducted from gross budget authority and outlays, rather than added to receipts. Per the Treasury Annual Report, the receipt types included for OSM are Intradepartmental Receipts Deducted by Agencies (OSM's interest earned on investments), and Proprietary Receipts from the Public (OSM's interest and administrative fees related to the AML fees collected from mining companies). The expenditure of these funds is subject to annual appropriation by Congress or as legislated by SMCRA to the United Mine Workers Combined Benefit Fund.

**Note 16. Allocation Transfer Account, Reconciling Item:**

In previous years OSM has transferred Abandoned Mine Land budget authority to the Department of Agriculture's Natural Resource Conservation Service in accordance with SMRCA and Congressional appropriations. These allocation transfers are for the purpose of providing for the control and prevention of erosion and sediment damages from unreclaimed mine lands, and to promote the conservation and development of soil and water resources on those lands.

Budget authority that is transferred to another agency or bureau will create a reconciling item on the Statement of Financing because OSM reports the related budget activity on the Statements of Budgetary Resources while the Natural Resource Conservation Service reports its results of operations on its Statements of Net Cost. This presentation is required by authoritative accounting guidance.

**Note 17. Operating Leases:**

OSM's facilities are rented from the General Services Administration (GSA), which charges rent that is intended to approximate commercial rental rates. For Federally-owned property, OSM generally does not execute an agreement with GSA nor is there a formal expiration date. However, OSM is normally required to give 120 to 180 days notice to vacate the property and the amount of these leases remains fairly constant from year to year. These leases are included in the estimated future lease payments for FY 2004 through FY 2008 and beyond below. For non-Federally owned property, an occupancy agreement is executed, and again OSM may normally cancel these agreements with 120 days notice. The estimated rent payments to GSA for both Federally-owned and publicly-owned buildings are presented in the table that follows. OSM rental expense for 2003 and 2002 was \$3,422 and \$2,905 thousand, respectively.

(dollars in thousands)

<b>Fiscal Year</b>	<b>GSA Real Property</b>
2004	\$2,692
2005	1,469
2006	1,365
2007	1,388
2008	1,412
Thereafter	2,418
Total Future Lease Payments	<u>\$10,744</u>

**Office of Surface Mining  
Notes to Financial Statements  
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**Note 18. Dedicated Collections:**

Public Law 95-87 established the Office of Surface Mining (OSM) and authorized the collection of a fee from coal mine operators. 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 active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to pay the cost of abandoned mine land reclamation projects. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each state or tribe with 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 OSM to complete high priority and emergency projects, to fund the Small Operator Assistance Program, to fund additional projects directly through state reclamation programs, and to pay collection, audit, and administration costs.

Expenditures from the Fund may only be made as a consequence of appropriations or other Laws. AML reclamation is accomplished primarily by states and tribes and is funded by grants. Grant funding levels are determined by OSM's annual appropriation and consider the individual state or tribes reclamation funding needs as well as their state and federal shares, emergency and special funding requirements.

Under authority of Public Law 101-509, OSM began investing AML funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992, (Public Law 102-486), OSM began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund (UMWA CBF). This transfer is used to defray anticipated health care costs for eligible union coalmine workers who retired on or before July 20, 1992 and their dependents.

Payments to the UMWA CBF are made in advance based on the number of beneficiaries and an estimate of their benefit costs. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid in subsequent years.

AML program expenses approximate the net cost for the Environmental Restoration GPRA program activity with the addition (+/-) of a pro rata share of allocated costs.

The following table provides condensed information on the AML Fund:

(dollars in thousands)	2003	2002
<b>ASSETS</b>		
Fund Balance with Treasury	\$543	\$5,318
Investments, Net	1,926,867	1,895,100
Amounts Due from UMWA-CBF	33,700	-
Accounts Receivable, Net	1,265	1,214
Other Assets	40	-
<b>TOTAL ASSETS</b>	<b>\$1,962,415</b>	<b>\$1,901,632</b>
<b>LIABILITIES</b>		
Accounts Payable	\$9,304	\$6,644
Accrued Payroll and Benefits	477	925
Amounts Due and Payable to the UMWA-CBF	-	7,909
<b>TOTAL LIABILITIES</b>	<b>9,781</b>	<b>15,478</b>
<b>Total Net Position</b>	<b>1,952,634</b>	<b>1,886,154</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$1,962,415</b>	<b>\$1,901,632</b>
<b>CHANGE IN NET POSITION</b>		
<b>Net Position, Beginning of Fiscal Year</b>	<b>\$1,886,154</b>	<b>\$1,837,412</b>
<b>Change in Net Position:</b>		
Non-exchange Revenue		
AML Fee Revenue	282,411	285,580
Investment Interest and Other	23,720	36,330
Exchange Revenue - Services Provided and Other	103	356
Program Expenses	(191,505)	(195,540)
UMWA-CBF Expenses	(48,249)	(77,984)
<b>Net Position, End of Fiscal Year</b>	<b>\$1,952,634</b>	<b>\$1,886,154</b>

**Department of the Interior**  
**Office of Surface Mining**  
**Supplementary Statement of Budgetary Resources by Major Budget Account**

For the year ended September 30, 2003  
(dollars in thousands)

	Abandoned Mine Lands	Regulation and Technology	Total
<b>Budgetary Resources:</b>			
Budget Authority -			
Appropriations Received	\$281,843	\$105,188	\$387,031
Unobligated Balance -			
Beginning of Fiscal Year	48,793	4,731	53,524
Spending Authority From Offsetting Collections:			
Earned			
Collected	111	1,062	1,173
Receivable From Federal Sources	(9)	45	36
Change in Unfilled Customer Orders			
Without Advance From Federal Sources	(40)	49	9
Recoveries of Prior Year Obligations	24,855	2,082	26,937
Permanently Not Available	(1,467)	(1,223)	(2,690)
<b>Total Budgetary Resources</b>	<b>\$354,086</b>	<b>\$111,934</b>	<b>\$466,020</b>
<b>Status of Budgetary Resources:</b>			
Obligations Incurred:			
Direct	\$316,553	\$105,004	\$421,557
Reimbursable	(51)	1,051	1,000
Total Obligations Incurred	316,502	106,055	422,557
Unobligated Balance			
Apportioned	37,584	1,788	39,372
Unobligated Balance not Available	-	4,091	4,091
<b>Total Status of Budgetary Resources</b>	<b>\$354,086</b>	<b>\$111,934</b>	<b>\$466,020</b>
<b>Relationship of Obligations to Outlays:</b>			
Obligations Incurred	\$316,502	\$106,055	\$422,557
Obligated Balance, Net, Beginning of Fiscal Year	317,333	36,629	353,962
Obligated Balance, Net, End of Fiscal Year:			
Accounts Receivable	-	53	53
Unfilled Customer Orders From Federal Sources	20	243	263
Undelivered Orders	(319,829)	(31,964)	(351,793)
Accounts Payable	(9,781)	(3,944)	(13,725)
Less: Spending Authority Adjustments	(24,806)	(2,176)	(26,982)
Outlays:			
Disbursements	279,440	104,895	384,335
Collections	(111)	(1,062)	(1,173)
Subtotal	279,329	103,833	383,162
Less: Offsetting Receipts	(23,842)	-	(23,842)
<b>Net Outlays</b>	<b>\$255,487</b>	<b>\$103,833</b>	<b>\$359,320</b>

Unaudited - see accompanying Independent Auditors' Report.

**Department of the Interior**  
**Office of Surface Mining**  
**Supplementary Statement of Budgetary Resources by Major Budget Account**

For the year ended September 30, 2002  
(dollars in thousands)

