



About the Office of Surface Mining

The Office of Surface Mining is a small bureau (about 650 employees nationwide) of the U. S. Department of the Interior with responsibility, in cooperation with the states and Indian Tribes, to protect citizens and the environment during coal mining and reclamation, and to reclaim mines abandoned before 1977. Under authority of the Surface Mining Law¹, the Office of Surface Mining is organized around two principal requirements: regulating active coal mining and reclaiming abandoned mines. It is a field-oriented organization, with headquarters in Washington, D.C., three regional coordinating centers (in Pittsburgh, Pennsylvania; Alton, Illinois; and Denver Colorado), 10 field offices, and six area offices.

The current annual operating budget is approximately \$315 million. That sum enables the Office of Surface Mining to support the states' mining programs by granting funds for their regulation and enforcement and providing training and technical support. It also pays 100 percent of the costs for restoring abandoned mines that were left unreclaimed before the Law was passed in 1977. Funds for reclaiming abandoned mines come from tonnage-based reclamation fees paid by America's active coal mine operators.

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

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

On-The-Ground Success...

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I. Introduction

This report describes the operations of the Interior Department's Office of Surface Mining for the period October 1, 2000 through September 30, 2001 (Fiscal Year 2001)². This year the Annual Financial Accountability Report, compiled to meet the requirements of Section 306 of the Chief Financial Officers Act of 1990, is included and the two reports are combined.

This Annual Report was compiled to meet the specific requirements of Section 706 of the Surface Mining Law and includes a summary of results required by the Government Performance and Results Act. Included in this report are activities carried out under several parts of the Law: Title IV, Abandoned Mine Reclamation; Title V, Control of the Environmental Impacts of Surface Coal Mining; and Title VII, Administrative and Miscellaneous Provisions. Surface Mining Law responsibilities of other bureaus and agencies have been omitted. Those responsibilities include Title III, State Mining and Mineral Resources and Research Institutes program, which was administered by the now abolished U.S. Bureau of Mines; Titles VIII and IX, the University Coal Research Laboratories and the Energy Resource Graduate Fellowships, which are administered by the Secretary of Energy; and Section 406, the Rural Abandoned Mine Program (RAMP) which is administered by the Secretary of Agriculture. Programmatic and financial information about those activities are reported directly to Congress by the agencies responsible for them.

This year's Annual Report contains updated tabular data corresponding to that found in Office of Surface Mining annual reports prepared since 1988. This allows a comparison of statistics from year to year. The report is organized in sections that correspond to the four principal activities performed by the Office of Surface Mining. The four principal activities are:

- Abandoned mine land reclamation
- Regulation of active coal mines
- Technology development and transfer
- Financial management and administration

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

- Miles x 1.609 = Kilometers
- Acres x 0.40469 = Hectares
- Feet x 0.30473 = Meters
- Gallons x 0.7854 = Liters
- Tons x 0.90718 = Metric Tons

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) and CD-ROM. The CD contains all Office of Surface Mining Annual Reports (1978-2001), and a 15-minute video program 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 or contact:

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2. Throughout this document "2001" refers to Fiscal Year 2001 (10/1/00 - 9/30/01) unless otherwise noted.

II. Director's Letter

Having worked with implementation of the Surface Mining Law since 1980, first in the solicitor's office, then as Deputy Director, and now Acting Director, I have seen first hand the dramatic success the Law has had. During these years successful land reclamation and environmental protection have become routine parts of the coal mining process. And, I'm happy to report, on-the-ground reclamation is better than its ever been.



During 2001, we have focused our efforts on completing long-standing issues and initiating new program operations. Some of the highlights include:

- In December 2000, final regulations were published in the *Federal Register* for the Ownership and Control Rules. These amended regulations implement the January 1997 and May 1999 federal appeals court decisions which limit blocking permits to cases where applicants own or control operations in violation. These rules provide new definitions of ownership and control and clarify the scope and applicability of those definitions.
- The Office of Surface Mining and The Conservation Fund have begun working together on joint projects that restore mine lands to beneficial uses. The Fund's Freshwater Institute develops and improves innovative and cost-effective techniques for acid water treatment which may be readily adopted to both active and abandoned mine settings. The development and transfer of effective water treatment techniques will significantly benefit mining companies, landowners, and citizens living in the coalfields.
- Contrary to their much-maligned image, bats are ecologically and economically critical to the well being of the nation, and yet, over half of the 43 species living in the U. S. are endangered or on the candidate list for endangered species. In 2001, the Office of Surface Mining, Bat Conservation International, and the Southern Illinois University cosponsored a Bat Conservation and Mining Forum that provided an organized format for discussion of issues about the protection of bats and their habitat associated with both underground and surface mining operations.
- As part of a 1998 settlement agreement in West Virginia federal district court, we continued several activities related to mountaintop mining during the past year. Joint permit reviews by the Office of Surface Mining and the West Virginia Department of Environmental Protection have continued for applications proposing to construct large valley fills. Activities arising from the reviews of the Surface Mining Law and Clean Water Act permits continue to be reported monthly to the West Virginia congressional delegation and the public (see www.osmre.gov/mtindex.htm for a complete listing).

We are also working with the Environmental Protection Agency, the U. S. Army Corps of Engineers, the Fish and Wildlife Service, and West Virginia Department of Environmental Protection in the development of an Environmental Impact Statement on mountaintop mining and valley fills. During 2001, technical studies on aquatic and terrestrial impacts, valley fill stability, flooding, blasting dust and fumes, future mining, soils and forest productivity, seasonal stream flow, aquatic ecosystem enhancement, and fill hydrology were completed. Economic, fisheries, postmining land use, and cumulative impact studies are underway and should be finalized in 2002. A draft report is planned for publication in late 2002 or early 2003.

- This 2001 Annual Report is an example of a new direction for the Office of Surface Mining. For the first time the principal publication format is electronic. Although traditional printed copies are still available on request, by far the largest group will read this report on-line or from the CD-ROM version while connected to the internet so they can link to additional, more detailed information.

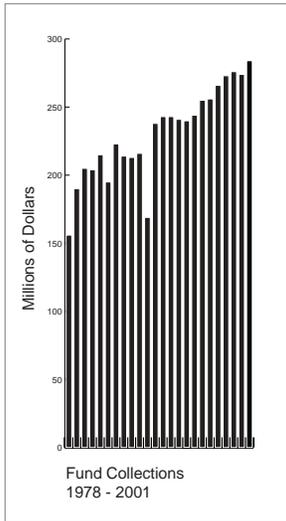
I would like to leave you with one last thought. The photographs in this report show examples of on-the-ground reclamation across the country. These pictures show no indication that surface mining ever occurred. They show landscapes typical of rural areas throughout the country -- the clear evidence that the basic intent of the Surface Mining Law has been achieved without compromising coal production.

A handwritten signature in black ink, appearing to read "Brenda A. Owens", written in a cursive style.

III. Abandoned mine Land reclamation

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

Abandoned Mine Land Fund Management



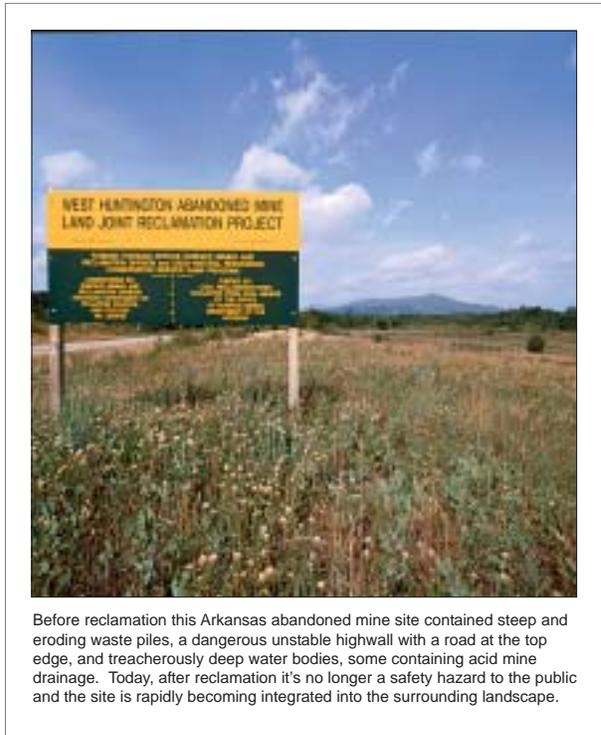
Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land Reclamation Fund, which is used to pay the costs of abandoned mine land reclamation 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, 2001, the Fund collections totaled \$6,219,527,784. For the same period, Fund appropriations totaled \$4,714,260,359.

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, to fund 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 2001 collections and funding by states.

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

In 1992, under authority of Public Law 101-508, the Office of Surface Mining began investing abandoned mine land funds. The Office of Surface Mining only



Before reclamation this Arkansas abandoned mine site contained steep and eroding waste piles, a dangerous unstable highwall with a road at the top edge, and treacherously deep water bodies, some containing acid mine drainage. Today, after reclamation it's no longer a safety hazard to the public and the site is rapidly becoming integrated into the surrounding landscape.

Table 1: AML Fee Collections and Funding

State/Tribe	AML Collections ¹	State Share Distribution ²	Federal Share Distribution ²	Emergency Distribution ²	Special Funding ³	Clean Streams Distribution ²	Total Distribution ²
Alabama	\$3,756,269	\$1,532,354	\$1,725,921	\$400,000	0	\$289,784	\$3,948,059
Alaska	534,750	169,230	1,430,770	25,000	0	0	1,625,000
Arkansas	5,672	0	1,600,000	15,000	0	0	1,615,000
Colorado	6,729,002	1,770,888	836,894	0	0	0	2,607,782
Illinois	5,977,150	2,666,735	6,361,760	680,000	0	735,468	10,443,963
Indiana	10,236,284	3,291,052	2,071,190	328,259	0	323,749	6,014,250
Iowa	0	4,666	1,595,334	0	0	173,253	1,773,253
Kansas	66,751	42,712	1,557,288	465,000	0	0	2,065,000
Kentucky	29,421,593	10,791,091	6,234,926	0	0	723,297	17,749,314
Louisiana	359,242	103,711	0	0	0	0	103,711
Maryland	1,020,146	235,789	1,364,211	0	0	163,769	1,763,769
Mississippi	22,364	0	0	0	0	0	0
Missouri	172,128	98,903	1,501,097	49,800	0	172,231	1,822,031
Montana	11,340,546	3,847,187	0	125,000	0	0	3,972,187
New Mexico	6,264,281	1,683,151	203,460	0	0	0	1,886,611
North Dakota	3,071,118	972,107	627,893	100,000	0	0	1,700,000
Ohio ⁴	5,908,542	2,098,890	3,899,841	300,000	0	499,225	6,797,956
Oklahoma	535,424	185,035	1,414,965	60,000	0	153,135	1,813,135
Pennsylvania ³	14,143,452	5,086,453	20,564,362	0	12,572,280	2,098,336	40,321,431
Tennessee	759,815	0	0	0	0	0	0
Texas	4,894,487	1,691,799	0	0	0	0	1,691,799
Utah	3,803,489	1,170,262	539,579	0	0	0	1,709,841
Virginia ⁴	6,874,584	2,251,016	1,913,695	50,000	0	308,636	4,523,347
Washington	1,702,271	0	0	0	0	0	0
West Virginia ⁴	35,840,671	10,027,256	11,818,767	325,118	0	1,259,117	23,430,258
Wyoming	120,897,131	28,820,712	0	0	0	0	28,820,712
Crow Tribe	1,677,202	589,310	0	0	0	0	589,310
Hopi Tribe	1,285,159	459,440	0	0	0	0	459,440
Navajo Tribe	6,734,011	2,619,301	0	0	0	0	2,619,301
Total	\$284,033,534	\$82,209,050	\$67,261,953	\$2,923,177	\$12,572,280	\$6,900,000	\$171,866,460

1. The collections total also does not include federal collections of \$10,590 paid to the Office of Surface Mining which are not attributable to any state or tribal entity.

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

3. The Commonwealth of Pennsylvania received \$11,973,600 for abandoned coal reclamation and acid mine drainage in the anthracite region, and \$598,680 to continue the demonstration project begun in 2000.

4. In addition to the amount of emergency funding noted above, the states of Ohio, Virginia, and West Virginia, received \$2,000,000, \$1,000,000, and \$3,174,882, respectively, from an account which holds unallotted emergency funds that have been recovered from prior years and carried forward for future emergency needs. Therefore, Ohio's total emergency funding is \$2,300,000, Virginia's is \$1,050,000, and West Virginia's is \$3,500,000.

invests these funds in U.S. Treasury Securities. Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public 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 fiscal 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 was greater or less than the actual health benefits, an adjustment is made to the next transfer. The 2001 annual payment was \$67.5 million for 17,411 beneficiaries. Prior year adjustments increased this payment by \$35.4 million. The Department of the Interior Appropriations Act, 2001 (Public Law 106-291) required an additional transfer of \$76.7 million to offset any deficit in net assets through August 31, 2001. That law also provided for a separate transfer of \$2.2 million that the United

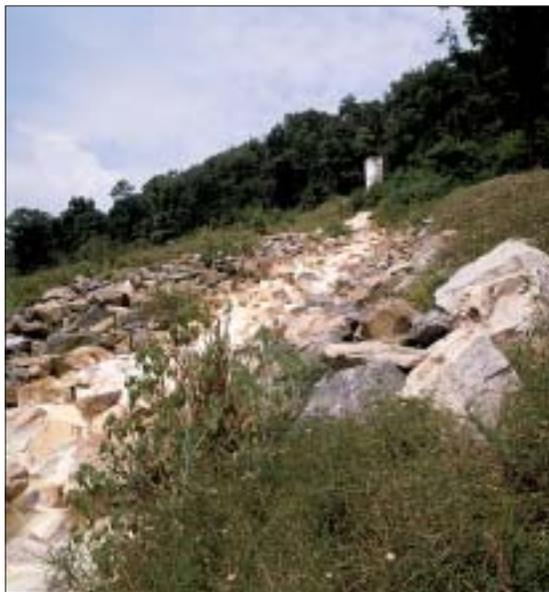
Table 2: Abandoned Mine Reclamation Fund Status

	Cash Basis	
	2001	2000
Balance, Start of Year	\$1,812,132,897	\$1,735,925,955
Fees, debts, and interest collected	284,044,124	274,297,102
Interest earned on investments	103,495,981	94,369,310
Total Earnings	\$387,540,105	\$368,666,412
Disbursements	160,894,551	183,499,528
Transfers to the United Mine Workers	181,844,948	108,959,942
Total Disbursements and Transfers	\$342,739,499	\$292,459,470
Balance, End of the Year	\$1,856,933,503	\$1,812,132,897

Mine Workers of America Combined Benefit Fund trustees were to use for refunds to qualified operators or related persons. The total payment in 2001 was \$181.8 million. Table 2 summarizes the Fund account for the past two years.

