

FINANCIAL MANAGEMENT

		2003 Actual	2004 Estimated	Uncontroll. & Related Changes (+/-)	Program Changes (+/-)	2005 Request	Change from 2004 (+/-)
Regulation & Technology	\$\$\$	482	485	7	0	492	7
	FTE	4	4	0	0	4	0
Abandoned Mine Land	\$\$\$	6,139	6,183	87	2,295	8,565	2,382
	FTE	56	56	-2	0	54	-2
TOTAL	\$\$\$	6,621	6,668	94	2,295	9,057	2,389
	FTE	60	60	-2	0	58	-2

This business line provides resources for the Financial Management program activity. OSM carries out its financial management program responsibilities through three activities: fee compliance, revenue management, and grants management.

- Fee compliance covers the collection, accounting, audit and investment of abandoned mine reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee compliance issues.
- Grants management includes accounting for and reporting on grants awarded to State and Tribes for AML and regulatory purposes.
- Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under Federal citations for mining violations and Federal performance bonds forfeited by coal mine permittees.

Financial Management operations are an integral part of OSM's Environmental Restoration and Environmental Protection mission goal areas supporting the Department's Resource Use and Resource Protection goals. State and Tribal grant funding (reclamation and regulatory) disbursement for the administration of regulatory activities and reclamation clean up projects is managed through this program activity. OSM, States, and Tribes fund reclamation project work through the fees collected from current mine operators after they are appropriated by Congress annually. These projects clean up environmental hazards resulting from past mining operations that degrade land and water resources. The regulatory grants fund administration of State regulatory programs that protect people and the environment from adverse affects associated with current mining and ensures the land is restored at the conclusion of mining.

Operational Processes (Program Activities): OSM carries out its program financial management responsibilities through three activities: fee compliance, revenue management, and

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| <p style="text-align: center;"><i>Fee Compliance</i></p> <ul style="list-style-type: none">• <i>Company Reporting</i>• <i>Collection</i>• <i>Accounting</i>• <i>Audits</i>• <i>Investment of AML Fees</i>• <i>Compliance Assistance to Operators</i>• <i>Regulatory and Policy</i>• <i>Development on Fee compliance issues</i> <p style="text-align: center;"><i>Grants Management</i></p> <ul style="list-style-type: none">• <i>Accounting and Reporting</i> <p style="text-align: center;"><i>Revenue Management</i></p> <ul style="list-style-type: none">• <i>Accounting and collection of revenue other than AML fees (e.g. civil penalties and Federal performance bonds)</i> |
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grants management. This business line does not include administrative accounting or reporting for appropriated funds.

Fee compliance covers the company reporting, collection, accounting, audit, and investment of abandoned mine reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee compliance issues.

Grants management includes accounting for and reporting on grants awarded to States and Tribes for AML and regulatory purposes.

Revenue management involves the accounting and collection of revenue other than reclamation fees, such as civil penalties assessed under Federal citations for mining violations and Federal performance bonds forfeited by coal

mine permittees.

The Financial Management business line supports accomplishment of OSM's Environmental Restoration and Protection mission goals through the collection of fees used for reclamation work and management of reclamation and regulatory grant funds.

The outcome of OSM's Financial Management program performance is mostly measured by the success of the Surface Mining Program in carrying out the two major missions of the organization -- Environmental Restoration and Environmental Protection. The Financial management business line is an integral part and supports accomplishment of both missions. In addition, OSM identified workload indicators for this business line as measures of the efficiency and effectiveness of financial management operations. These measures or indicators include: the Office of Inspector General financial statement audit opinion for fee compliance, revenue management, grants financial services; and, the fee compliance rate for operators reporting coal tonnage.

Actions Required to Achieve Annual Goals: OSM will use technology to increase compliance and improve processing of collections. This includes using the Internet to ease the coal companies' reporting burden to receive quarterly coal production reports, provide information to companies, and allow companies to make payments on-line. OSM will continue to use new and streamlined collection services as they become

available and will work with customers and stakeholders to ensure fair and consistent policies.

In FY 2005, OSM will continue to pursue opportunities to participate in e-government projects, such as, building a node off the Small Business Administration's 'Business Compliance One Stop' and Health and Human Services E-grants in support of the Administration's e-government initiative. OSM will also begin the FEEBACS Redesign project which will consolidate three outdated subsidiary systems into one contemporary system. The redesign project will provide the ongoing systems support needed to assure the continued success of the fee compliance program.