	Abandoned Mine Lands	Regulation and Technology	Total
<b>Budgetary Resources:</b>			
Budget Authority -			
Appropriations Received	\$317,136	\$102,835	\$419,971
Unobligated Balance -			
Beginning of Fiscal Year	49,005	5,260	54,265
Spending Authority From Offsetting Collections:			
Earned			
Collected	23,678	942	24,620
Receivable From Federal Sources	6	8	14
Change in Unfilled Customer Orders			
Without Advance From Federal Sources	(169)	(58)	(227)
Recoveries of Prior Year Obligations	32,451	2,260	34,711
Temporarily Not Available Pursuant to Public Law	(23,502)	-	(23,502)
Permanently Not Available	(18)	(1,610)	(1,628)
<b>Total Budgetary Resources</b>	<b>\$398,587</b>	<b>\$109,637</b>	<b>\$508,224</b>
<b>Status of Budgetary Resources:</b>			
Obligations Incurred:			
Direct	\$349,662	\$103,878	\$453,540
Reimbursable	132	1,028	1,160
<b>Total Obligations Incurred</b>	<b>349,794</b>	<b>104,906</b>	<b>454,700</b>
Unobligated Balance			
Apportioned	48,793	1,544	50,337
Unobligated Balance not Available	-	3,187	3,187
<b>Total Status of Budgetary Resources</b>	<b>\$398,587</b>	<b>\$109,637</b>	<b>\$508,224</b>
<b>Relationship of Obligations to Outlays:</b>			
Obligations Incurred	\$349,794	\$104,906	\$454,700
Obligated Balance, Net, Beginning of Fiscal Year	310,587	41,768	352,355
Obligated Balance, Net, End of Fiscal Year:			
Accounts Receivable	9	8	17
Unfilled Customer Orders From Federal Sources	60	194	254
Undelivered Orders	(309,840)	(32,893)	(342,733)
Accounts Payable	(7,562)	(3,938)	(11,500)
Less: Spending Authority Adjustments	(32,288)	(2,210)	(34,498)
Outlays:			
Disbursements	310,760	107,835	418,595
Collections	(23,678)	(942)	(24,620)
Subtotal	287,082	106,893	393,975
Less: Offsetting Receipts	(43,556)	-	(43,556)
<b>Net Outlays</b>	<b>\$243,526</b>	<b>\$106,893</b>	<b>\$350,419</b>

Unaudited - see accompanying Independent Auditors' Report.

# KPMG LLP AUDIT OPINION



United States Department of the Interior  
Office of Inspector General  
Washington, D.C. 20240

December 9, 2003

## Memorandum

To: Director, Office of Surface Mining Reclamation and Enforcement

From: Roger La Rouché *Roger LaRouche*  
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Office of Surface Mining Reclamation and Enforcement's Financial Statements for Fiscal Years 2003 and 2002 (Report No. C-IN-OSM-0079-2003)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the Office of Surface Mining Reclamation and Enforcement's (OSM) financial statements as of September 30, 2003, and for the year then ended. The contract required that KPMG conduct its audit in accordance with the *Government Auditing Standards* issued by the Comptroller General of the United States of America, Office of Management and Budget Bulletin 01-02, *Audit Requirements for Federal Financial Statements*, and the General Accounting Office/President's Council on Integrity and Efficiency, *Financial Audit Manual*.

In its Independent Auditor's Report dated October 31, 2003, (Attachment 1) KPMG issued an unqualified opinion on OSM's financial statements. KPMG identified two reportable conditions related to internal controls and financial operations: (1) security and internal control over information technology systems and (2) internal control over charge cards. With regard to compliance with laws and regulations, KPMG found OSM to be noncompliant with a portion of the Federal Financial Management Improvement Act. Specifically, OSM's financial management systems did not substantially comply with Federal financial management systems requirements.

KPMG is responsible for the auditors' report and for the conclusions expressed in the report. We do not express an opinion on the Office of Surface Mining Reclamation and Enforcement's financial statements, conclusions on the effectiveness of internal control, conclusions on whether the Office of Surface Mining Reclamation and Enforcement's financial management systems substantially complied with FFMIA; or conclusions on compliance with laws and regulations.

In the November 5, 2003 response (Attachment 2), OSM concurred with the report's findings and recommendations and indicated corrective actions have been implemented for Recommendations A.1 and C.1. OSM indicated that corrective action for Recommendation B.1

will be implemented in fiscal year 2004. Based on OSM's response, we consider Recommendations A.1 and C.1 resolved and implemented and Recommendation B.1 resolved but not implemented. Recommendation B.1 will be referred to the Assistant Secretary for Policy, Management and Budget for tracking of implementation.

The legislation, as amended, creating the Office of Inspector General, (5 U.S.C.A. App. 3) requires semiannual reporting to Congress on all audit reports issued, actions taken to implement audit recommendations, and recommendations that have not been implemented. Therefore, this report will be included in our next semiannual report.

We appreciate the cooperation and assistance of OSM personnel during the audit. If you have any questions, please contact me at (202) 208-5512.