The Surface Mining Law requires the Secretary of the Interior to ensure full compliance with the abandoned mine reclamation fee provisions. The Office of Surface Mining fulfills that responsibility by collecting fees from coal operators through voluntary reporting, audit, and debt collection. In 2001, the initial rate of those reporting and paying on time was 92.3 percent. Through follow-up and other work with the operators, the compliance rate was raised to 99.9 percent, resulting in total collections of \$284.0 million 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 mails preprinted forms to all active coal mining companies and provides guidance by phone and mail. Because of factors beyond the Office of Surface Mining's control, such as company financial difficulties and errors, some nonpayment and non-reporting will probably always be present. When such instances of noncompliance are found, auditors and collection staff examine each issue and how similar occurrences can be avoided in the future. The high compliance rate can be



Before reclamation, acid mine drainage was flowing from many of the abandoned mine portals at this site and was severely impacting water quality of surrounding streams and rivers. Analysis indicated that acid mine drainage from the site contributed a net acid discharge of 3,354 pounds per day to the North Branch of the Potomac River and was creating a chemical barrier to fish migration into the upper reaches of the river. A lime doser, located above the acid mine drainage discharges, was constructed to treat the acidic condition. This has eliminated the chemical barrier to fish migration and dramatically improved the water quality of the river.

Table 3: Abandoned Mine Land Grants¹

State/Tribe	Subsidence Insurance	10% Program Set-Aside	Administration ³	Project Costs ⁴	Emergency ⁵	2001 Total	2000 Total
Alabama	\$0	\$0	\$537,818	\$3,353,592	\$400,000	\$4,291,410	\$4,066,622
Alaska	0	0	283,180	2,628,743	25,000	2,936,923	2,402,334
Arkansas	0	0	405,824	1,194,176	15,000	1,615,000	1,515,000
Colorado	0	260,811	757,150	1,852,850	0	2,870,811	2,270,000
Illinois	0	903,095	1,536,257	9,269,754	780,000	12,489,106	14,231,430
Indiana	0	536,304	958,372	5,744,608	328,259	7,567,543	6,669,520
Iowa	0	0	246,189	1,542,064	0	1,788,253	1,726,562
Kansas	0	0	248,724	1,366,758	465,000	2,080,482	2,355,854
Kentucky	0	0	2,252,115	16,642,354	0	18,894,469	17,168,631
Louisiana	0	0	130,732	10,545	0	141,277	122,611
Maryland ²	0	65,000	553,170	413,769	0	1,031,939	962,180
Missouri	0	66,358	569,590	1,372,764	49,800	2,058,512	1,751,149
Montana	0	0	430,519	3,416,668	125,000	3,972,187	3,810,998
New Mexico	0	188,669	1,115,272	4,000,000	0	5,303,941	2,285,599
North Dakota	0	127,090	183,520	1,395,780	100,000	1,806,390	1,600,000
Ohio	0	0	3,527,549	4,330,988	2,300,000	10,158,537	10,258,200
Oklahoma	0	0	329,324	1,423,811	60,000	1,813,135	1,707,924
Pennsylvania ²	0	2,565,874	2,473,548	37,289,937	0	42,329,359	38,725,747
Texas	0	0	177,533	1,475,438	0	1,652,971	4,334,516
Utah	0	331,027	359,883	1,406,031	0	2,096,941	2,072,808
Virginia	0	416,545	659,976	3,588,812	2,050,000	6,715,333	6,461,081
West Virginia	0	0	6,831,914	17,540,127	3,500,000	27,872,041	29,444,115
Wyoming	0	0	1,039,789	28,145,659	0	29,185,448	26,897,717
Crow Tribe	0	0	91,741	594,151	0	685,892	1,385,135
Hopi Tribe	0	0	1,042,812	1,800,000	0	2,842,812	200,000
Navajo Tribe	0	0	1,163,463	3,107,190	0	4,270,653	1,689,940
TOTAL	\$0	\$5,460,773	\$27,905,964	\$154,906,569	\$10,198,059	\$198,471,365	\$186,115,673

1. Funding for these grants is derived from the 2001 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.

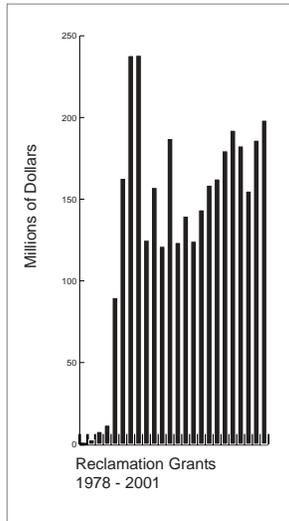
3. Included in this category are costs for program support (personnel, budgeting, procurement, etc.), Abandoned Mine Land inventory management, and program policy development. Indirect costs associated with the administration of the program may also be included.

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 \$6,900,000 in funding for the Appalachian Clean Streams Program.

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

attributed to this proactive cooperative approach, and the overall efficiency of the collection and audit activities. The success of this approach was recognized by the Office of Personnel Management, which presented its annual performance management award to the Office of Surface Mining for this work. The award is designed to highlight organizations with demonstrated levels of results-oriented and customer-focused performance.

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 2001, the states and tribes received grants totaling \$198,471,365 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, \$3,102,949,344 has been distributed from the fund. Grant obligations (the amount used by the states) for 2001 are shown in Table 3. Larger total obligations (shown in table 3) than total distribution (shown in table 1) result from previous year carryover or funding from past years distributions that were not used until 2001.

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

scrutiny of state grant applications. During 2001, the Office of Surface Mining awarded 96 percent of the regulatory 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 2001, 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 increased from \$1,500,000 to \$1,600,000 for 2001. The eight eligible programs received a total of \$8,198,571 in 2001. 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



At this Utah site, abandoned portals and open mine shafts were closed to eliminate dangerous conditions. During reclamation the portals were backfilled and the larger portals that were flanked with historic Italian-cut sandstone retaining walls were closed; but, preserved the historic stone intact. Today, with reclamation complete, these structures are an historical feature and a reminder of the Italian miners of the early 1900's who built houses, walls, and other structures using rock from the surrounding canyons.

date for the collection of abandoned mine land reclamation fees. (Subsequent legislation has extended that date to September 30, 2004.) Statutory amendments contained in Public Law 101-508 created a new 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, and only to reclaim eligible priority 1 and 2 abandoned coal mine land problems. In 2001, ten states set aside \$5,460,773.

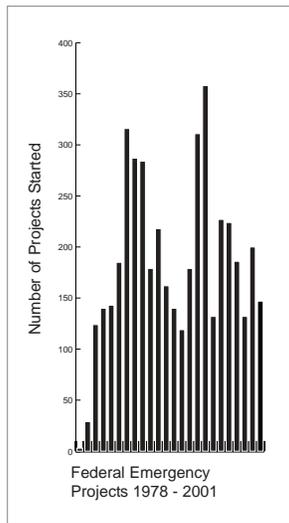
Subsidence Insurance

Public Law 98-473 authorized states and tribes with approved reclamation programs to use abandoned mine land funds to establish self-sustaining, individually administered programs to ensure private property against damage caused by land subsidence resulting from abandoned underground coal mines. Implementing rules were promulgated in February 1986. Under those rules, states receive an annual subsidence insurance grant of up to \$3,000,000, awarded from the state’s share of the Abandoned mine Land Fund. In 2001, no subsidence insurance grants were issued. Through 2001, the Office of Surface Mining has granted a total of \$11,799,058 to Colorado, Indiana, Kentucky, Ohio, West Virginia, and Wyoming for this purpose.



Reclamation at this abandoned mine site transformed an eroding ditch back into a meandering stream with a natural appearance.

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.

Under Section 401(a) of the Surface Mining Law, the Secretary of the Interior is authorized to spend money from the Abandoned Mine Reclamation Fund for emergency restoration, reclamation, abatement, control, or prevention of the effects of coal mining practices. Investigations of potential emergency problems (called “complaint” investigations) are undertaken by state reclamation agencies as part of their approved Abandoned Mine Land Program or by the Office of Surface Mining in other states. Complaint investigations are referred to the Office of Surface Mining from a variety of sources including affected citizens, municipalities, emergency response agencies, and state non-emergency reclamation agencies. (Information on how to report an Abandoned Mine Land emergency can be found at www.osmre.gov/amlemerg.htm) The Office of Surface Mining then confirms the emergency assessment, performs technical investigations, and obtains funds for declared emergencies. Of the 197 potential emergencies referred to the Office of Surface Mining in 2001, 147 became emergency projects; 31 were determined to be not of an emergency nature, not related to coal mining, or were reclaimed by the landowner; and 19 were still under investigation on September 30, 2001. Those projects which were not emergencies, but were otherwise eligible for reclamation, were referred to

the states for consideration as high priority projects.

During 2001, states obligated \$10.2 million and the Office of Surface Mining obligated \$5.9 million on emergency reclamation projects (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 2001, the states and the Office of Surface Mining declared 318 Abandoned Mine Land emergencies in 20 States (see Table 4). As usual, most emergencies occurred in Pennsylvania, West Virginia, Kentucky, and Kansas. Rhode Island experienced their first Abandoned Mine Land emergency in almost 20 years, when a large subsidence opening appeared in a mall parking lot in Cranston, Rhode Island. The abatement cost for this project was over \$158,000.

Following passage of the Surface Mining Law, the Office of Surface Mining performed all emergency reclamation; however, as state programs were approved, many took over emergency programs as well. In 2001, the following states implemented emergency programs: Alabama, Alaska, Arkansas, Illinois, Indiana, Kansas, Missouri, Montana, North Dakota, Ohio, Oklahoma, Virginia, and West Virginia. The Office of Surface Mining funds the states with emergency programs using federal share funds (in addition to formula-based allocations) to complete the projects. The Office of Surface Mining continues to operate the emergency programs in California, Colorado, Iowa, Kentucky, Maryland, Michigan, Mississippi, New Mexico, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, and Wyoming, as well as on all tribal lands.

Non-Emergency Program

Under Sections 402 and 407 of the Surface Mining Law, the Secretary of the Interior is authorized to expend Abandoned Mine Reclamation Fund monies for non-emergency reclamation of high priority problems that present an extreme danger to the public. A non-emergency is defined in the Surface Mining Law regulations (30 CFR 870.5) as “a condition that could reasonably be expected to cause substantial harm to persons, property, or the environment.”

Until 1980, when states and Indian tribes

began to receive approval for their Abandoned Mine Land programs, the Office of Surface Mining administered all non-emergency reclamation. However, since that time, state and tribal programs have assumed responsibility for correcting abandoned mine land problems and currently expend 98 percent of non-emergency reclamation funds. During 2001, the

Table 4: Reclamation Projects

	2001		Emergency 1978-2001			Non-Emergency 2001	
	Federal	State	Federal	State	Total	Federal	State
Alabama	0	19	10	66	95	0	8
Alaska	0	0	0	1	1	0	5
Arkansas	0	4	1	14	19	0	1
California	0	0	5	0	5	0	10
Colorado	1	0	98	0	99	0	10
Crow Tribe	0	0	0	0	0	0	2
Illinois	0	11	51	221	283	0	20
Indiana	0	8	94	95	197	0	29
Iowa	1	0	21	0	22	0	4
Kansas	0	32	270	532	834	0	5
Kentucky	37	0	832	0	869	0	24
Louisiana	0	0	0	0	0	0	0
Maryland	1	0	16	0	17	0	0
Michigan	1	0	11	0	12	0	0
Mississippi	0	0	0	0	0	0	0
Missouri	0	2	6	0	8	0	4
Montana	0	0	7	13	20	0	7
Navajo Nation	0	0	6	0	6	0	7
New Mexico	0	0	15	0	15	0	5
North Dakota	0	2	15	9	26	0	5
Northern Cheyenne	0	0	2	0	2	0	0
Ohio	0	30	190	198	418	0	18
Oklahoma	0	1	47	9	57	0	5
Pennsylvania	100	0	2,005	0	2,105	0	32
Rhode Island	1	0	2	0	3	0	0
Southern Ute Tribe	0	0	1	0	1	0	0
Tennessee	1	0	14	0	15	2	0
Texas	0	0	6	0	6	0	2
Utah	0	0	0	0	0	0	2
Virginia	0	12	30	91	133	0	17
Washington	4	0	44	0	48	4	0
West Virginia	0	50	179	582	811	0	37
Wyoming	0	0	38	0	38	0	11
Totals	147	171	4,016	1,831	6,165	6	270

Office of Surface Mining initiated 6 non-emergency projects -- two in Tennessee and four in Washington, and continued ongoing reclamation of one problem in Georgia and five in Tennessee -- and the states and tribes initiated 270 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 2001.

Post-Surface Mining Law Reclamation

As authorized by the 2001 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 2001, the Office of Surface Mining started two civil penalty reclamation projects in Virginia costing a total of \$80,000. An additional \$212,904 in unobligated funds will be carried over for use in 2002 reclamation projects.