In accordance with guidelines established by the Chief Financial Officer's Council, OSM is converting to a new grant disbursement system. OSM will need to ensure a smooth transition to the new system through cooperative training with Treasury and customer service. OSM has over 174 grants and cooperative agreements with the States and Tribes, accounting for over \$259 million.

Resources, Skills, and Technology Needed: To support program activities and to ensure that operators continue to support the surface mining program by paying appropriate fees, OSM plans to maintain a highly trained cadre of fee compliance auditors, program accountants, and financial systems personnel. Training will continue so that financial management personnel maintain a high level of skill and technical expertise. OSM will also continue to use contractors to handle billing, data entry and appropriate collection functions, and redesign the principal systems that support the Fee Compliance Program.

In FY 2005, the President's Budget requests \$8.5 million for the Fee Compliance Program activity; \$0.4 million for the Revenue Management program activity; and \$0.2 million for the Grants Financial Management program activity to meet the annual goals discussed above.

The following section details, by program activity, the funding and FTE resources required to meet the performance measures.

**Table 1 – Justification of Program and Performance
Financial Management
Summary Increases/Decreases for FY 2005
(Dollars in Thousands)**

Program Activity		Regulation & Technology			Abandoned Mine Lands			Total			Inc/ Dec
		2003 Actual	2004 Estimated	2005 Request	2003 Actual	2004 Estimate	2005 Request	2003 Actual	2004 Estimate	2005 Request	
Fee Compliance	\$\$\$	0	0	0	6,055	6,100	8,480	6,055	6,100	8,480	2,380
	FTE	0	0	0	55	55	53	55	55	53	-2
Revenue Management	\$\$\$	391	395	400	0	0	0	392	395	400	5
	FTE	3	3	3	0	0	0	3	3	3	0
Grants Financial Management	\$\$\$	91	90	92	84	83	85	174	173	177	4
	FTE	1	1	1	1	1	1	2	2	2	0
TOTAL	\$\$\$	482	485	492	6,139	6,183	8,565	6,621	6,668	9,057	2,389
	FTE	4	4	4	56	56	54	60	60	58	-2

ONGOING PROGRAM

1. Fee Compliance

The fee compliance activity provides funding used by OSM, States and Tribes to restore land and water degraded by past mining practices to beneficial uses. The fee is collected from active coal operators based upon tons of coal produced and sold. The use of this money funds the accomplishment of the Department's Resource Protection goal.

OSM's Fee Compliance Program carries out SMCRA's requirements to ensure coal operators accurately report tonnage and pay reclamation fees. The program goal is to maximize compliance by fairly and consistently applying policy and collection procedures at a reasonable cost. In FY 2003, the program achieved a 99.75 percent collection rate resulting in \$282.6 million in total collections. The program achieved a 93.3 percent compliance rate for operators filing their tonnage reports on time. After working closely with the industry, 99.93 percent of the required reports were filed. OSM also increased the percent of permits that filed OSM-1 reports electronically, from 28 percent in FY 2002 to 38 percent in FY 2003. OSM's goal is to increase the percent of permits that file electronically, to provide better service to coal companies and to realize the benefits of E-government. In terms of efficiency, the total direct program cost was less than two percent of the amount collected.

The Fee Compliance Program is comprised of two highly integrated components, -- collections and audits -- that work hand-in-hand to maximize compliance, minimize the burden on industry, and ensure the efficient use of resources. For example, key initiatives that these components will pursue in FY 2005 include:

- Redesigning the current Fee Billing and Collection System (FEEBACS), the Audit Fee Billing and Collection System (AFBACS) and the Civil Penalty Accounting and Collection System (CPACS) into one contemporary system that can be maintained into the future. The new system will provide reliable support, at less cost to operate and maintain than the three existing, outdated systems.
- Developing a consolidated coal data reporting system. This project is being coordinated with other Federal and state agencies that collect information from the coal industry. It is intended to allow companies to electronically report information one time for multiple government uses.
- Expanding coal companies' use of electronic tonnage reporting and fee payment systems. These mechanisms offer efficiencies for both the industry and government.

Details on these and other services the collection and audit components provide are described in the following sections.

a. AML Fee Collection

The collection component assures that the AML Fee payment requirements of SMCRA are consistently and fairly applied across the country, creating a level playing field for all coal companies. In FY 2003, OSM collected 99.75 percent of the AML Fees due during the year. Total AML Fee collections were \$282.6 million.