Attachments (2)



707 Seventeenth Street  
Suite 2700  
Denver, CO 80202

### Independent Auditors' Report

The Director of the Office of Surface Mining Reclamation and Enforcement  
and the Inspector General of the U.S. Department of the Interior:

We have audited the accompanying consolidated balance sheets of the Office of Surface Mining Reclamation and Enforcement (OSM) as of September 30, 2003 and 2002, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources and consolidated statements of financing for the years then ended (hereinafter referred to as "financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered the OSM's internal control over financial reporting and tested the OSM's compliance with certain provisions of applicable laws and regulations that could have a direct and material effect on its financial statements.

#### Summary

As stated in our opinion on the financial statements, we concluded that the OSM's financial statements as of and for the years ended September 30, 2003 and 2002 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting identified the following reportable conditions. However, these reportable conditions are not believed to be material weaknesses.

- A. Security and Internal Control Over Information Technology Systems
- B. Internal Control Over Charge Cards

The results of our tests of compliance with laws and regulations, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The results of our tests of FFMIA disclosed instances where the OSM's financial management systems did not substantially comply with Federal financial management systems requirements.

The following sections discuss our opinion on the OSM's financial statements, our consideration of the OSM's internal control over financial reporting, our tests of the OSM's compliance with certain provisions of applicable laws and regulations, and management's and our responsibilities.



KPMG LLP, KPMG LLP a U.S. limited liability partnership, is  
a member of KPMG International, a Swiss association.

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of the Office of Surface Mining Reclamation and Enforcement (OSM) as of September 30, 2003 and 2002, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the OSM as of September 30, 2003 and 2002, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The information in the Management Discussion and Analysis, at pages 6 through 70, and Required Supplementary Information, at pages 89 through 90, is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

### **Internal Control Over Financial Reporting**

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions. Under standards issued by the American Institute of Certified Public Accountants, reportable conditions are matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the OSM's ability to initiate, 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.

In our fiscal year 2003 audit, we noted certain matters discussed below involving internal control over financial reporting and its operation that we consider to be reportable conditions. However, these reportable conditions are not believed to be material weaknesses.

#### **A. Security and Internal Control Over Information Technology Systems**

Security and general controls over the OSM's financial management systems have not been fully implemented. Improvement is needed in the areas described below, as required by OMB Circular A-130, *Management of Federal Information Resources*. The conditions below could affect the OSM's ability to prevent or detect unauthorized changes to subsidiary financial information, control electronic access to sensitive information, and protect its information resources.

##### ***Security Programs***

Security programs, including security policies and a related implementation plan, support systems, and major applications are the foundation of an entity's security control structure and a reflection of senior management's commitment to addressing security risks. As outlined in OMB Circular A-130, an effective security program includes a risk assessment process, a certification process, and rules of behavior that define and guide the use of financial systems. The OSM has not finalized security

policies for one of its financial support applications. In addition, employee background investigations, which are integral to data and systems security, are not being performed consistently and/or in a timely manner.

#### ***Access Controls***

Access controls should provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment. The objectives of logical access are to ensure that: (1) only authorized users have access to data and resources; (2) users have the minimum access necessary to perform their job functions; (3) access to very sensitive resources, such as security software programs, is limited to very few individuals; and (4) network security configurations are optimized to provide reasonable assurance that computer resources (data files, application programs, and computer-related facilities and equipment) are protected against unauthorized modification, disclosure, loss, or impairment.

Certain procedural and technical access controls over OSM's financial applications have not been implemented or are not operating effectively to minimize the risks of unauthorized access to its systems and its data.

#### ***Recommendation***

We recommend the OSM continue the development and implementation of its formal action plan to improve the internal security and general controls over its financial management systems. This plan should address each of the areas discussed above, as well as other areas that might impact the electronic data processing (EDP) control environment to ensure adequate security and protection of the OSM's financial management systems.

### **B. Internal Control Over Charge Cards**

The OSM, through the Department of the Interior (Interior), has provided purchasing and travel cards to its employees to streamline acquisition and payment procedures and to reduce the administrative burden associated with traditional and emergency purchasing of travel items, supplies, and services. During fiscal year 2003, the OSM had approximately 750 active charge cards, which included purchase, travel, fleet, and corporate cards. These cards were used in transactions during fiscal year 2003 totaling approximately \$20 million.