Appalachian Clean Streams Program

The Appalachian Clean Streams Program began as an initiative in the fall of 1994 by the Office of Surface Mining. 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 mine drainage. During 2001, \$6.9 million was distributed to 12 states (Alabama, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, Ohio, Oklahoma, Pennsylvania, Virginia, and West Virginia) and 19 acid mine drainage cleanup projects were begun. This funding provided the incentive for other

Table 5: Federal Project Obligations

State or Tribe	Emergency	High Priority	Total 1978-2001 ¹
Alabama	\$0	\$0	\$13,934,015
Alaska	0	0	194,638
Arkansas	0	0	84,904
California	0	50,520	2,376,982
Colorado	22,603	0	1,964,814
Georgia	0	278,188	3,917,337
Illinois	0	0	5,376,749
Indiana	0	0	4,032,023
Iowa	39,364	0	1,475,082
Kansas	0	0	5,094,172
Kentucky	3,491,557	0	107,757,663
Maryland	20,178	0	2,829,061
Michigan	2,450	0	3,094,737
Missouri	0	0	8,015,909
Montana	0	0	729,058
New Mexico	0	0	2,364,696
North Carolina	0	0	205,407
North Dakota	0	0	1,723,933
Ohio	0	0	18,295,299
Oklahoma	0	0	1,232,159
Oregon	0	0	42,275
Pennsylvania	1,949,617	0	110,387,653
Rhode Island	158,818	0	715,047
S Dakota	0	0	135,461
Tennessee	10,620	2,299,553	25,369,146
Texas	0	0	289,849
Utah	0	0	123,791
Virginia	0	0	10,139,469
Washington	200,255	212,936	7,355,453
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 Cheyenee 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
Total	\$5,895,462	\$2,841,197	\$378,105,501

1. Includes prior year contract deobligations and upward adjustments.

Table 6:
1978-2001 Abandoned Mine Land Reclamation Accomplishments
 Priority 1 and 2 (Protection of Public Health, Safety and General Welfare) and
 State Emergency Projects

	Clogged Stream ¹	Clogged Stream Land ²	Dangerous Highwall ³	Dangerous Impoundment ⁴	Dangerous Pile & Embankment ²	Dangerous Slide ²	Dangerous Gas ⁴	Hazardous Equipment & Facilities ¹	Hazardous Water Body ⁴	Industrial/Residential Waste ²	Portal ⁴	Polluted Water: Agricultural & Industrial ⁴	Polluted Water: Human Consumption ¹	Subsidence ²	Surface Burning ²	Underground Mine Fire ²	Vertical Opening ⁴
Alaska	0	0	7,090	4	6	0	0	70	2	4	19	0	0	0	0	0	36
Alabama	2	162	200,850	1	1,444	21	0	457	63	24	988	1	13	21	68	0	372
Arkansas	1	0	54,626	1	751	0	0	1	68	21	24	0	0	11	4	0	102
California	0	0	0	0	0	0	0	0	0	0	29	0	0	1	0	0	39
CERT Tribes ⁶	0	0	5,070	0	100,019	0	0	6	2	0	51	0	0	31	0	0	17
Colorado	0	0	52,142	0	29	0	0	1	0	2	2,013	3	0	48	35	159	2,833
Crow Tribe	0	1	2,267	1	58	23	0	32	1	0	14	3	0	16	0	0	5
Georgia	0	0	9,150	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	7	628	55,010	3	814	0	0	4	22	11	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	21,581	7	228	3	20	293	2	71	177	11	1	67	43	0	1,034
Indiana	14	121	117,515	6	717	1	3	95	7	32	68	9	9	126	10	0	330
Kansas	1	9	117,972	1	109	2	0	2	1	24	1	3	0	24	5	0	770
Kentucky	43	8,749	22,555	101	395	1,964	0	201	28	28	1,535	6	4,608	50	214	83	122
Maryland	5	50	44,030	1	197	66	0	22	20	32	34	23	6	15	0	0	6
Michigan	0	0	950	0	0	0	0	7	2	0	0	0	1	0	8	0	39
Missouri	11	1,434	65,902	6	479	0	0	27	11	71	35	33	15	4	19	7	126
Montana	8	77	18,310	3	169	1	1	214	1	325	1,051	17	12	493	302	69	576
Navajo Nation	0	1	39,146	4	169	7	0	4	0	5	480	4	0	7	3	0	158
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
North Dakota	0	0	51,329	4	303	35	0	14	18	2	13	6	0	1,230	1	0	88
New Mexico	0	1	0	0	9	0	0	17	0	0	430	4	1	35	35	32	638
Ohio	33	5,050	40,359	7	96	366	4	43	8	34	222	2	40	74	81	3	174
Oklahoma	12	0	209,164	0	0	0	0	13	176	6	152	3	3	9	0	0	97
Oregon	0	0	0	0	0	0	0	3	0	0	12	0	0	0	0	0	3
Pennsylvania	92	140	654,826	44	556	37	0	307	115	17	250	2	31	2,396	122	915	469
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	22,555	0	388	57	0	31	31	13	192	5	6	6	28	0	10
Texas	0	0	42,115	0	1,359	0	0	0	14	0	58	0	0	6	0	0	335
Utah	14	9	3,425	1	138	0	19	155	0	2	2,206	2	0	184	43	29	795
Virginia	72	838	24,888	20	259	223	0	216	2	2	910	0	1,584	8	40	0	99
Washington	0	0	0	0	3	0	0	7	0	0	30	0	0	6	15	0	74
West Virginia	44	150	188,677	452	3,910	475	4	475	6	35	1,956	36	6,975	250	430	19	129
Wyoming	114	1,634	483,141	136	1,924	25	0	179	371	29	499	3	0	1,111	12	41	564
Total	493	20,491	2,566,442	806	114,532	3,306	51	2,908	971	790	13,576	188	13,308	6,238	1,518	1,357	10,079

Table 6:
1978-2001 Abandoned Mine Land Reclamation Accomplishments
 Priority 3 (Environmental Restoration)

	Bench ²	Industrial/Residential Waste ²	Equipment/Facility ⁴	Gob ²	Highwall ³	Haul Road ²	Mine Opening ⁴	Pit ²	Spoil Area ²	Slurry ²	Slump ²	Water Problem ⁵
Alaska	0	0	0	7	0	0	0	0	47	9	0	0
Alabama	23	14	8	229	31,135	2	48	0	8,784	5	12	379
Arkansas	0	0	0	0	0	0	0	0	8	0	0	0
CERT Tribes ⁶	0	0	2	4	1,500	0	1	7	80	0	0	0
Colorado	3	5	7	159	2,028	0	18	83	829	0	0	1
Crow	5	0	0	26	2,295	13	1	18	26	0	5	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	1	0	1	800	5	1	19	440	0	0	0
Illinois	1	6	145	2,382	10,480	177	58	568	1,868	1,112	1	821
Indiana	0	71	167	1,250	10,516	63	18	67	1,619	687	2	1,200,112
Kansas	0	0	1	89	3,200	0	0	23	316	10	0	0
Kentucky	624	0	53	232	2,000	0	69	4	1,031	58	5	0
Maryland	7	1	2	56	4,535	2	6	22	263	0	1	88
Michigan	0	0	1	27	0	1	0	1	10	0	11	0
Missouri	0	3	4	142	16,824	1	0	92	1,341	69	0	86
Montana	1	76	58	147	1,170	1	230	34	871	0	19	2,741
Navajo Nation	24	1	2	134	280	46	46	38	265	0	0	0
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	3	0	11	60	0	6	4	2	2	2	0	0
Ohio	0	0	3	126	9,620	0	19	17	411	0	0	0
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	21	52	5,108	0	19	78	1,711	1	26	90,330
Tennessee	76	0	15	67	130	8	0	47	333	0	4	360
Texas	0	0	0	8	0	0	0	0	348	0	0	0
Utah	4	7	64	255	550	3	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	51	19,540	0	4	5	178	0	0	622
Wyoming	0	0	0	39	0	91	0	7,072	8,017	199	0	0
Total	774	186	589	5,591	135,162	435	595	8,218	28,873	2,153	102	1,295,680

1. Miles

2. Acres

3. Feet

4. Count

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).

sources to contribute to the projects, and during 2001 this funding grew to over \$2.0 million. Since 1996, when the program began, 77 Clean Streams Program projects have been funded by the Office of Surface Mining and 26 have been completed (Figure 1).

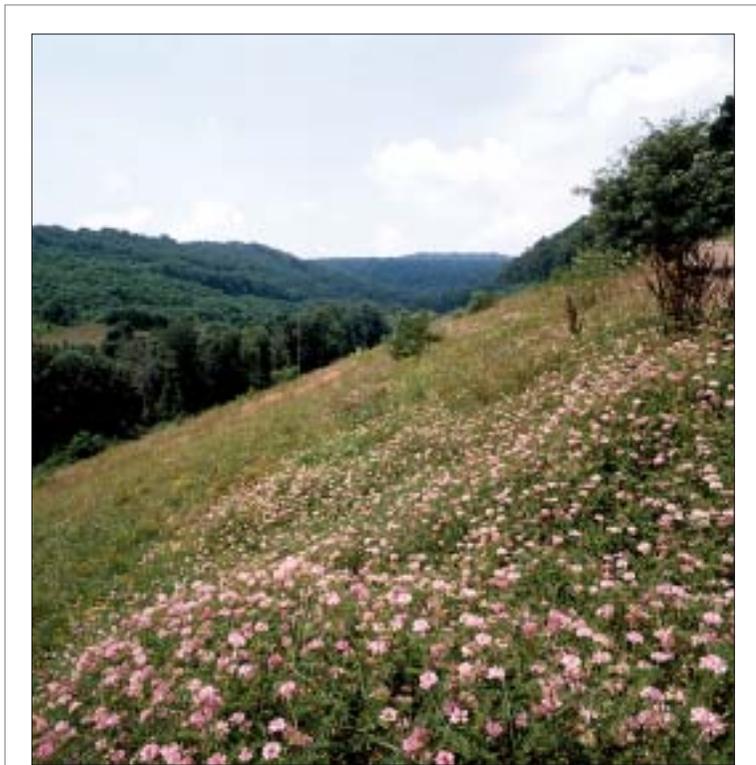
Following are two successful examples of the Appalachian Clean Streams Program during 2001:

- Thompson Run of the South Fork of the Patoka River, Indiana. The 52,000-acre Patoka South Fork Watershed is one of the state's most heavily damaged mining districts. For more than 70 years, this once-pristine watershed has laid in ruins from unregulated coal mining. Almost three-fourths of the watershed is biologically dead or impaired with acid mine drainage as low as pH 3. Encouraged by the Office of Surface Mining's Appalachian Clean Streams Program, citizens formed a committee with a unique grassroots approach to the Patoka River's problems, with a goal to study and prioritize all of the watershed's pollution sources and to resolve as many as possible over several years. One of the watershed's worst tributaries,

Thompson Run presents technical challenges because of high metal concentrations including iron and aluminum (up to 60 parts per million). Any attempt to neutralize these discharges using most conventional technologies would produce heavy metal precipitation that would clog the treatment system. The Patoka South Fork Watershed Steering Committee consulted experts at two universities to help design alkaline recharge systems that are immune from the precipitant clogging problem. The Office of Surface Mining provided the vital link between watershed citizens and university researchers through the Acid Drainage Technology Initiative, a partnership that promotes cutting-edge acid mine drainage technology development. Since the alkaline recharge structures are not totally passive and require occasional replenishment, a corporate partner, AirGas Corporation is supplying calcium hydroxide suspension, a nonhazardous by-product of the manufacture of acetylene gas. Thus, a waste product is put to beneficial use at almost no cost to the government. The project design also calls for building three different configurations of the alkaline recharge structures, which will create

Figure 1

	Clean Streams Projects		Watershed Projects	
	Started in 2001	Completed Since 1994	Started in 2001	Completed Since 1999
Alabama	2	2	0	0
Illinois	1	1	0	0
Indiana	2	7	1	1
Kentucky	1	3	0	0
Maryland	0	3	3	3
Ohio	4	4	1	0
Oklahoma	1	0	0	0
Pennsylvania	6	5	3	9
Virginia	1	1	1	1
West Virginia	1	0	3	3
Totals	19	26	12	17



The Vindex Abandoned Mine Land Reclamation Project, located in Garrett County Maryland, contained dangerous highwalls that ran parallel to and within 15 feet of a county road, unstable refuse piles that were causing landslides onto roads and streams, open portals and air shafts that threatened public safety, and unauthorized burning of garbage that caused burning of the abandoned coal refuse and other abandoned facilities. This was Maryland's single most complex, time consuming, and costly Abandoned Mine Land project. It required over 55,000 man hours of work, cost more than twice Maryland's total annual Title IV grant allocation, and required three years to complete. This successful reclamation eliminated the hazards and returned the land to its original mountainous setting.

a laboratory for future applied research of cost-effective acid mine drainage treatment technologies.

■ **Cherry Creek, Maryland.** In the 1920's, local historians noted the fine native brook trout fishing in the lower reaches of Cherry Creek in Garrett County and spawning runs of rainbow trout upstream. A fish kill attributed to acid mine drainage destroyed this sport fishery in 1957, but the combined efforts of the Appalachian Clean Streams Program and Maryland's Bureau of Mines are about to bring trout back to Cherry Creek. The uplands of the 14 square mile watershed encompass a unique ecosystem of conifers and Sphagnum wetlands similar to landscapes in the northern U.S. and Canada. Since these areas tend to generate natural low-pH organic acidity, it took only a few coal mines to pollute the watershed. The Maryland Bureau of Mines completed several mine closures in the Cherry Creek watershed and recently three Clean Streams projects, including a privately funded lime doser were completed. However, the Everhart Seep remained as a major source of the residual acid mine drainage polluting Cherry Creek. The multi-partner Everhart Acid Mine Drainage Treatment Project combines several technologies including alkaline producing systems, oxidizing ponds, and wetlands. High concentrations of dissolved iron and aluminum have been nearly eliminated; the high net acidity of the drainage is now net alkaline, and the discharge has increased from pH 3.5 to more than pH 6.0. This fairly small project enabled the restoration of 1.75 miles of stream and is a key part of the eventual total recovery of Cherry Creek. For more information about the Appalachian Clean Streams Program see www.osmre.gov/acsihome.htm.

Watershed Projects

As part of the Appalachian Clean Streams Program in 2001, \$2.7 million was included in the budget to fund watershed projects with local not-for-profit organizations that undertake acid mine drainage reclamation projects. An additional \$14.7 million was contributed by outside sources. The maximum award for each cooperative agreement was \$100,000. These funds were primarily used for the construction phase of the work; however, administrative costs associated with completion of the projects were allowable. In 2001, 14 new and eight amendments to existing watershed cooperative agreements were awarded (Figure 2) and 12 projects were started. Since 1999, 17 projects have been completed.

Significant on-the-ground improvement has been made by watershed projects. For example, a Pennsylvania project site was significantly degraded due to a 277 gallons per minute discharge of contaminated acid water from an abandoned underground mine complex. The abatement method used a successive alkalinity producing system (SAPS) and use of steel slag to add alkalinity. The stream was also treated with limestone gravel above the treatment system to help repopulate the stream with macro invertebrates. Following reclamation water quality in the stream immediately improved and the pH rose to 6.3.