To assist in managing AML Fee collections, OSM utilizes the Fee Billing Accounting and Collection System (FEEBACS). This computerized system provides subsidiary accounts receivable and management information needed to manage the fee compliance program. FEEBACS is integrated with the Applicant Violator System to track new permits from initial permitting through fee reporting. AML fee payments are tracked by permit number of producing coal companies for each quarter of the year. In addition, the system issues quarterly OSM-1 coal reclamation fee reports for industry coal sale reporting and fee computation. The package includes all data available on potentially producing permits to simplify the reporting requirements by industry. The forms are pre-printed and mailed to the companies to facilitate tonnage reporting and fee payment. Beginning in 2001, companies could elect to report over the Internet, using the E-filing system described below.

OSM-1 Reports covering over 2,800 permits are processed each quarter. OSM has developed an internet-based system to allow coal companies to file their quarterly coal production reports electronically. Companies report that the system saves them time and money and the system was cited as an outstanding process improvement by the Denver Federal Executive Board and was given their 2001 Excellence in Government Award. Currently, companies use the system to report on over 1,000 permits. The new system helps streamline the reporting process, makes it easier for companies to report on time, reduces errors, and makes it easier to follow-up with companies that have not reported. During FY 2002, the system was enhanced to allow companies to make payment online, using the Treasury Department's Pay.Gov payment method. This new feature saves companies time and wire transfer costs, while providing OSM with faster information about collections for investment purposes. Over 31 percent of reclamation fees were paid electronically using Pay.Gov, in the fourth quarter of 2003. During FY 2004 and 2005, OSM plans to continue promoting the use of E-filing and online payment by companies.

OSM will begin re-designing the current Fee Billing and Collection System (FEEBACS), the Audit Fee Billing and Collection System (AFBACS) and the Civil Penalty Accounting and Collection System (CPACS) into one contemporary system. The redesigned system is needed to assure the ongoing support for the Fee Compliance Program and reduce costs by:

- 1) Averting a system failure to business processes that generate approximately \$260 million a year in collections, and by avoiding the costs required to fix such a failure. We estimate that a major system failure would cost a minimum of \$710,000 in lost fee collections.
- 2) Migrating two of the existing systems off of their current hardware. The two systems reside on the same computer system as the administrative accounting system and its related subsidiary systems. OSM plans to migrate its administrative accounting system to a new Department-wide Financial and Business Management System.

Once this occurs, OSM will have to continue to maintain and operate the host computer system to support the two existing collection systems—AFBACS and CPACS. The redesign of these two existing systems will eliminate the need to do this, and save an estimated \$139,000 in recurring annual maintenance costs (current dollars). The redesign will also eliminate \$96,411 a year in programmer maintenance costs. Development of a new system will allow OSM to readily contract out software maintenance and reduce costs.

- 3) Eliminating the need to replace existing hardware that is going off-maintenance in 2006 and re-writing the AFBACS and CPACS systems. This will save an additional \$1.02 million.

This project will improve efficiencies by:

- 1) Re-engineering and streamlining business processes. OSM currently incurs \$540,000 a year in non-computer operating costs that could be reduced with the new system. Although we cannot currently predict the total efficiency savings from this project, a 15 percent efficiency gain would be a conservative estimate. A 15 percent efficiency gain would save \$81,000 per year. Over ten years, this adds up to \$1,057,000 in operating savings adjusted for inflation.
- 2) Replacing three outdated systems with one system.
- 3) Potentially reducing the cost of data collection by partner agencies.

FEEBACS/AFBACS/CPACS Redesign

Below illustrates the savings that OSM would achieve by making a one-time investment in system redesign. In summary, this project will deliver \$5,445,000 in savings/cost avoidance over ten years, as outlined in the following table:

Benefits:	Amount
Maintenance Savings – Combining Systems:	\$2,658,000
Operating Savings – Streamlined Business Processes:	1,057,000
Replacement Cost Avoidance – AFBACS & CPACS:	1,020,000
Additional Fee Collections:	710,000
Total Benefits/Savings:	\$5,445,000

OSM will also continue working on a consolidated single reporting form for coal companies to use to report to multiple Federal and State agencies. OSM conducted a pilot test of this concept in 2003, with the Internal Revenue Service, the Mine Safety and Health Administration, the Small Business Administration, the State of Pennsylvania, the Interstate Mining Compact Commission and a volunteer group of twenty coal companies. Eighty percent of the companies participating in the test reported that it saved them time.