In conjunction with the issuance of the cards, Interior has published guidance and instructions on the card's utilization through its Integrated Charge Card Program Guide. This policy sets forth restrictions on the use of the cards as well as certain internal control procedures such as timely and complete reconciliation of billing statements by the cardholders and approving officials.

As part of our audit we reviewed a sample of 45 cardholder statements for the timely completion of monthly charge card reconciliations, which included cardholder and approving official review and a description of each charge. Our test work revealed the following exceptions:

- 41 of the 45 statements were either not signed or dated by the cardholder or not signed in a timely manner (within one month of statement date). Six of these 41 statements could not be obtained at all.
- 38 of the 45 statements did not include a description of each charge.
- 32 of the 45 statements were either not signed or dated by the approving official or not signed in a timely manner (within one month of statement date).

By not ensuring controls are operating effectively, the OSM increases its risk that charge cards may be used for purposes other than official government related business, and that these potential misuses will go uncorrected. Due to the volume of charge card transactions, adequate internal control is important in preventing significant misuse. We believe Interior's established charge card review policies help provide effective internal control when placed into operation, and accordingly, the OSM should take the necessary steps to ensure compliance with these policies. Through improved execution of internal control procedures, the OSM may limit the risks of misuse.

**Recommendation**

The OSM should ensure compliance with its established charge card policies. To help ensure compliance:

- The OSM should continue to provide training to field office personnel on charge card procedures.
- OSM management, at the field office levels, should be more diligent in monitoring and enforcing compliance with its charge card policies.

We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of the OSM in a separate letter dated October 31, 2003.

**Compliance with Laws and Regulations**

Our tests of compliance with certain provisions of laws and regulations, as described in the Responsibilities section of this report, exclusive of those referred to in FFMLA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMLA disclosed instances, described below, where the OSM's financial management systems did not substantially comply with Federal financial management systems requirements.

**C. Federal Financial Management Systems Requirements**

As discussed in the section of our report entitled Internal Control Over Financial Reporting, the OSM needs to improve security and internal control over information technology systems. The OSM has not finalized security policies for one of its financial support applications, has not always performed employee background investigations consistently and/or in a timely manner, and has not implemented certain procedural and technical access controls over its financial applications to minimize the risks of unauthorized access to its systems and its data. As a result, the OSM does not substantially comply with the security and general EDP control requirements of OMB Circular A-130, *Management of Federal Information Resources*.

**Recommendation**

We recommend the OSM improve its security and internal control over information technology systems to a level in which OSM substantially complies with the security and general EDP control requirements of OMB Circular A-130, *Management of Federal Information Resources*.

The results of our tests of FFMLA disclosed no instances in which the OSM's financial management systems did not substantially comply with the Federal accounting standards or the United States Standard General Ledger at the transaction level.

## **Responsibilities**

### ***Management's Responsibilities***

The *Government Management Reform Act of 1994* (GMRA) requires each federal agency to report annually to Congress on its financial status and any other information needed to fairly present its financial position and results of operations. To assist the Department of the Interior in meeting the GMRA reporting requirements, the OSM prepares annual financial statements.

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal controls over financial reporting, and preparation of the Management's Discussion and Analysis (including the performance measures) and required supplementary information; and
- Complying with laws and regulations, including FFMIA.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements due to error or fraud may nevertheless occur and not be detected.

### ***Auditors' Responsibilities***

Our responsibility is to express an opinion on the fiscal year 2003 and 2002 financial statements of the OSM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the 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;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.

In planning and performing our fiscal year 2003 audit, we considered the OSM's internal control over financial reporting by obtaining an understanding of the OSM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 01-02 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether the OSM's fiscal year 2003 financial statements are free of material misstatement, we performed tests of the OSM's compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the OSM. Providing an opinion on compliance with laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMIA, we are required to report whether the OSM's financial management systems substantially comply with (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

**Distribution**

This report is intended for the information and use of the OSM management, the Department of the Interior's management, the Department of the Interior's Office of Inspector General, Office of Management Budget, General Accounting Office, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

October 31, 2003



## United States Department of the Interior

OFFICE OF SURFACE MINING  
RECLAMATION AND ENFORCEMENT  
Washington, D.C. 20240



### Memorandum

To: Roger La Rouche  
Assistant Inspector General for Audits

From: Jeffrey Jarrett *Jeffrey Jarrett* NOV 5 2003  
Director, Office of Surface Mining Reclamation and Enforcement

Subject: Draft Independent Auditor's Report on the Office of Surface Mining  
Reclamation and Enforcement's Financial Statements for Fiscal Years  
2003 and 2002

We have reviewed the Draft Independent Auditor's Report (Report) referenced above. We concur with all the findings and recommendations included in the Report. The following comments include our status of implementing those recommendations.