Figure 2

Project and Organization	Amount
Webster Mine Drainage Blacklick Creek Watershed Assn. (Pennsylvania)	\$ 20,000
Amendment 1 to Carbon Run Site 48 Shamokin Creek Restoration Alliance (Pennsylvania)	3,000
Amendment 2 – Vintondale Blacklick Creek Watershed (Pennsylvania)	4,000
Brinkerton Site Amendment Penns Corner Conservancy (Pennsylvania)	20,000
Grigsby Project Amendment Penns Corner Conservancy (Pennsylvania)	20,000
Hamilton Site Amendment Penns Corner Conservancy (Pennsylvania)	20,000
2 Mile Run Surface Project Trout Unlimited (Pennsylvania)	100,000
Robbins Hollow Project Trout Unlimited (Pennsylvania)	100,000
Blue Valley Phase II Headwaters Charitable Trust (Pennsylvania)	52,400
Metro Discharge Southern Alleghenies Conservancy (Pennsylvania)	100,000
Oneida No. 1 Eastern PA Coalition - Amendment 1 (Pennsylvania)	20,000
Boswell AMD Southern Alleghenies Conservancy (Pennsylvania)	100,000
Metro Discharge Southern Alleghenies Conservancy (Pennsylvania)	100,000
Nixon's Run Lower West Fork Assn (West Virginia)	41,885
Sovern Mine Drainage Friends of the Cheat (West Virginia)	80,000
Four Rivers RC&D Old Ben Scout Reservation AMD (Indiana)	79,300
Hurricane Creek AMD Project Alabama Rivers Alliance (Alabama)	100,000
Amendment 1 to Mill Run Project Freshwater Institute (Maryland)	50,000
Amendment 2 - Teets Acid Mine Drainage Project Western Maryland RC&D (Maryland)	20,000
Lonaconing AMD Remediation Project Western Maryland RC&D (Maryland)	100,000
Crellin Limestone Project Western Maryland RC&D (Maryland)	100,000
McDonald AMD Remediation Project Western Maryland RC&D (Maryland)	100,000
TOTAL	\$1,330,585

Summer Watershed Internship Program

The Office of Surface Mining initiated the Summer Watershed Internship program in 1999 and placed ten interns in five states. During the 2000 summer, with help from the Environmental Protection Agency, the Department of Energy, and the National Environmental and Technology Laboratory partnership, the Office of Surface Mining placed 23 interns in 8 states, and in 2001, 33 interns worked in 8 states (Figure 3), all of them working directly for watershed groups on acid mine drainage issues.

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		
	1999	2000	2001
Alabama	0	3	0
Kentucky	0	2	1
Maryland	0	1	2
Ohio	1	2	3
Pennsylvania	3	5	12
Tennessee	1	3	1
Virginia	0	1	2
West Virginia	4	6	11
Indiana	1	0	1
Total	10	23	33

Inventory of Abandoned Mine Land Problems

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

The Office of Surface Mining maintains its inventory on the Abandoned Mine Land Inventory System, which is accessible from the web at 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 seventh year the states and Indian tribes managed their own data, entering it electronically into the Office of Surface Mining’s inventory system. In 2001, this process resulted in 1,180 records added, 3,644 modified, and 81 deleted.

As of September 30, 2001, the system contained information for 16,818 problem areas, mostly related to abandoned coal mines. (A problem area is a geographic area, such as a watershed, that contains one or more abandoned mine problems. Problem area boundaries are delineated by the extent of their effect on surrounding land and water, not just the abandoned mine sites.)

The Surface Mining Law requires the Abandoned Mine Land Program to concentrate its efforts on high priority coal sites (those affecting health, safety, and general welfare, Priority 1 and 2). Although the Abandoned Mine Land Program is one of the Nation’s most successful environmental restoration programs, with over \$1.4 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, 2001, a breakdown of (Priority 1, 2, and 3) costs from the Inventory System show over \$8.8 billion of unreclaimed problems (Figure 4).

Figure 4

Completed	\$1.8 billion	17.3 percent
Funded	0.3 billion	2.4 percent
Unfunded	8.5 billion	80.3 percent
Total	\$10.6 billion	100.0 percent

During 2001, 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. People accessing either the Office of Surface Mining or Bureau of Land Management version of the system will have access to both agencies’ abandoned mine land inventories. Using the geographic information system capabilities, it will be possible to query both databases. Future plans also include access to the U.S. Forest Service and National Park Service abandoned mine inventories.

Reclamation Awards

After more than 24 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 for a

description of the awards program and the 2002 rules.) This year five awards were presented at the 2001 annual meeting of the National Association of Abandoned Mine Land Programs.

■ **National Award and Appalachian Region Award** - The Maryland Department of Environment, Water Management Administration Mining Program's Vindex Reclamation Project in Garrett County, Maryland for reclaiming a site along the North Fork of the Potomac River. In addition to serious acid mine drainage problems which threatened fish migrations in the upper Potomac River, the site contained unstable refuse piles, and dangerous highwalls near a county road. The project was Maryland's single most complex, time consuming, and costly Abandoned Mine Land reclamation project to date. It required over 55,000 man hours of work, cost more than twice Maryland's total annual Abandoned Mine Land grant allocation, and took three years to complete. With reclamation complete the hazards have been eliminated, water quality has been improved, and the river fishery has been reestablished.

■ **Mid-Continent Region Award** - The Arkansas Department of Environmental Quality's Surface Mining and Reclamation Division's West Huntington Joint Reclamation Project in Huntington, Arkansas. The Reclamation Division, joined with the U. S. Department of Agriculture's Natural Resources Conservation Service to reclaim dangerous, unstable refuse piles and highwalls, and control acid mine drainage problems. Reclamation at the site eliminated many health and safety hazards. The public is no longer in danger and the reclaimed site is being integrated back into the natural Arkansas landscape.

■ **Western Region Award and People's Choice Award** - The Utah Division of Oil, Gas, and Mining Abandoned Mine Reclamation Program's Sunnyside Project, near Sunnyside, Utah, for reclaiming nearly 200 acres of surface disturbance at the site. Reclamation included eliminating nine hazardous mine shafts, and 48 hazardous portals. Additionally, a 1/4-mile stretch of creek was restored, and 600 trees and shrubs were planted. (Note: 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.)

For additional information on these award winning reclamation projects see www.osmre.gov/awardwin01.htm.

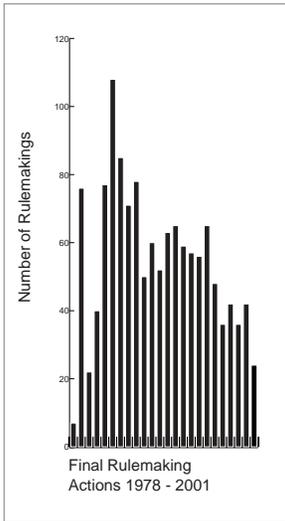


Reclamation of high-priority abandoned non-coal mine hazards are also accomplished under the Surface Mining Law. In Monument Valley on the Navajo Reservation, abandoned uranium mining left radioactive waste piles and dangerous mine openings. The award-winning reclamation at these sites eliminated the hazards and returned the land to its natural pre-mining condition.

IV. Regulation of Active Coal Mines

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

Rulemaking and State Program Amendments



The 2001 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 two permanent program final rules in the *Federal Register* (Table 7): Abandoned Mine Land Fee Collection on the OSM-1 Form (RIN 1029-AB94), and the Ownership and Control Rule (RIN 1029-AB94). 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 2001, the Office of Surface Mining published 24 proposed and 22 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.

Table 7: Final Rules Published During 2001

Abandoned Mine Land Fee Collection on the OSM-1 Form	30 CFR 870	5/23/01
This rule revises our regulations governing Abandoned Mine Land (AML) reclamation fee reporting to allow for the electronic filing of the information required on the OSM-1 Form.		
Ownership and Control Rule	30 CFR 761	12/19/01
This rule fulfills our commitment to undertake new rulemaking on ownership and control and related regulatory issues in the wake of the January 31, 1997 decision of the United States Court of Appeal for the District of Columbia Circuit. The rule amends application, permit information, and eligibility criteria requirements.		

Significant Court Decisions

During 2001 there were three significant court decisions that influenced the implementation of the Surface Mining Law: Takings, Mountaintop Mining and Valley Fills, and Ownership and Control (Table 8). Additionally, on November 19, 2001 (Fiscal Year 2002), the U.S. Court of Appeals for the Federal Circuit reversed the U.S. Court of Federal Claims' finding of a Fifth Amendment taking in *Eastern Minerals Int'l, Inc. v. United States*. As a result, the 2001 financial statement amounts were adjusted to reflect the change in estimate resulting from this decision (see financial statement Note 14 for additional information).

Table 8: Significant Court decisions

TAKINGS LITIGATION

Rith Energy, Inc. v. United States, No. 99-5153 (Fed. Cir.)

On November 5, 2001, the U.S. Court of Appeals for the Federal Circuit denied the appellant's petitions for panel rehearing and rehearing *en banc* in the court's first significant takings decision after the U.S. Supreme Court's decision in *Palazzolo v. Rhode Island*, 121 S. Ct. 2448, - U.S. - (2001). This ruling leaves the initial panel decision, issued on May 2, 2001, undisturbed. That decision affirmed the Court of Federal Claims' grant of summary judgment in favor of the government. *Rith Energy, Inc. v. United States*, 247 F.3d 1355 (Fed. Cir. 2001). Plaintiff filed this action in August 1992, claiming that the Office of Surface Mining had effected a compensable taking of plaintiff's leasehold when it suspended the company's mining permit because the company did not have a toxic materials handling plan adequate to prevent acid mine drainage. The trial court held that there had not been a taking because Office of Surface Mining's actions "represented an exercise of regulatory authority indistinguishable in purpose and result from that to which plaintiff was always subject under Tennessee nuisance law." *Rith Energy, Inc. v. United States*, 44 Fed. Cl.108 (1999). In affirming the lower court, the Federal Circuit did not reach the nuisance issue, but instead held that "the government's conduct at issue in this case did not result in a categorical taking of Rith's property" and "Rith did not have reasonable investment-backed expectations that it would be permitted to mine in a way that would create a high risk of acid mine drainage." 247 F.3d at 1358. Of particular significance to the court was the fact that Rith acquired the subject leases long after the enactment of the Surface Mining Law, which includes provisions directly addressing acid mine drainage and its consequences in the permitting process. In light of this statutory backdrop, the court reasoned that Rith "could not reasonably have expected that it would be free from regulatory oversight with regard to the potential for acid mine drainage..." *Id.* at 1364.

MOUNTAINTOP MINING AND VALLEY FILLS

Bragg v. Robertson, No. 99-2683 (4th Cir.)

On April 24, 2001, the U.S. Court of Appeals for the Fourth Circuit ruled that the doctrine of sovereign immunity and the Eleventh Amendment bar the citizen plaintiffs from bringing their claims against an official of West Virginia in federal court. *Bragg v. Robertson*, 248 F.3d 275. It vacated the October 20, 1999, decision of the United States District Court for the Southern District of West Virginia, *Bragg v. Robertson*, 72 F. Supp.2d 642, which had enjoined the West Virginia Department of Environmental Protection from approving surface coal mining permits that allow the disposal of rock and dirt generated from mining activities into intermittent and perennial streams.

OWNERSHIP AND CONTROL

National Mining Ass'n v. Department of Interior, No. 96-5274 (D.C. Cir.) (AVS Procedures Rules)

On June 8, 2001, the D.C. Circuit issued its opinion in the National Mining Association's challenge to the Office of Surface Mining's and Office of Hearings and Appeals's 1994 Applicant/Violator System Procedures rules. 251 F.3d 1007 (D.C. Cir. 2001). As the Office of Surface Mining had requested in a supplemental briefing, the court determined that many of the issues presented in the case are moot in light of the Office of Surface Mining's promulgation of a new ownership and control rule on December 19, 2000, which replaced virtually all of the regulatory provisions at issue in this case. As to the two issues the court did reach – permit application information requirements and the burden of proof in ownership and control challenges – it determined that National Mining Association's challenges were meritless. The challenged rules were promulgated by the Office of Surface Mining and the Interior Department's Office of Hearings and Appeals on October 28, 1994. The rules implement the Surface Mining Law and the Office of Surface Mining's ownership and control rules by providing standards for evaluating potential ownership or control links and procedures for review of the Office of Surface Mining's decisions regarding ownership and control determinations. 59 Fed. Reg. 54306 (Office of Surface Mining's Applicant/Violator System Procedures Rules); 59 Fed. Reg. 54356 (Office of Hearings and Appeals's Applicant/Violator System Procedures Rules).

State Programs

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

Oversight of State Programs

Section 517(a) of the Surface Mining Law requires the Office of Surface Mining to make inspections as necessary to evaluate the administration of approved state programs. Most state programs were approved in the early 1980's, and



Permanent impoundments included in the reclamation provide recreational opportunities and encourage greater biological diversity.

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

The Office of Surface Mining, in consultation with the states, devised a new results-oriented oversight strategy that emphasized cooperative problem-solving, tailored evaluations to state-specific conditions, and developed performance agreements between each state and its Office of Surface Mining Field Office. The primary focus of this strategy is on measuring whether state programs are successfully achieving the purposes of the Surface Mining Law with respect to public participation, environmental protection, and reclamation of mined lands. This focus is consistent with the Government Performance and Results Act, which requires that federal agencies develop ways to objectively measure how a program is accomplishing its mission through delivery of products or services. The strategy also allows the Office of Surface Mining to focus its limited resources on those program aspects that present the best opportunity for environmental improvement and the best means of preventing adverse impacts on society and the environment.