A study conducted by the partner agencies showed that it would be cost-effective to develop a consolidated single source coal reporting system. During FY 2004, OSM will work with the partner agencies and the Small Business Administration to plan and coordinate the development of the system with SBA's Business Gateway initiative. Development of the system will depend on funding being provided by the other partners and/or SBA.

b. AML Fee Audit

SMCRA requires OSM to conduct audits to ensure full compliance with the law's reclamation fee requirements, so funds are available for State, Tribal, and Federal reclamation efforts. To meet that mandate, the compliance program is designed to promote timely and accurate reporting of coal tonnage and to ensure correct fee payments. In addition to conducting audits, this includes providing the information and assistance operators need to comply, and taking enforcement action when non-compliance occurs.

The audit staff is strategically located in field offices in most of the coal-producing areas, which is instrumental in providing direct service to coal operators. To ensure quality, all work is carried out in accordance with Government Auditing Standards issued by the Comptroller General of the United States. The continuing professional education and training of OSM's auditing staff is emphasized in accordance with those standards.

By structuring the audit program so that all companies have the potential to be audited, an effective deterrent to noncompliance is always present. To support the program goal of maximizing compliance, OSM auditors will conduct more than 200 audits and compliance checks in FY 2005. Beyond the deterrent effect, this provides an opportunity to directly assist industry on accounting and reporting matters. For example, when instances of non-compliance are identified, the auditors explain each issue and how similar occurrences can be avoided in the future.

Auditors also provide several other services necessary to achieve a high level of compliance. The following are a few examples of the work planned for FY 2005.

- *Examining all permit transactions recorded by regulatory authorities:* The audit staff will need to review more than 1,000 newly issued coal mining permits and transactions (transfers and amendments), which can affect the parties responsible for paying fees. About 1,500 were handled in FY 2003. By continuing these efforts, the program has greater assurance that all producing permits are identified in a timely manner, and operators are informed of their reporting and payment responsibilities.
- *Developing necessary revisions to the fee requirements:* The auditors have the most direct contact with operators and the subject-matter expertise to identify, develop, test, and implement any needed changes. This is part of an ongoing effort to ensure fairness and a level playing field among all operators in paying fees, and to minimize the compliance burden.
- *Promoting E-government:* The first aspect will cover promoting electronic tonnage reporting and fee payment by demonstrating the systems for companies during audits.

- The second will entail outreach sessions with industry for input on the consolidated coal data reporting project.
- *Coordinating work with the Internal Revenue Service:* OSM will continue working with the IRS to have the fee compliance and coal excise tax compliance programs more efficient. The proposed legislation supports this effort with a provision that will allow OSM auditors to conduct audits of the black lung excise tax payments at the same time as they audit payment of reclamation fees under SMCRA.
- *Working with States and Tribes:* Discussions have intensified on how OSM can share information and take other steps with the States and Tribes to make more efficient use of our resources. As with the IRS work, this initiative also carries the potential of reducing the industry's regulatory burden. The focus in FY 2005 will be on coordinating coal company audits.

Overall, there also will be a continued emphasis on customer service. Industry feedback on the FY 2003 audits indicated that all customer service standards were met, which is critical to maximizing compliance and collections.

**Table 2 - Actual and Estimated Deposits to the AML fund
 AML Production Fees, Investment Earnings, and Associated Fees**
(Production in millions of tons)
(Dollars in Millions)

	2003“Actuals”	2003 Projections <i>(as submitted in FY 2002)</i>		2004 Projections		2005 Projections		2006 Projections	
		<i>DOE</i>	<i>OSM</i>	<i>DOE</i>	<i>OSM</i>	<i>DOE</i>	<i>OSM</i>	<i>DOE</i>	<i>OSM</i>
Production *									
Underground	345	393	410	370	388	381	386	394	398
Surface	635	673	654	635	618	643	618	660	635
Lignite	85	96	84	98	85	101	89	101	90
AML Fees **	\$282.6	\$292.2		\$278.4		\$238.8		\$245.5	
Investment	\$23.6	\$60.7		\$49.9		\$71.3		\$70.3	
Total	\$306.2	\$352.9		\$328.3		\$310.10		\$315.8	