#### Internal Control Over Financial Reporting

##### A. Security and Internal Control Over Information Technology Systems

###### Security Programs

Included in the security programs section of the Report are two separate items. One item relates to a security policy for the Federal Personnel/Payroll System, and one item relates to employee background investigations.

**Recommendation:** Develop and implement security policy for access to the Department's Federal Personnel/ Payroll System (FPPS).

**Status of Implementation:** We completed a security policy for our access to FPPS. As appropriate, our security plan incorporates guidance supplied by the Department relative to FPPS and addresses only those aspects relevant to OSM. The following was considered in developing our security policy:

- Application Rules
- Personnel Security
- Technical Controls
- Information Sharing

We implemented this security plan during the last quarter in Fiscal Year 2003.

Responsible Official: Assistant Director for Finance and Administration.

Recommendation: Implement changes to improve the process of background investigations to ensure that investigations occur consistently and in a timely manner.

Status of Implementation: We developed a new plan that includes validating not only security for those as required by regulation, but we will initiate background investigations on all new hires no matter what the appointment time limit. We have also instituted a policy of closer review and monitoring of all background investigations. We implemented this new plan during the last quarter in Fiscal Year 2003.

Responsible Official: Assistant Director for Finance and Administration.

#### Access Controls

Recommendation: Review the vulnerability assessment results and ensure that appropriate corrective actions have been implemented to address the specific high-risk vulnerabilities identified for the bureau, and evaluate the process for identifying vulnerabilities on the internal network and ensure that thorough, periodic reviews are conducted to identify internal vulnerabilities.

Status of Implementation: As noted in our response to this Notice of Finding and Recommendation (OSM-2003-03), OSM took immediate action to correct the weaknesses identified as a result of the vulnerability assessment performed by the auditors. We have evaluated our process for identifying vulnerabilities on the internal network and we have implemented a process of conducting thorough, periodic reviews in order to identify vulnerabilities. We implemented this process during the last quarter in Fiscal Year 2003.

Responsible Official: Assistant Director for Finance and Administration.

#### **B. Internal Control Over Charge Cards**

Recommendation: OSM should ensure compliance with its established charge card policies. To help ensure compliance OSM should continue to provide training to field office personnel on charge card procedures. OSM management, at the field office levels, should be more diligent in monitoring and enforcing compliance with its charge card policies.

Status of Implementation: We developed a plan to improve the internal control over charge purchases, including ensuring compliance with charge card policies. The plan includes issuing a revised policy detailing the requirements for both

cardholders and approving officials. This policy was issued on November 4, 2003 by OSM's Deputy Director.

In addition, during Fiscal Year 2004, we have plans to provide mandatory training for all cardholders and approving officials. We also plan to conduct random audits of compliance with internal controls on a quarterly basis. Lastly, we intend to revise, Approving Officials' performance standards to include a critical element which covers their responsibility to ensure proper internal controls over charge card purchases of their employees.

It is important to note that, in the audit of the charge card activity our auditors found no instances of inappropriate charges. The OSM Division of Financial Management routinely reviews exception reports and immediately follows up on suspicious charge card transactions or unusual purchasing patterns. OSM believes that this review process is a very effective internal control and will continue to perform this function.

Responsible Official: Assistant Director for Finance and Administration

#### **Compliance with Laws and Regulations**

##### **C. Federal Financial Management Systems Requirements**

Please see our comments above under the Internal Control of Financial Reporting regarding our status of improving the security and internal controls over our information technology systems.

We appreciate the opportunity to comment on the Report. If you have any questions regarding our comments, please contact Esther Horst at (303) 236-0330, extension 301.

**OFFICE OF SURFACE MINING**

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Washington, DC 20240

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