Specifically, to further reporting of end results and on-the-ground success, the 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 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 on the numbers expressed as a percent of inspectable units that achieve the goal of having no offsite impacts and on the number of acres that meet the bond release requirements for the various phases of reclamation. (An inspectable unit is a coal mining or exploration operation where an inspection obligation exists under the Surface Mining Law. One unit may consist of an individual permit; a consolidation of several permits issued to the same permittee, which,

Table 9: Federal Oversight of State Programs

State	Site Visits	Violations Cited by the Office of Surface Mining ¹		
		Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders
Alabama	118	0	0	0
Alaska	0	0	0	0
Arkansas	9	0	0	0
Colorado	11	0	0	0
Illinois	99	0	0	0
Indiana	69	0	0	0
Iowa	21	0	0	0
Kansas	17	0	0	0
Kentucky	419	7	2	0
Louisiana	2	0	0	0
Maryland	37	0	0	0
Mississippi	2	0	0	0
Missouri	35	0	0	0
Montana	14	0	0	0
New Mexico	5	0	0	0
North Dakota	15	0	0	0
Ohio	229	0	0	0
Oklahoma	30	0	0	0
Pennsylvania	488	3	1	0
Texas	11	0	0	0
Utah	4	0	0	0
Virginia	159	0	0	0
West Virginia	406	6	1	0
Wyoming	11	0	0	0
Total	2,211	16	4	0

1. Excludes any NOV's or CO's that have been vacated.

Table 10: Regulatory Program Statistics

State	Regulatory Staffing	AML Staffing	New Permits	New Acreage Permitted	Total Acreage Permitted	Disturbed Acreage	Inspectable Units	Complete Inspections	Partial Inspections	Notice of Violations	Failure-To-Abate Cessation Orders	Inminent Harm Cessation Orders	Bond Forfeitures	Acreage of Phase I Bond Release	Acreage of Phase II Bond Release	Acreage of Phase III Bond Release
Alabama ¹	25.00	17.75	8	2,038	86,804	NA	238	2,773	350	76	22	4	13	2,779	2,848	4,109
Alaska	3.68	5.13	0	0	8,262	1,345	10	17	39	5	0	0	0	0	0	0
Arkansas	4.00	6.65	0	0	1,144	527	14	117	56	1	0	0	0	57	0	61
Colorado	25.00	14.00	0	0	163,510	22,113	56	274	216	24	0	0	0	1,203	3,547	1,205
Crow Tribe	1.45	4.55	0	0	4,747	419	1	4	8	0	0	0	0	0	0	0
Georgia	NA	NA	0	0	0	141	6	6	5	0	0	0	0	0	0	0
Hopi Tribe	2.50	6.10	0	0	6,137	151	1	6	4	0	0	0	0	0	0	0
Illinois ¹	52.00	36.00	1	138	73,400	79,138	93	628	1,679	30	3	1	0	15,662	15,128	13,050
Indiana	51.00	21.80	14	15,814	282,360	97,742	184	942	1,859	82	1	1	7	7,316	14,386	11,268
Iowa	3.65	4.95	0	0	5,977	5,977	24	96	192	6	0	0	1	0	0	0
Kansas	3.25	8.00	0	0	4,612	4,612	12	56	108	0	0	0	0	1,022	296	317
Kentucky	309.00	82.00	97	52,890	1,687,800	251,363	2,136	9,547	15,481	775	72	24	25	10,987	9,247	19,022
Louisiana	3.25	0.25	0	0	45,200	18,302	2	8	16	3	0	0	0	0	0	0
Maryland	11.85	8.15	5	170	5,943	5,943	62	318	551	6	0	0	0	24	191	225
Mississippi	2.28	NA	0	0	1,908	866	1	4	8	0	0	0	0	0	0	0
Missouri ¹	14.70	11.20	0	0	12,400	11,772	53	184	116	38	9	0	0	2,077	805	1,097
Montana	16.20	8.68	0	0	49,934	25,769	17	88	111	12	0	0	0	422	422	0
Navajo Tribe	5.00	29.80	0	0	81,178	30,686	7	54	68	8	0	0	0	673	0	0
New Mexico	10.50	9.75	0	0	97,500	22,593	15	60	120	4	0	0	0	0	1,243	237
North Dakota	8.75	4.88	0	878	76,092	46,465	36	146	486	1	0	0	0	1,647	80	189
Ohio	33.40	31.70	41	7,911	108,518	64,735	392	1,544	2,189	118	6	5	0	6,899	7,710	8,155
Oklahoma	27.60	6.00	1	410	31,840	31,840	100	393	543	15	0	0	0	2,642	2,756	2,058
Pennsylvania ¹	223.10	128.00	68	1,927	416,000	NA	2,160	7,741	11,073	940	30	0	10	7,057	8,330	9,128
Tennessee	51.00	NA	5	1,714	25,139	15,113	338	964	1,031	17	4	0	7	625	1,327	1,719
Texas	40.00	8.00	0	0	239,500	453,839	19	84	201	5	0	0	0	2,309	958	613
Utah	23.00	9.00	0	48	163,775	2,341	27	113	185	5	0	0	0	30	0	10
Ute Tribe	0.00	0.00	0	0	175	120	2	8	4	0	0	0	0	0	0	0
Virginia	80.00	16.00	34	8,329	73,477	45,529	637	3,026	3,491	232	0	7	9	203	5,465	2,505
Washington	2.60	NA	1	58	14,930	5,216	2	8	18	5	0	0	0	0	0	0
West Virginia	286.70	60.00	50	11,103	288,463	185,764	2,429	7,845	11,301	1,079	63	33	36	11,535	5,826	6,885
Wyoming	28.98	15.05	0	5,287	335,177	93,842	36	123	214	15	0	0	0	3	1,545	0
TOTAL	1,349.44	553.39	325	108,715	4,391,902	1,524,263	9,110	37,177	51,723	3,497	210	75	108	75,172	82,110	81,853

1. Disturbed acreage is not available for these states.

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 inspection.) During 2001, 93.9 percent of the inspectable units were free of 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 a better atmosphere for resolving problems with states. Also, the oversight strategy has resulted in improvements to state program implementation and in resolution of some long-standing issues. (See www.osmre.gov/report01.htm for copies of Annual State Oversight Reports.)

Table 9 provides the Office of Surface Mining's oversight inspection and enforcement activities during 2001 (monthly reports are available at www.osmre.gov/i&eindex.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.

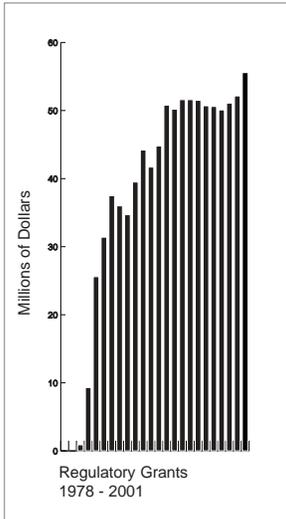
Table 11: Regulatory Grant Obligations

State/Tribe	2001 Federal Funding	2000 Federal Funding	Cumulative Through 2001 Federal Funding ¹
Alabama	\$987,837	\$913,745	\$24,238,523
Alaska	178,665	177,495	5,355,444
Arkansas	130,329	142,713	3,276,304
Colorado	1,846,452	1,640,906	25,739,375
Illinois	2,682,741	2,326,864	49,074,639
Indiana	1,863,869	1,968,483	29,056,953
Iowa	145,981	120,502	2,523,456
Kansas	137,040	107,164	2,715,384
Kentucky	12,895,953	12,771,209	246,207,505
Louisiana	189,484	192,433	3,401,680
Maryland	486,693	477,333	10,668,176
Michigan	0	0	135,458
Mississippi	115,965	109,628	1,033,243
Missouri	491,100	426,138	7,978,594
Montana	961,707	906,905	15,516,141
New Mexico	689,035	610,627	11,518,091
North Dakota	486,822	466,725	10,618,188
Ohio	1,600,123	1,438,580	54,911,384
Oklahoma	1,087,936	899,245	16,481,268
Pennsylvania	11,222,798	10,603,971	196,091,751
Rhode Island	0	0	158,453
Tennessee	0	0	5,340,085
Texas	1,497,816	1,441,853	20,325,991
Utah	1,764,267	1,533,595	25,658,834
Virginia	3,336,526	3,143,371	62,086,659
Washington	0	0	4,893
West Virginia	8,143,010	7,517,645	107,298,179
Wyoming	1,952,811	1,607,101	30,157,668
Crow Tribe	63,522	82,291	989,496
Hopi Tribe	167,460	130,230	1,405,813
Navajo Tribe	433,263	373,263	3,375,183
N. Cheyenne Tribe	15,260	25,985	77,351
Total	\$55,574,465	\$52,156,000	\$973,420,162

1. Includes obligations for Applicant/Violator System, Technical Information Processing System, Kentucky Settlement, and other Title V cooperative agreements. Figures for 2001 do not include downward adjustments of prior-year awards. However, cumulative figures are net of all prior-year downward adjustments.

Of the federal program states, only Tennessee and Washington had active coal mining in 2001. Table 10 includes the regulatory actions in those two states during 2001.

Grants to States and Tribes



Section 201 of the Surface Mining Law authorizes the Office of Surface Mining to help state regulatory authorities develop or revise surface mining regulatory programs. In 2001, the Office of Surface Mining awarded \$679,505 for program development grants to the Crow, Northern Cheyenne, Hopi, and Navajo Tribes.

Section 705 of the Surface Mining Law authorizes the Office of Surface Mining to provide grants to states with approved regulatory programs in amounts not exceeding 50 percent of annual state program costs, matching state regulatory costs dollar for dollar. In addition, when a state elects to administer an approved program on federal land through a cooperative agreement with the Office of Surface Mining, the state becomes eligible for financial assistance of up to 100 percent of the amount the federal government would have spent to regulate coal mining on those lands. Table 11 shows grant amounts provided to states during 2001 to administer and enforce regulatory programs.

During 2001, the Office of Surface Mining awarded 97 percent of the regulatory grants to the states within 60 days of receiving the grant application.

Regulation of Surface Mining on Federal and Indian Lands

Section 523(a) of the Surface Mining Law requires the Secretary of the Interior to establish and implement a federal regulatory program that applies to all surface coal mining operations that take place on federal land. The Office of Surface Mining enacted the current Federal Lands Program on February 16, 1983. The federal lands program is important because the federal government owns significant coal reserves, primarily in the West. Of the 234 billion tons of identified coal reserves in the western United States, 60 percent is federally owned. The development of federal coal reserves is governed by the Federal Coal Management Program of the Department of the Interior's Bureau of Land Management.

Through cooperative agreements, the administration of most surface coal mining requirements of the Federal Lands Program may be delegated by the Secretary of the Interior to states with approved regulatory programs. By the end of 2001, the Secretary had entered into such cooperative agreements with Alabama, Colorado, Illinois, Indiana, Kentucky, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Utah, Virginia, West



At this reclaimed mine site, tree and shrub seedlings are being planted with a tractor-drawn tree-planting machine. The shelter belts being established will provide field windbreaks and tree and shrub block plantings for wildlife. This woody vegetation creates habitat diversity in the largely open agricultural setting of the North Dakota plains. With over 150,000 trees and shrubs planted at this mine there is more acreage planted after mining and reclamation than existed before. This successful reclamation practice has resulted in an enhanced, long-term agricultural land use.

Virginia, and Wyoming (see 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 under the Surface Mining Law are carried out by the Office of Surface Mining. During 2001, 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 Secretary of the Interior. During 2001, 10 mining plan actions were prepared and approved for coal mines on federal land (Colorado 3, Montana 1, New Mexico 1, North Dakota 1, Oklahoma 1, Utah 1, and Wyoming 2).

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



When a final pit was being reclaimed as a pond, engineers designed a 30-acre two-tier flood plain that provides both flood storage and a forested wetland. The upper tier, 18 acres in size, has a slight slope that drains into the pond. Its water source is overland flow from precipitation that drains from adjacent land. The lower tier is 12 acres in size and is flat. It provides storage for the periodic flooding of the pond and is a wetland habitat similar to bottomland found throughout this part of Texas.

Machine planting of containerized seedlings resulted in a 77 percent survival rate and a dense stand of trees and shrubs. Today, established wetland oaks, pecan, sweetgum, blackgum, persimmon, and red maple cover the upper tier, and bald cypress, water tupelo, and water hickory cover the depressions and wet areas. This innovative reclamation practice has resulted in a site that looks as natural as the native wetlands.

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

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 2001 was \$679,505. This development grant funding will continue in 2002. Table 10 includes statistics on regulatory activities on Indian lands during 2001.

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

to amend the regulatory definition of "Indian lands." The proposed rule clarifies that the definition includes individual Indian trust allotments located within an approved tribal land consolidation area. The Office of Surface Mining agreed to propose the rule change under the terms of a 1995 settlement agreement between the Department of the Interior, and the Navajo Nation and Hopi Tribe. The Office of Surface Mining is also proposing changes to the Federal and Indian Lands Programs in conjunction with the proposed change in the definition of Indian lands. The primary effect of the proposal would be to transfer surface mining regulatory jurisdiction from the state to the Office of Surface Mining for individual Navajo trust allotments located within the Navajo land consolidation area in New Mexico. The Office of Surface Mining held a public hearing on the proposed rule and the comment period closed June 21, 1999. The Office of Surface Mining has reviewed the public comments received on the proposed rule and expects to issue a final rule in 2002.

Electronic Permitting

The Office of Surface Mining's electronic permitting outreach started in Wyoming in 1993, became a national initiative in 1996, and will continue as a priority into the next year. Electronic permitting is a long-term initiative that will result in significant monetary and time savings, and provide more complete and up-to-date records for all those involved in the permitting process. The Office of Surface Mining is currently assisting the states in developing and implementing electronic permitting. When implemented, electronic permitting provides permit reviewers with computer based tools to access documents, maps and data, and to perform necessary environmental analyses. Additional benefits include the ability to share computer based data with managers, field personnel, other agencies, and the public.

The seven western states are in various stages of implementing electronic permitting. Following on the success of 2000, North Dakota's partnership with its coal industry produced the nation's first paperless coal mine permit. Another will be converted to electronic format in 2002. These fully paperless coal mine permits will be in CD-ROM format on file at the Public Service Commission and at the County Assessor's Office (the other public access site), and will contain all of the information normally kept in three-inch binders and fold-out maps. The New Mexico regulatory staff use their established electronic desktop for modeling capabilities in order to review and issue permits. Utah is maintaining and making enhancements to its coal fields water quality database, and continuing its accessibility on the Web. For the fifth consecutive year, Wyoming mining companies are submitting annual reports and major permit revisions electronically on CD-ROMs to the state regulatory authority and to court houses of record in the mining communities. Montana has permit review capabili-



Performance-based oversight begun in 1995 established a policy that focused on outcomes and results, rather than the process. The Office of Surface Mining bases its evaluation of state programs on specific measurements of Surface Mining Law performance standards. Using this method of evaluation, the states' on-the-ground effectiveness can be determined.

Here an Office of Surface Mining reclamation specialist talks with a mining company vegetation scientist about on-the-ground success. At this reclaimed Wyoming mine site more than twenty years of applied research have resulted in successful methods of establishing a diverse community of native vegetation on the reclaimed land. This includes creating physiographic landscape diversity on the regraded land, using four different seed mixtures, two planting methods, and both Spring and Fall planting. The result is well established native vegetation and an abundance of wildlife on the reclaimed mine land.

ties and has developed a permit information database that is used with the existing electronic groundwater quality data. Alaska has an approved electronic permit application and is now focusing its efforts on digital imaging and storage of data. Colorado has developed systems that track permitting and create reports and allows permit reviewers to calculate reclamation bond amounts. In the East permits are now electronically processed on a routine basis in Kentucky and Virginia. All permit applications are electronically routed and reviewed from submittal to approval. Electronic permitting is developing in West Virginia where a centralized, internet-based system to receive, route, and review coal mining and other land use permits is planned for operation by January 2003.