**DOE Production is based on the Department of Energy (DOE) “Annual Energy Outlook 2001, OSM Case”. OSM tonnage uses the last reported production (Fiscal Year 2002) and then increases or decreases based on the percentage increase or decrease in DOE production for each coal type. The OSM projections are usually lower because AML fees are assessed on the tonnage sold, used, or transferred while the DOE figures are based on the tonnage produced.*

***AML Fees are calculated based on the OSM tonnage estimates multiplied by the applicable fee rate: \$.15, \$.35, and \$.10 for underground, surface, and lignite, respectively. This calculation is then adjusted for moisture content, reduced coal prices and fees, administrative fees and uncollectible fee estimates. Current Authority to collect AML fees ends in 2004. The AML fee and investment projections for FY 2005 and 2006 are consistent with the Administration’s AML reauthorization proposal.*

Table 3 – Summary Status of Abandoned Mine Reclamation Fund
(Dollars in Thousands)

Fiscal Year	Receipts & Interest Income			Appropriations			Unappropriated AML Fund Balance
	Amount	Interest Earned	Cumulative	Amount	Transfer To UMWA	Cumulative	
1978	105,444		105,444	36,647		36,647	68,797
1979	184,433		289,877	61,451		98,098	191,779
1980	199,000		488,877	94,843		192,941	295,936
1981	192,657		681,534	82,485		275,426	406,108
1982	222,644		904,178	115,333		390,759	513,419
1983	197,196		1,101,374	213,079		603,838	497,536
1984	216,554		1,317,928	271,228		875,066	442,862
1985	226,426		1,544,354	296,941		1,172,007	372,347
1986	219,162		1,763,516	197,277		1,369,284	394,232
1987	215,304		1,978,820	203,720		1,573,004	405,816
1988	229,890		2,208,710	199,380 ¹¹		1,772,384	436,326
1989	235,493		2,444,203	193,160		1,965,544	478,659
1990	243,519		2,687,722	192,772		2,158,316	529,406
1991	243,761		2,931,483	198,955		2,357,271	574,212
1992	241,954	39,328	3,212,765	187,803		2,545,074	667,691
1993	238,153	30,633	3,481,551	187,930		2,733,004	748,547
1994	244,296	40,090	3,765,937	190,107 ²		2,923,111	842,826
1995	255,416	61,730	4,083,083	182,386		3,105,497	977,586
1996	256,451	69,383	4,408,917	173,887	47,184	3,326,568	1,082,349
1997	266,783	81,006	4,756,706	177,085	31,374	3,535,027	1,221,679
1998	273,039	67,031	5,096,776	177,624 ³	32,562	3,745,213	1,351,563
1999	276,674	82,831	5,456,281	185,392	81,766	4,012,371	1,443,910
2000	274,297	94,370	5,824,948	195,873	108,959 ⁴	4,317,203	1,507,745
2001	284,044	103,496	6,212,488	215,038	182,018 ⁵	4,714,259	1,498,229
2002	287,066	43,278	6,542,832	203,455	90,179 ⁶	5,007,893	1,534,939
2003	282,555	23,620	6,849,007	190,499	89,858	5,288,250	1,560,757
2004	278,402	49,869	7,177,278	190,584	14,967	5,493,801	1,683,477
2005	238,767	71,346	7,487,391	243,861	34,000	5,771,662	1,709,729

The FY 2003-2004 receipt figures and interest earnings are projections. Beginning in FY 1992, SMCRA was amended to allow the AML Fund to be invested. The Energy Policy Act of 1992 provided that funds from the interest earned could be transferred to the United Mine Workers of America Combined Benefit Fund.

¹ Total does not include \$7M transferred into the fund by supplemental authority, which does not affect the Unappropriated Balance.

² Total includes \$7.2 M transferred into the fund by supplemental authority, which does not affect the Unappropriated Balance.

³ Total does not include \$3.2M transferred into the fund by supplemental authority, which does not affect the Unappropriated Balance.

⁴ Total includes one-time \$68M emergency appropriation, as well as the annual appropriation of \$41m.

⁵ Total includes annual amount of \$102.9M, as well as \$78.M of the one-time \$967M mandated under PL 106-291.

⁶ Total includes annual amount of \$113.6M, less \$23.3M returned by UMWACBF as mandated under PL 106-291.