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 regulates anthracite mining independent of the Surface Mining Law permanent program standards.

The Pennsylvania anthracite coal region is located in the northeast quarter of the state and covers approximately 3,300 square miles. More than 20 different coal beds vary in thickness from a few inches to 50 or 60 feet. The anthracite region is characterized by steeply pitching seams, some with dips steeper than 60 degrees. Such strata require highly specialized mining techniques and present unique challenges to ensure that highwalls are eliminated and the area is restored to a productive postmining land use. The long history of mining in the anthracite region has produced a legacy of abandoned mine land problems. However, because most active mining operations affect previously disturbed land, a large percentage of abandoned mine land is eventually restored to productive land use in connection with active mine reclamation.

In 2000³ the anthracite mining industry produced approximately 3.9⁴ million net tons, a decrease of 1.7 million tons from 1999. Anthracite operators mined approximately 1.35 million tons from culm and bank material, 2.33 million tons from surface mines, and 0.22 million tons from underground mines. The reprocessing of anthracite culm banks accounts for almost one third of the anthracite coal production and helps to fuel several cogeneration plants. The Pennsylvania



Coal preparation facilities are used to prepare coal for market. Coal is brought from the pit to the preparation plant where it is separated from rock or overburden, washed, and sized for shipment. Under the Surface Mining Law preparation facilities are permitted and regulated just as the mining operations. And, when the operation is completed, the preparation facilities must be removed and the land reclaimed.

This Kentucky facility cleans and loads approximately 500,000 tons of coal per year. All water runoff drains through a sedimentation pond where solid material settles out before the clear water is allowed to flow from the site. In addition, at this facility all roads around the plant have been paved to control dust and erosion, and all conveyor belts have hooded covers and water sprays to further control dust.

3. Calendar Year 2000

4. Pennsylvania Department of Environmental Protection, Harrisburg, 2000, "Annual report On Mining Activities"

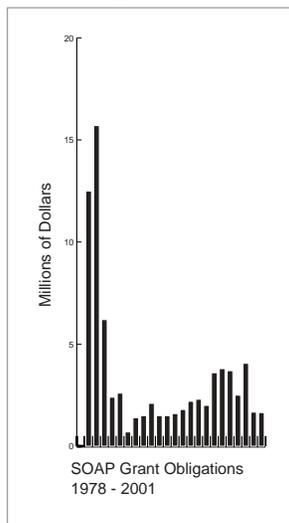
anthracite program currently includes 370 inspectable units (68 underground mines, 29 preparation plants, 7 refuse disposal sites, 132 reprocessing operations, and 134 surface mines). Pennsylvania's Department of Environmental Protection conducted 3,867 inspections (compared to 4,436 in 1999) and issued 217 violations (compared to 235 in 1999) in the Anthracite region. Pennsylvania's Department of Environmental protection continues to successfully carry out the provisions of the anthracite regulatory program. State mine inspectors achieve about 97.5⁵ percent of the required complete inspections and 96⁵ percent of the required partial inspections.

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

The Pennsylvania Department of Environmental Protection's, Pottsville District Office, in cooperation with other bureaus, agencies, groups, companies, and individuals continues to promote and oversee water quality improvement projects. One important watershed is the Swatara Creek. Early water quality projects within the watershed date back to the 1970's; however, with the interest of environmental partners in the mid and late 1990's, numerous water quality improvement projects have been initiated. These projects include the installation of such enhancements as diversion wells, anoxic drains, limestone lining of stream channels, stream relocation and channel reconstructions, aerobic passive wetlands treatment systems as well as the reclamation of abandoned silt dams, stripping pits and mine openings within the headwaters areas of the watershed.

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

Small Operator Assistance Program (SOAP)



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

Table 12: Small Operator Assistance Program

State	Grant Amount ¹		Operators	Projects Started
	2001	2000		
Alabama	\$55,107	\$70,000	5	3
Kentucky	1,031,677	541,343	37	47
Maryland	35,000	35,000	1	1
Ohio	80,000	97,717	4	6
Pennsylvania	225,616	781,092	30	30
West Virginia	224,916	152,670	2	1
Total	\$1,652,316	\$1,677,822	79	88

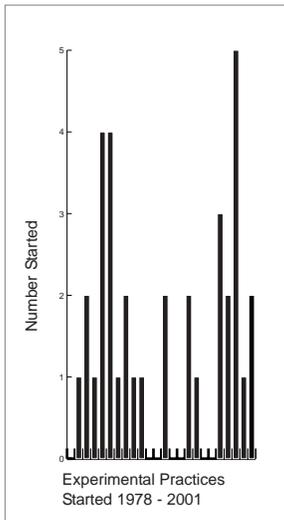
1. These figures do not include downward adjustments of prior-year awards.

5. Pottsville District Office 01/01/01 thru 06/30/01

The Energy Policy Act of 1992 (Public Law 102-486) added additional technical permitting services to the list of items eligible for funding under the Small Operator Assistance Program. The new services include engineering analyses and design necessary for hydrologic impact determination, cross-section maps and plans, geologic drilling, archaeological and historical information, plans required for the protection of fish and wildlife habitat and other environmental values, and pre-blast surveys. During 2001, guidance was issued for these new services. The program has always funded the hydrologic and geologic data collection and analyses required as part of the probable hydrologic consequences determination and statement of overburden analysis under Section 507(c) of the Surface Mining Law.

Small Operator Assistance Program regulations (30 CFR 795) place program responsibility with the states that have Office of Surface Mining approved permanent surface mining programs. In states with federal programs, the Office of Surface Mining operates the Small Operator Assistance Program. In 2001, 79 small mine operators received assistance, compared to the 108 operators who received assistance in 2000, and 121 in 1999. Table 12 provides a summary of the Small Operator Assistance Program by state during 2001.

Experimental Practices



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

During 2001, two new experimental practices were approved. Both provide a source of spoil material to backfill and reclaim highwalls on abandoned mine land and reclaim sparsely vegetated areas that have been sources of

sediment degrading water quality. The projects will reclaim abandoned mine lands, reduce sediment loading in the watershed, improve hydrologic conditions, return degraded land to unmanaged forest, and improve the aesthetics of the community. Since the inception of the program, 35 experimental practices have been approved. In addition to the 13 currently underway, 14 have resulted in successful reclamation, three unsuccessful, one was terminated due to a regulation change, and four have been completed; but, a final report has not 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



Closure of this underground mine opening included reclamation of the face-up area (the highwall at the entrance to the mine), mine facility area, and approximately 300 feet of creek that ran through a culvert under the mine entrance. Native vegetation was planted and encouraged to invade the reclaimed area. Today, this reclaimed site contains a riparian habitat and vegetation that is quickly becoming integrated with the surrounding West Virginia landscape.

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 2002 rules, see www.osmre.gov/activerules01.htm. Awards for 2001 were presented November 6, 2001, at a luncheon hosted by the National Mining Association, as follows:

Director's Award:

Each year, one coal mining operation in the country is selected to receive the Director's Award for outstanding achievement in a specific area of reclamation. This year, the award was presented for exemplary reclamation that resulted in an agricultural postmining land use. The 2001 Director's Award was presented to the Black Beauty Coal Company for reclamation on their Indiana and Illinois surface mining operations. With about 60 percent of the acreage containing prime farm land, special soil handling methods were needed to meet productivity standards.

Excavators and trucks were used to remove all soil. The spoil was regraded and the subsoil and topsoil replaced. This method of soil handling decreases the potential for compaction, since minimal equipment is driven on the land. After one growing season, the soil is tilled to a depth of 24 to 30 inches with a chisel tool that further reduces compaction. The results of this special care can easily be seen in the crop yields. Corn and beans continually produce higher yields than on the non-mined standard.



Topsoil is important in reestablishing native vegetation and in crop, forage, and timber production. Removal and replacement of all topsoil is required by the Surface Mining Law unless it is demonstrated that selected subsoil or spoil is better suited to grow plants. At this reclaimed Indiana mine site the success of topsoil handling can be measured by the land's high crop productivity after reclamation.

National Awards:

■ RAG, Twentymile Coal Company, Mine #1 and Eckman Park, Oak Creek Colorado. Located high in the Rocky Mountains the Twentymile Coal Company has used innovative techniques in mining and reclamation. In the aspen/mountain shrub environment, topsoil was salvaged and immediately placed on the regraded site. This provided a native seed source for future vegetation. Large shrubs such as Big Sage, Woods Rose, Snowberry, and Serviceberry were planted on the reclaimed land to quickly reestablish the native environment. On the postmining grazing land the topographic diversity has increased productivity and provides a natural setting. Numerous ponds were created for use by both cattle and wildlife. Today with the vegetation established the new wetland habitats bring added diversity.

■ McCoy Elkhorn Coal Corp., Burke Prep Plant and Loadout Facility, Kimper, Kentucky. The Burke Prep Plant, located in eastern Kentucky cleans and loads approximately 500,000 tons of coal per year, and there's a commitment to the environment that is second to none. The management prides itself on the aesthetics and efficiency of the operation. The overall appearance of the site is outstanding. Buildings and structures are painted, repaired and maintained to the highest level of safety. The entire site is landscaped with shrubs and trees. Grass is always cut and its completely litter-free. As trucks are loaded and unloaded the site is swept clean and washed. The company's pride and commitment is evident. They are an asset to the community and a fine example for others in the industry.

■ **Bellaire Corporation, Indian Head Mine, Beulah, North Dakota.** Beginning production in 1922, Indian Head was one of the oldest surface mines in the country. Today it's been completely reclaimed as cropland and native grassland for cattle grazing. The sloping topography, marginal soils, and semiarid climate made reclamation difficult and thus even more outstanding. Land productivity now exceeds required standards — crops by about 20 percent, hay and pasture land by about 45 percent, and native grassland by about 35 percent. The postmining topography at the mine is gentler and smoother, making the area more attractive to agriculture uses. Today, the land is being returned to the landowners better than it was before mining began.

■ **Kindill Mining, Inc., Mine #2, Alford Field, Petersburg, Indiana.** Reclamation of this Southern Indiana mine site has resulted in the development of “Lake Woods Wildlife Management Area,” a planned landscape, managed to promote fish, wildlife, and related environmental values.

Today more than 1,200 acres have been reclaimed, and are being managed around a “multi-species” concept, from crickets to deer. Major elements of this wildlife area are the water impoundments. They range in size from a little more than an acre to over 45 acres. Their sizes and shapes provide a wide range of habitats and support a large variety of fish species. In addition, the water provides a rich diverse environment for plants and animals.

■ **Glenrock Coal Company, Dave Johnston Mine, Glenrock, Wyoming.** Located at the southern edge of the Powder River Basin coal field, the Dave Johnston Mine has been achieving successful reclamation for 35 years. With an annual precipitation of only eleven inches, and the harsh Wyoming climate, reestablishing native conditions has required dedication and ingenuity. The reclamation has resulted in topographic diversity, a wide range of plant species, and active efforts to reintroduce animals. To achieve their continued success, vegetation specialists at the mine have developed and used four different seed mixtures, employed both broadcast and drill planting methods, and planted during different seasons. The result is a landscape that is already integrated into the surrounding community. It's a fine example of how short-term the mining impact is on the land.



In the agricultural and prairie landscape of North Dakota, wetlands provide a critical waterfowl habitat and add diversity important for other wildlife. At this reclaimed mine site the wetlands range in size from less than one acre to more than 30 acres, and replace more wetland acreage than existed on the pre-mining land. Although not required under the Surface Mining Law, this mine operator segregated the prairie, wetland, and cropland topsoil during removal and spread it separately on the reclaimed prairies, wetlands, and croplands. This helped to quickly reestablish the plant and soil organisms on the new wetlands and enhance their diverse development. The carefully designed wetland areas at this site maximize wildlife habitat value with undulating wetland edges, diverse vegetation, and creation of both shallow and deep water zones. Straight crop field lines were maintained around the wetland area perimeter to better accommodate the large farm equipment used in this area.

■ Penn Coal Corporation, Bluewater Deep Mine No. 1, Wilsondale, West Virginia. This West Virginia mine site received an award for reclamation of an underground mine entrance and the supporting surface facilities. Closure included backfilling the mine entrance and associated highwall. A stream that ran through a culvert under the support facilities was reconstructed to natural conditions, and the entire area revegetated with native plants. Today, with reclamation complete, the native plants provide a riparian habitat that prevents stream erosion and enriches the wildlife and aesthetics of the area.

■ TXU Mining Company, Monitcello Mine, Mt. Pleasant, Texas. The pond and forested wetland reclamation at this east Texas mine is an aesthetic and recreational setting that will benefit the community for many years. When a final pit was being reclaimed as a pond, engineers designed a 30-acre two-tier flood plain that provides both flood storage and a forested wetland. Machine planting of containerized seedlings resulted in a 77 percent survival rate and a dense stand of trees and shrubs. Today, established wetland oaks, pecan, sweetgum, blackgum, persimmon, and red maple cover the upper tier, and bald cypress, water tupelo, and water hickory cover the depressions and wet areas. In the years to come, the vegetation will continue to grow and enhance this Texas landscape.

■ The Coteau Properties Company, Freedom Mine, Beulah, North Dakota. The Coteau Properties Company, a wholly owned subsidiary of the North American Coal Corporation, produces more than 16 million tons of lignite coal per year. Reclamation has returned the land to an agricultural use — wheat production and livestock grazing. Shrub patches, and shelter belts are also included in the reclamation. Over 150,000 trees and shrubs have been planted to establish windbreaks and wildlife plantings. An increase in wetland acreage provides waterfowl habitat, and critical diversity for wildlife in this agricultural setting.

■ Triad Mining, Inc., Switz City Mine, Switz City, Indiana. When it began operation in 1991, the Switz City Mine site contained about 300 acres of abandoned spoil piles. Today, the company has eliminated the abandoned mine problems, and productivity has been restored. Wetlands were created to provide a diverse wildlife habitat. In addition to the productive agricultural land, much of the area was reclaimed with trees and shrubs. This mining operation recovered the coal resource, eliminated abandoned mine problems, and reclaimed the land to productive use.

■ P & N Coal Company, Urey Mine, Urey, Pennsylvania. The P & N Coal Company in central Pennsylvania is a small mine operator that reclaimed over 50 acres of abandoned mine land as part of its Urey operation. The topsoil was carefully removed and saved from areas that were not previously mined. When regrading was completed, the stored topsoil was spread to a depth that would ensure long-term productivity of the entire site. With reclamation nearing completion the area has been transformed from a hazardous condition to productive farmland and wildlife habitat.

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 2001 award was presented to an individual 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 2001 Best-of-the Best winner, Chet Skilbred, Vegetation Scientist at the Glenrock Coal Company in Glenrock Wyoming.

Photos of these and other award winning reclamation can be seen at www.osmre.gov/ocphoto.htm.

V.

Technology Development and Transfer

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

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

Technical Information Processing System

The Office of Surface Mining organized the Technical Information Processing System in 1988 to provide state and Office of Surface Mining regulators with a comprehensive set of analytical tools to aid in technical decision-making related to the Surface Mining Law. The system is comprised of off-the-shelf computer hardware and software supported by the Office of Surface Mining in partnership with the states and tribes. The system has grown from a few applications available on a single special designed shared workstation, to a suite of software that is easily accessible using the Internet on each user's desktop computer.



Shrubs are an important part of many natural plant communities and have particular value as food and cover for wildlife. At this reclaimed Colorado surface mine large deer and elk herds inhabiting the surrounding countryside have quickly returned to the area and made extensive use of this natural vegetation.

The Technical Information Processing System services include: providing a comprehensive training program in core software for users; providing core software at the users desktop; conducting the necessary research and development that ensures that core software is the state-of-the-art; and providing technical assistance. Customers include states, tribes and Office of Surface Mining offices across the country. In cooperation with customers, the Technical Information Processing System Steering Committee was established to help guide the efforts. The Steering Committee is composed of members from state and Office of Surface Mining offices.

Currently the Technical Information Processing System consists of Windows-based computers at state, tribal, and Office of Surface Mining offices with access to the system license servers via the Internet and the Office of Surface Mining Wide Area Network. The software that the system provides covers a wide range of subjects necessary to assist technical staff in carrying out their duties in both the regulation of active coal mining and reclamation of Abandoned Mine Lands. There are 18 commercially available software applications covering geospatial, hydrology, engineering, and

statistical topics. This software helps in the technical decision-making associated with review of permits, performing hydrologic assessments, quantifying potential effects of coal mining, preventing acid mine drainage, quantifying subsidence impacts, measuring revegetation success, assisting in the design of abandoned mine lands projects, and providing the scientific basis for environmental evaluations.

During 2001, the deployment of software to 700 user desktops in 70 state, tribal, and Office of Surface Mining offices throughout the country was completed and newly released upgrades to the software were delivered to system users.

Remote Sensing Technology

A remote sensing program was initiated in 2001. The Office of Surface Mining purchased air-photo imagery of a federally regulated mine in New Mexico and remote sensing photogrammetry software and hardware to process air and satellite imagery into highly accurate orthophotos. These orthophotos make it possible to generate topographic contour lines from stereo orthophoto pairs. Office of Surface Mining staff have also acquired and processed stereo 1-meter satellite imagery of four federally regulated western coal mines and two eastern coal mining areas. Eight briefings on results with this technology have been presented to the Office of Surface Mining, the Department of the Interior, the private sector, the Interstate Mining Compact Commission, the Society of Mining Engineers, and other groups. The success of this new technology make it a tool that will be provided to customers in the coming year.

Mobile Computing

During 2001, the Technical Information Processing System procured and began testing mobile computing devices and software. Geographic Information System software was installed on hand held mobile computers and was used with existing Global Positioning System equipment to successfully field-verify elevations on western reclaimed mine slopes. Hand held mobile computer ruggedness and weather-resistance were issues that surfaced during testing, and alternative devices were researched for on-going field tests.

Technical Information System Training

Training of state, tribal, and Office of Surface Mining personnel in the practical application of the system is done on a continuing basis and is an integral part of the operation. Training during 2001 increased to 370 students in 42 classes, compared to 2000 levels of 325 students in 31 classes. The composite Government Performance and Results Act rating for Technical Information Processing System training satisfaction is 88%. The four categories making up this score break down as follows: class satisfaction 89%, facility 88%, lead instructor 94%, and co-instructor 81%. Course offerings in 2001 included geographic information system use, global positioning system use, three-dimensional spatial geologic and toxic-material modeling, and automated drafting and site-design.

Acid Drainage Technology Initiative

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

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

While the focus was initially on the coalfields of Appalachia, the initiative's scope was expanded when the Metal Mining Sector Work Group was formed in 1999. This year a handbook titled, *Review of Mine Drainage Prediction Methods* was published. This handbook covers overburden testing, sampling, and field validation.

The Office of Surface Mining has been funding this initiative at about \$200,000 per year. In 2001, Office of Surface Mining funding was used for work related to field verification of acid mine drainage prediction, the printing of additional

handbooks, and the initial stages of work on standard acid drainage technology initiative kinetic testing protocols to be used in evaluating acid mine drainage potential.

International Activities

In many countries, mining continues in an age-old fashion with little regulation or noticeable care for the environment. The successful implementation of the Surface Mining Law in the United States is a model for nations challenged with protecting the environment while maintaining the often significant economic and employment benefits of mining. In 2001, the Office of Surface Mining and state government staff made presentations, participated in mine tours, and assisted mining professionals from several countries including China and Czechoslovakia. Most visiting delegations expressed particular interest in the state/federal partnership we use to implement the Surface Mining Law's regulatory program.

Mining Policy Reform in Indonesia

Responding to recent political changes and new legislative directions, Indonesia's Ministry of Energy and Mineral Resources is proceeding to restructure its approach to regulating mining. The Ministry has completed work on a draft of a new mining law, which would delegate significant authority to local and regional governments who will become responsible for regulating most aspects of mining operations. Ministry officials drew upon the state/federal partnership approach outlined in the U.S. Surface Mining Law as a model when drafting the new law. The Ministry requested Office of Surface Mining technical advice and assistance so they could develop a completely new way of doing business. The United States Agency for International Development provided the Office of Surface Mining with 100 percent funding to support the Ministry's request.

This latest cooperation between the Office of Surface Mining and Indonesia follows two highly successful technical assistance agreements. The first was a 3-year project from 1995 to 1998 in which the Office of Surface Mining provided technical assistance to improve Indonesia's capacity to regulate the surface coal mining industry and reclaim mined lands in an economical and environmentally sound manner. The World Bank funded the project and fully reimbursed all costs. Under the second project, the Office of Surface Mining is providing training in fighting forest fires sparked by dozens of burning outcrops of exposed coal and peat that dot the mountainous regions of Indonesia. The coal fire-suppression project has been entirely funded by the State Department's Southeast Asia Environmental Initiative.

The Office of Surface Mining's third assistance project in Indonesia involves using the state/federal partnership under the Surface Mining Law as a model for decentralizing the regulatory responsibilities of Indonesia's Ministry of Energy and Mineral Resources. To demonstrate the value and effectiveness of the partnership developed over the past 23 years, the Office of Surface Mining has included State Regulatory Authority experts on Office of Surface Mining teams to provide



With proper reclamation, mined land can be returned to its pre-mining use or to a valuable new use. Since this surface coal mine began in 1983, approximately 6,000 acres of land have been successfully reclaimed, mostly for spring wheat production and a lesser amount returned to native prairie that is used for livestock grazing or hay production. A primary goal at this mining operation is to minimize the time land is taken out of crop production and to have reclaimed land producing sustained high yields as quickly as possible. Almost all reclaimed lands are back into production in less than three years after coal removal, and many are reclaimed the same year. Coal mining was a very temporary use and the land was quickly integrated back into the local agricultural economy and rural North Dakota landscape. This is reclamation as envisioned by the architects of the Surface Mining Law.

advice and assistance on approaches Indonesia might use during decentralization and to develop a Central/Regional Government cooperative program. Ministry of Energy and Mineral Resources officials have visited the United States to see firsthand how the state/federal partnership works and examples of the results that can be achieved. The Office of Surface Mining and State Regulatory Authority professionals worked with professional staffs from Indonesia's central and local government agencies to improve their capability for mine inspection and enforcement. In a novel "mine inspection intern program," Indonesian professionals were paired with Office of Surface Mining and state inspectors in Colorado, Kentucky, Maryland, Ohio and Pennsylvania to learn firsthand how mine inspections were conducted and how federal and state agencies worked together to accomplish mutual objectives. Office of Surface Mining and state personnel then worked with the interns to develop and present a Principles of Inspection course to local mining agency staff in East Kalimantan, Indonesia. The course was very favorably received by local officials, and the project plans to offer the course again during the coming year.

Technical Training Program

The Office of Surface Mining continued its emphasis on providing technical assistance to the states and tribes by enhancing the technical skills of regulatory and reclamation staff through the National Technical Training Program. In 2001, the program offered 45 sessions of 31 different courses (Figure 5). In addition to regularly scheduled courses, in response to specific requests, special sessions of Blasting and Inspection were held for Kentucky, and a session of the Evidence Preparation and Testimony class was arranged for Mine Safety and Health Administration inspectors to meet an urgent need. A new course, Subsidence, was piloted to enhance scientific knowledge and technical skills in predicting subsidence, and identifying methods to protect and/or minimize damages caused by subsidence impacts of longwall and room and pillar mining. The Subsidence course will assist inspectors and technical staff in implementing requirements of the Energy Policy Act. Course development began on a new offering, Advanced Blasting: Investigation and Analysis of Blasting Effects. This course will enhance student skills in gathering and analyzing blast-related information. This will assist in resolving citizen complaints from ground vibrations, air blasts, fumes, and flyrock. Another new course under development is an Orientation Course for new personnel. This course will familiarize students with the missions of the Department of Interior and the Office of Surface Mining. Students will be provided with an overview of all Office of Surface Mining programs and with a wide variety of information on personnel issues.

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 staff. In 2001, there were 163 instructors--47 percent from 17 Office of Surface Mining offices, 44 percent from 17 States, 5 percent from the Interior Department's Solicitor's Office, and 4 percent from other sources. The 45 sessions, which reached 908 students, were presented in 24 locations in 14 states. State and tribal students accounted for 80 percent of students, Office of Surface Mining students for 17 percent, and 3 percent for other participants. The program's Government Performance and Results Act attendance goal of 900 students was met and the customer satisfaction rating of 95 percent exceeded the goal of 90 percent by 5 percent.

Figure 5

Course Name	Sessions	Students
Acid-forming Materials: Fundamentals	1	29
Acid-forming Materials: Principles & Processes	1	27
Acid-forming Materials for Program Staff	1	15
Administration of Reclamation Projects	1	26
AML Design Workshop: Dangerous Openings	1	12
AML Design Workshop: Fires	1	12
AML Design Workshop: Landslides	1	9
Aml Design Workshop: Subsidence	1	12
Applied Engineering	1	17
Basic Inspection Workbook	0	Note 1
Blasting and Inspection (Modules 1-3)	2	31
Blasting and Inspection (Modules 1-2)	2	72
Bonding Workshop: Cost-Estimation	1	20
Bonding Workshop: Legal & Admin. Aspects	1	19
Effective Writing	3	75
Enforcement Procedures	1	17
Enforcement Tools and Applications	1	11
Erosion and Sediment Control	2	34
Evidence Preparation and Testimony	3	67
Expert Witness	1	12
Historic and Archeological Resources	2	43
Instructor Training	1	23
NEPA Procedures	1	27
Permit Findings Workshop	4	68
Permitting Hydrology	1	23
Principles of Inspection	1	29
Soils and Revegetation	1	19
Spoil Handling and Disposal	1	28
Subsidence	2	37
Surface and Groundwater Hydrology	2	36
Underground Mining Technology	2	35
Wetlands Awareness	1	23
TOTAL	45	908

1. 32 books distributed

Applicant/Violator System

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

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

During 2001, the Office of Surface Mining responded with quality reviews for 3,202 requests for Applicant/Violator System data evaluations from state and federal regulatory authorities and state abandoned mine land program officials. The Office of Surface Mining collected and/or settled payments of civil penalties and reclamation fees in the amount of \$1,255,543 due, in part, to violation information in the system.



Since much of the pre-mining land in the East is forest, it is important to reestablish forests on reclaimed coal mine land. At this reclaimed Indiana mine site the land use is a fish and wildlife habitat and included areas of forest, crops, and open water/wetlands. More than 250,000 trees and shrubs were planted on the 1,200 acre site and included oak, pine, tulip poplar, walnut, ash, persimmon, hickory, crab apple, chestnut, dogwood, and hawthorn. The trees were planted in scattered blocks of varying sizes which resulted in an effective distribution of open and forested land for wildlife. Initially herbicides and mowing were used to control competition from herbaceous vegetation; however, once the woody plants became established they grew quickly and no longer require care.

This successful reclamation has created a unique resource that will benefit citizens of the local community for years to come.

Access to the System is available to the public, coalfield citizens, coal companies, and industry representatives via the Internet. The Applicant/Violator System Office in Lexington, Kentucky, distributes customized communication software, free of charge. Upon request, system training is provided users on how to access and interpret information as well as system demonstrations. Instruction is tailored to meet the needs of the target audience (i.e., inspectors, auditors, investigators, coal industry representatives, citizens are provided training to meet their specific needs).

During the past year, the Office of Surface Mining completed outreach meetings with federal and state representatives to discuss how to implement the new ownership and control regulations published on December 19, 2000, in the *Federal Register*. In addition to beginning the redesign of system software to reflect the requirements in the new regulations, web page information was posted from regulatory notices as required by the new rules.

The Applicant/Violator System Office continued to record extremely high customer satisfaction ratings as

reflected in quarterly customer surveys. During 2001, the Applicant/Violator System Office received customer satisfaction ratings that averaged 97 percent -- the same rating the Office achieved in 2000. In recognition of this sustained level of customer service, the Applicant/Violator System Office received the Office of Surface Mining's Customer Service Excellence Award in September 2001. General information about the System, including access information, instructions for downloading access software, and how to obtain customer assistance, can be found at www.av.sosmre.gov.