2. Grant Financial Management

This activity accounts for and disburses reclamation and regulatory grants to States and Tribes under OSM's Environmental Restoration and Environmental Protection business lines. Grants represent the majority of OSM's budget and fund the protection and restoration of land, water, and structures adversely affected by mining operations (past and present). The grants financial management activity includes the disbursement, accounting, reporting and recovery of grant funds. It also includes the computer systems used to support these functions. A little more than half of the funding request (\$.09 million) supports DOI's Resource Use goal and \$.08 million supports DOI's Resource Protection goal.

After grants are issued, the grant disbursement system allows States and Tribes to request funds and receive payment within one day. The grants tracking system allows grant specialists to track grant awards, disbursements and costs, and manage the grant financing. Grant awards are entered into the Grants Information Financial Tracking System (GIFTS) to establish a grant account balance. As States and tribes need funds, they submit a drawdown request for funds through OSM's on-line Draw-Down Express System. The Draw-Down Express System automatically checks GIFTS to assure that funds are available. If funds are available, the system approves the disbursement and a payment is issued. GIFTS is updated as payments are made. As States and Tribes spend the grant funds they have received, they submit cost reports, which are entered into the system. GIFTS gives OSM grant specialists and States and tribes on-line reports, which show the status of grant funds.

OSM is in the process of migrating of its payment processes to a Government Grant Payment System replacing the present Draw-Down Express System. OSM will continue to work with the States and tribe to make sure that their grants management needs are met. During FY 2005, OSM plans to meet or exceed the following measures:

- 99 percent of grant payment requests will be processed within one day; and
- 95 percent of States and tribes will rate our services as satisfactory or better.

The Table on the following page details the AML Unappropriated Balance as of September 30, 2003, by a description of its allocation.

**Office Of Surface Mining
AML Unappropriated Balance
September 30, 2003**

Prepared by the Division of Financial Management

Total Funds to be Allocated: \$1,560,756,355.36

Description of Allocation	Balance as of 10/02/02 1/	LESS: 2003 Appropriation	LESS: 2003 5/ UMWBF Transfer	Post Appr. & Trans. Balance	Investment Int. 10/02/02 -09/30/03	Collections for 10/02/02 -09/30/03	Balance As Of 9/30/2003
RAMP Allocation	\$273,742,533.43	\$0.00	\$0.00	\$273,742,533.43	\$0.00	\$28,562,742.79	\$302,305,276.22
Federal Expense 2/	\$56,735,549.21	(\$56,179,696.50)	\$0.00	\$555,852.71	\$0.00	\$57,125,485.57	\$57,681,338.28
Historical Coal 3/	\$127,559,263.71	(\$56,223,514.00)	\$0.00	\$71,335,749.71	\$0.00	\$57,125,485.57	\$128,461,235.28
UMWA	\$132,132,937.31	\$0.00	(\$89,858,283.42)	\$42,274,653.89	\$23,619,923.01	\$0.00	\$65,894,576.90
Total Fed Share 1/ and 4/	\$590,170,283.66	(\$112,403,210.50)	(\$89,858,283.42)	\$387,908,789.74	\$23,619,923.01	\$142,813,713.93	\$554,342,426.68
Total State Share	\$944,768,492.87	(\$78,095,447.00)	\$0.00	\$866,673,045.87	\$0.00	\$139,740,882.81	\$1,006,413,928.68
Total	\$1,534,938,776.53	(\$190,498,657.50)	(\$89,858,283.42)	\$1,254,581,835.61	\$23,619,923.01	\$282,554,596.74	\$1,560,756,355.36

- 1/ With Public Law 106-291, Congress authorized a transfer to the United Mine Workers Combined Benefit Fund using interest earned in FY 1992-1995. \$78,976,478.05 (net of \$173,996.17, a Congressionally reduced appropriation, subsequently restored) was transferred under this law, \$23,427,452.36 (net) was returned to OSM in 2002, leaving a remaining balance in this pool of \$41,133,755.64. Due to a downturn in interest rates, this pool will be depleted by the end of 2003
- 2/ The Federal Expense Distribution was calculated using 2003 distribution levels
- 3/ The Historical Coal Distribution was calculated using 2003 distribution levels
- 4/ This amount includes interest income received of \$39,328,466.11 prior to 10/01/92. Per Congressional appropriation language, OSM used \$7,000,000 of that leaving remaining interest earned of \$32,328,486.11.
- 5/ \$56,079,283.42 is the amount transferred at the beginning of FY 2003 to the United Mine Workers Benefit Fund for estimated expenses in FY 2003 and for adjustments to actual expenditures in FY 1996, FY 1997, FY 1998, FY 1999, FY 2000, FY 2001 and FY 2002. OSM also transferred \$33,779,000 to the United Mine Workers Benefit Fund pursuant to Public Law 108-7.

3. Revenue Management

The Revenue Management activity involves managing a variety of non-fee revenues and receivables that come from the agency's operations. These include the following:

- Federal civil penalties issued for mining violations. The total outstanding balance of open civil penalty cases was \$274,135 at the end of FY 2003, including interest and late charges. New civil penalties recorded in FY 2003 totaled \$97,320.
- Bond forfeitures by federally permitted mining companies.
- Fees for mine permit reviews and blaster certification training.

The bonds and penalties assessed ensure responsible management practices in the extraction of coal resources. Levy of penalties and fees help to ensure operators compliance with coal mining regulations and ensure the land is restored to beneficial use at the conclusion of mining operations.

Civil penalty collections are used to reclaim post-SMCRA mine sites. To maximize the collection rate on civil penalties, OSM uses all of the debt collection tools available. These tools include demand letters, personal contact with the debtor, use of payment plans, referral to private collection agencies or the Department of Treasury, litigation through the Solicitor's Office, and referral to the Department of Treasury for payment offset. Additionally, delinquent civil penalties are reported to the Applicant Violator System so that violators and debtors do not obtain permits to mine coal until the outstanding debt and violations have been resolved. These are the same tools used in the AML Fee collection program. However, because the majority of the companies that incur AML Fees are viable, the collection rate for AML Fees is higher than the collection rate for civil penalties.

During 2004-2005 OSM plans to continue to refer civil penalty debt that is more than 180 days delinquent to the Department of Treasury for collection, in accordance with the Debt Collection Improvement Act of 1996. OSM has a memorandum of understanding with the Department of Treasury whereby they will provide collection services on debts over 180 days delinquent. During FY 2003, OSM referred 100 percent of qualifying civil penalty debts to Treasury.

Bond forfeitures on federally permitted lands are used to reclaim mine sites when a company fails to perform reclamation. It is a positive indicator that bond forfeitures have declined over the past three years.

FY 2003 PROGRAM PERFORMANCE ACCOMPLISHMENTS

In 2003, the major accomplishments in the Financial Management program activity include:

- OSM received its 13th consecutive unqualified audit opinion on our FY 2003 financial statements. No material weaknesses identified.
- OSM increased electronic coal reclamation fee reporting to 38% of permits, and increased the amount of fees collected electronically through Pay.Gov to 31%.
- OSM Collected \$282,544,597 in fees from active coal mine operators that will be used to reclaim lands abandoned prior to passage of the Surface Mining Law in 1977.
- OSM worked with four western state audit organizations and identified means of increasing efficiency and reducing the compliance burden of coal company audits.
- OSM and the Internal Revenue Service developed new steps to improve efficiency and reduce the burden of coal companies' compliance with the reclamation fee and coal excise tax requirements.
- OSM Distributed \$158,546,721 to state abandoned mine programs to reclaim abandoned mine land health and safety hazards and \$57,200,762 to state coal mine regulatory programs.

FY 2004 PLANNED PROGRAM PERFORMANCE

- OSM plans to begin the redesign of three critical collection systems.
- OSM plans to achieve the following performance measures.

	FY 2003 Actual	FY 2004 Plan	FY 2004 Plan versus FY 2003 Actual
Initial fee compliance rate. (BG)	93.8%	94%	+.2% (+.2%)
Fee compliance rate (after action). (BG)	99.8%	99%	-.8% (-.8%)
Increase the number of permits reporting by e-filing. (BG)	38%	40%	2% (+5%)
Process requests for grant payments within one day. (BG)	99%	99%	0%
Customer satisfaction with Grants Financial Services. (BG)	100%	95%	-5% (-5%)

Accomplishment Data: OSM has various internal controls and system capabilities to assure accurate and timely reporting of data related to program performance. Additionally, the financial data and measures for this business line are subject to audit annually by the Department of the Interior's Office of the Inspector General.

JUSTIFICATION OF 2005 PROGRAM CHANGES

Financial Management	FY 2005 Budget Request	Program Changes (+/-)
\$(000)	9,057	2,295
FTE	58	0

Fee Compliance (+\$2,300,000) - The 2005 program change is a one-time increase to redesign OSM's aging collection systems. The collection systems support the Fee Compliance program in OSM. The program collects over \$287 million a year in reclamation fees that are deposited into the Abandoned Mine Land Fund. The program is highly successful, with a 99 percent collection rate and a 94 percent initial on-time reporting rate from coal companies. This funding increase will significantly improve the present systems and processes. The systems are based on outdated programming languages that are not widely supported commercially and are becoming increasingly difficult to maintain. Two of the current systems will have to be replaced after 2006 when the existing computer hardware is no longer supported by the manufacturer. And although OSM has an E-filing company reporting process using web-based technology, it is still linked to a back-end process that was not designed for E-Government. This project will replace and consolidate three separate computer systems at the Office of Surface Mining (FEEBACS, AFBACS and CPACS). It will reduce computer system maintenance costs, reduce operating costs of the program by streamlining processes, and reduce the risk of the current systems failing. The re-design project will take approximately 11 months to complete and will deliver \$5,445,000 in savings/cost avoidance over ten years.

Federal Vehicle Fleet (-\$ 5,000) - In 2004, the Department and the bureaus began a collaborative effort to improve the management of vehicle fleets including examination of the infrastructure for fleet management within each bureau, the identification of best practices that could be used Department-wide, and the development of action plans to improve fleet management and realize cost savings.

In anticipation of improved fleet management and the resultant savings, the 2005 budget proposes a reduction in funding. To achieve these savings, the bureau will undertake fleet reductions and cost-savings by: (1) reducing the size of the fleet; (2) employ energy saving practices by fleet operators; (3) acquire more efficient vehicles; (4) acquire the minimum sized vehicle to accomplish the mission; (5) dispose of underutilized vehicles; (6) freeze the acquisition of vehicles from the General Services Administration (GSA) Excess Vehicle program; and (7) explore and develop the use of inter-bureau motor pools.

FY 2005 FINANCIAL MANAGEMENT PERFORMANCE

Resource Protection End Outcome Goal 1.1: Improve Health of Watersheds, Landscapes, and Marine Resources							
End Outcome Measures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Plan	FY 2004 Revised Final Plan	FY 2005 Plan	Change in Performance 2004 to Planned 2005	Long-term Target (2008)
Number of land acres reclaimed or mitigated from the effects of degradation from past mining. (Calculated equivalent acres) (SP)	8,606	6,539	6,900	6,900	8,200	1,300 +19%	8,200
Number of stream-miles for which degradation from past surface coal mining has been improved (SP)	UNK	UNK	150	150	175	25 +17%	175
Number of surface acres of water for which degradation from coal mining has been improved. (SP)	UNK	UNK	150	150	175	25 +17%	175
Bureau and PART Measures:							
Initial fee compliance rate. (BG)	94.2%	93.8%	94%	94%	94%	0	94%
Fee compliance rate (after action). (BG)	99.9%	99.8%	99%	99%	99%	0	99%
Increase the number of permits reporting by e-filing. (BG)	28%	38%	40%	40%	45%	10% +12.5%	55%
Process requests for grant payments within one day. (BG)	99%	99%	99%	99%	99%	0	99%
Customer satisfaction with Grants Financial Services. (BG)	90%	100%	95%	95%	95%	0	95%

Resource Use End Outcome Goal 2.1: Manage or influence resource use, and ensure optimal value.							
End Outcome Measures:	FY 2002 Actual	FY 2003 Actual	FY 2004 Plan	FY 2004 Revised Final Plan	FY 2005 Plan	Change in Performance 2004 to Planned 2005	Long-term Target (2008)
Percent of active sites that are free of off-site impacts. (SP)	92.8%	92.8%*	94%	93%	93%	0	93%
Number of acres where reclamation goals are achieved as evidenced by release from Phase III Performance Bonds. (SP)	73,407	60,641*	70,000	70,000	70,000	0	70,000
*Figures are annual estimates based on 9 months of actual data. SP = DOI Strategic Plan Measure; PART = Program Assessment Rating Tool Measure; BG = Bureau Measure; UNK = data is unavailable.							