Slurry Impoundments

Since 1996, there have been four major breakthroughs from coal preparation plant slurry impoundments into underground mines, three in Virginia and one on October 11, 2000, in Martin County, Kentucky. As a result of the Martin County incident, which adversely impacted several municipal water supply systems and 75 miles of stream, Congress directed the National Research Council of the National Academies of Science to conduct a study on preventing coal waste impoundment failures and breakthroughs. The report from that study was released on October 12, 2001, and includes 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 have been working together since the Martin County incident to focus on impoundment issues.

In a separate effort, the Office of Surface Mining formed its own technical team to identify factors contributing to the Martin County failure. A report from this committee is currently undergoing internal review and editing. With the participation of representatives from Kentucky, Virginia, and West Virginia, the committee also developed criteria for use in evaluating the breakthrough potential of both proposed and existing high-risk impoundments. After being approved by the Department of the Interior, these criteria were distributed in July 2001.

The Office of Surface Mining also worked with the Mine Safety and Health Administration and the Appalachian states to develop an inventory of all existing coal mining-related impoundments with 20 acre-feet or more of storage capacity and located within 500 feet of an underground mine. The states are currently in the process of reviewing the breakthrough potential of these impoundments.



Permanent impoundments are frequently constructed on reclamation sites. They often enhance wildlife habitats by providing excellent cover and a water environment that increases the potential for wildlife to quickly become established on the sites. The water impoundments at this Indiana site cover over 10 percent of the reclaimed mine land. Six ponds were originally designed and built as sediment control structures and range in size from one to four acres. Other impoundments were created in final mining pits or were the result of selective spoil grading and range in size from one to 45 acres in size. The variation in impoundment size, shape, and depth have created a wide range of aquatic habitats and support a large population of largemouth bass, redear sunfish, bluegill, channel catfish, and black crappie. Wetland areas adjacent to the impoundments improve water quality and recreational opportunities, encourage greater biological diversity and wildlife habitat, and further reduce storm and flood damage.

Mountaintop Mining

As part of a 1998 settlement agreement in West Virginia Federal District Court, the Office of Surface Mining continued several activities related to mountaintop mining during 2001:

Technical Assistance to West Virginia:

Joint Office of Surface Mining/West Virginia Department of Environmental Protection permit reviews have continued for applications proposing to construct large valley fills. Five of the applications receiving a joint review were approved during 2001 and 11 remain in various stages of review. Five of the remaining applications also have applied for Clean Water Act, Section 404 Individual Permits with the Corps of Engineers. Environmental Impact Statements or Environmental Assessments are being prepared for these individual permit applications. The Office of Surface Mining is a cooperating agency in the review of the Clean Water Act environmental documents and continued to work closely with the Corps of Engineers and other Federal agencies during the review of the applications. Activities arising from the reviews of Surface Mining Law and Clean Water Act applications continue to be reported monthly to the West Virginia Congressional Delegation and the public (see www.osmre.gov/mtindex.htm for a complete listing of down-loadable copies).



An unusual revegetation technique used at this reclaimed Colorado coal mine eliminates planting by cutting existing vegetation, including trees, into a thick mulch, followed immediately by removal and redistribution of the topsoil mixed with the mulch. Small pieces of the woody vegetation sprout and rapidly become established. The woody vegetation on this reclaimed slope illustrates the success of this revegetation technique. A native plant community containing many hard-to-establish species such as big sagebrush, snowberry, aspen, rose, silver sagebrush, and currant was successfully established. This reclaimed shrub-covered land is similar to the surrounding unmined landscape and supports a healthy wildlife community.

Preparation of an Environmental Impact Statement:

The Office of Surface Mining worked with the Environmental Protection Agency, U.S. Army Corps of Engineers, Fish and Wildlife Service, and West Virginia Department of Environmental Protection in the development of an Environmental Impact Statement on mountaintop mining and valley fills. During 2001, the agencies completed a wide range of technical studies on aquatic and terrestrial impacts, valley fill stability, flooding, blasting dust and fumes, future mining, soils and forest productivity, seasonal stream flow, aquatic ecosystem enhancement, and fill hydrology. Economic, fisheries, postmining land use, and cumulative impact studies are underway and should be finalized early in 2002. Several stakeholder meetings to discuss the results of technical studies were held throughout 2001. The agencies are also evaluating possible recommendations to changes (e.g., new guidelines, policies, or rules) in the regulatory programs of the Surface Mining Law and Clean Water Act that would further minimize impacts from mountaintop mining and valley fills. A draft Environmental Impact Statement is planned for publication in late 2002 or early 2003.

Interactive Forum

An Interactive Forum entitled "Approaching Bond Release: Wildlife Habitat Construction and Wildlife Use of Reclaimed Lands in the Arid and Semi-Arid West" was held in Gillette, Wyoming in 2001 (the fifth in a series of six planned annual

forums on bond release topics in the arid and semiarid west). Wildlife topics included: regulatory obstacles to reclaiming wildlife habitat, trends in bird use of reclaimed habitat, the wildlife use of reclamation and its implications for bond release, habitat restoration plans, and how to assess the adequacy of wildlife success. The forum provided an opportunity for industry, their consultants, and the regulators to openly discuss wildlife habitat issues by sharing information and interacting with all the parties in the coal mining community. The three-day forum was supplemented by two workshops: Geographic Information Systems Integration Capabilities for Habitat Measurement and Population Comparisons and Hydrology and Reclamation Tool for Mining Applications. The eighty-three forum participants from 13 states and two Tribes attended the forum, mine field trips and the two workshops. One more interactive forum on Bond Release for postmining land use in the arid and semiarid west is planned for August 2002 in Bismarck, North Dakota.

Revised Universal Soil Loss Equation

For the second consecutive year, a CD-ROM containing Guidelines for the Use of the *Revised Universal Soil Loss Equation on Mined Lands, Construction Sites, and Reclaimed Lands*, with Version 1.06 of the public-domain software was distributed. With the addition of new weather station data and extension of existing databases, the equation is now a more powerful tool that can be used to estimate soil loss under a wide variety of site-specific conditions. The Office of Surface Mining is funding the conversion of the Guidelines to a Windows environment to complement the new Revised Universal Soil Loss Equation. In addition, the U.S. Department of Agriculture is incorporating the Office of Surface Mining guidelines into their Web-version of the equation for agricultural purposes. In 2002, the upgraded software will be made available on the Office of Surface Mining's web site.

Coal Combustion By-Products

Office of Surface Mining staff serve on the National Steering Committee for the Emission Control By-Products Consortium that is attempting to develop technologies for use by the coal utilities and their suppliers that will be useful in solving problems related to the handling of by-products from their clean coal processes. The main strategy of the consortium is to: (1) characterize product streams from flue gas desulfurization materials and low nitrous oxide burners; (2) develop a list of potential market opportunities and disposal options; and (3) develop and implement research and demonstration programs around identified priority topics.

During 2001 proceedings were published for the technical interactive forum on "The Use and Disposal of Coal Combustion By-Products at Coal Mines" and are available in printed or electronic (CD-ROM) format. The proceedings include 24 presentations on the basics of coal combustion by-products, regulatory perspectives, beneficial uses at the mine site, and hydrologic long term monitoring. For additional coal combustion by-product information see www.mcrc.org/osmre.gov/ccb.

The Bat Conservation and Mining Technical Interactive Forum

Over the past several years the Office of Surface Mining has become more aware of the significant, but complex relationship between bats and mining. According to the U.S. Fish and Wildlife Service, many of North America's largest remaining bat populations roost in abandoned mines. These include a majority of the 45 bat species living in the continental United States and some of the largest populations of endangered bats. More than half of these bat populations are already listed as endangered or species of concern. Closure of abandoned mines without first conducting biological surveys could endanger these and other species. Given the key ecological role of bats as primary predators of night-flying insects, which cost American farmers and foresters billions of dollars annually, additional threats to bat survival are cause for concern. Closure or other alteration of old mines without a biological assessment can eliminate some of America's largest remaining bat populations.

In December of 1998, the Office of Surface Mining signed a Memorandum of Understanding with Bat Conservation International, Inc. in order to establish a framework for cooperative efforts between the two organizations to maintain and increase the conservation of bats and their habitats.

In November 2000, the Office of Surface Mining hosted an interactive forum on Bat Conservation and Mining, which was initiated by a multi-agency, multi-interest group, steering committee. There were 118 participants at the forum, representing

federal, state, and private organizations from 29 states. The forum marked a major step toward increased cooperation between concerned federal and state agencies and conservation groups interested in protecting these important species. Proceedings of that forum are available at www.mcrc.org/osmre.gov/bats.

Due to the success of the November 2000 Forum, the Office of Surface Mining will cosponsor another forum in partnership with the U.S. Fish and Wildlife Service and Bat Conservation International during 2002. This will be a technical interactive forum on bat gate designs. The objective is to develop a manual for reclamation professionals on how to best protect bat inhabited underground mines through the use of gates and other bat friendly closure devices.

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

Reforestation

Through the Reforestation Initiative, the Office of Surface Mining has sponsored outreach and technology transfer events 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 mine operators, utilities, land management companies, mining companies, environmental organizations, and provides the opportunity to promote ecologically diverse balanced forest ecosystems.

In May 2001, the Office of Surface Mining joined with the Department of Energy, Office of Fossil Energy, and Allegheny Energy to dedicate the Limestone Run Revegetation Project in Pennsylvania that is the first pilot project under this initiative. Allegheny Energy planted more than 7,000 red and white pine seedlings and two acres of warm season, native grasses on a 20-acre plot which had previously been mined and reclaimed. In August 2001, the Office of Surface Mining began working with the Department of Energy, National Energy Technology Laboratory and the Electric Power Research Institute to develop an outreach package that will highlight the benefits of eco-asset management on mined lands.



Prime farmland topsoil and subsoil is handled with special care by using spreading techniques that minimize compaction that would hinder root penetration and water absorption by new seedlings. At this active Indiana coal mine the topsoil and subsoil were removed using hydraulic shovels and haul trucks. The segregated soil is immediately hauled back to the reclamation area, dumped, and graded. This equipment, combined with direct haul-back method, reduces compaction, a serious problem in valuable prime farmland soil.

The success of this soil handling method can be measured by the land's crop productivity. Crops grown on this reclaimed farmland have consistently been above the required yields and the land is indistinguishable from the surrounding Southern Indiana landscape.

Bonding Technical Assistance

An on-site bonding workshop was conducted in Anchorage, Alaska for the Alaska Department of Natural Resources. The workshop included surety and collateral bonding, self-bonding, surety fraud, bond program administration, bond forfeiture requirements specific to coal mining, minerals mining, and minerals leasing in Alaska. In 2001, 93 technical assistance requests from state regulatory authority staff on various bonding topics were completed. This technical assistance provided the tools state regulatory staff members needed to resolve complex bonding problems and avert loss of bond monies.

Technical Library Resource Center

The Office of Surface Mining Technical Library reached a milestone in 2001 when its holdings, as recorded in the on-line catalogue, were made web accessible. This accomplishment makes the catalogue available for anyone with Internet access, regardless of their geographical locations, to search for information related to surface mining, reclamation, and other technical subjects related to mining and environmental protection. The books and reports, along with a growing electronic media library, on-line searches, and interlibrary loans enabled the library staff to respond to more than 300 requests from state regulatory agencies, other federal agencies, citizens, coal industry, consultants, and academics in addition to fulfilling more than 250 Office of Surface Mining requests for information. The technical library plays a large role in technology transfer and assisting with the dissemination of electronic information and publications to Office of Surface Mining's constituents.

Evaluation of Technical Assistance Performance

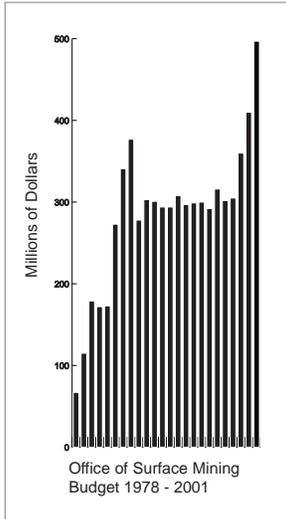
The 2001 performance goal was to attain a 90 percent customer satisfaction rating in technical assistance and technology transfer activities. Results from a customer survey gave a 99.6 percent satisfaction rating for technical assistance and 96.8 percent satisfaction rating for technology transfer. This rating compares favorably with 2000, rising from 93.3 percent to 99.6 percent for technical assistance. There was a decline in the rating for technology transfer from 98.5 percent to 96.8 percent; however, this may be based on the difference in the type of transfer activities completed and the difference in survey response rate. In both cases the goal was exceeded based on 109 responses received from 129 surveys sent for technical assistance (84.5 percent response rate) and on 268 responses received from 438 surveys for technology transfer activities (61.2 percent response rate). For 2002 the goal will be to attain a 92 percent customer satisfaction rating.



Topsoil removal and handling are especially critical in the Midwest where prime farmland must be restored to its former productivity level. After the final grading of spoil, the topsoil at this site was hauled to the reclamation area and is being spread evenly over the land by bulldozers. This mining company replaced all the soil to prime farmland depths (48 inches), even though much of the acreage was classified non-prime farmland where soil could have been replaced at the 12-inch depth required for non-prime farmland. However, the operator's commitment to extra soil replacement has restored the land to a level capable of supporting a wide variety of current and future agricultural uses.

VI. Financial Management and Administration

Budget and Appropriations



The Department of the Interior and Related Agencies Appropriations Act of 2001 (Public Law 106-291) appropriated \$100,801,000 from the General Fund for the Office of Surface Mining’s regulation and technology activities (\$4,910,000 more than 2000). In addition, \$215,038,000 was made available for obligation from the Abandoned Mine Reclamation Fund (\$18,830,000 more than 2000). This included an additional \$12,600,000 made available for reclamation and acid mine drainage remediation in Pennsylvania. Public Law 106-554 reduced \$222,367 and \$473,084 from the Regulation and Technology and the Abandoned Mine Land appropriations respectively for the purpose of a “government-wide” reduction. However, the Abandoned Mine Land reduction was only temporary for 2001; those funds will be available without further appropriation in 2002. And, as authorized by Public Laws 102-468 and 106-291, \$181,844,948 of interest (\$72,885,006 more than 2000) was transferred to the United Mine Workers of America Combined Benefit Fund. The 2001 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 2001, two performance bond forfeitures resulted in revenue collections of \$172,136.



Although it looks like a soybean crop on non-mined land, this is cropland on a reclaimed mine site. The deep reclaimed soils on this Indiana site provide farmland that is suitable for all crops grown in the region and crop yields have consistently been above required levels for bond release.

- Federal civil penalties and related interest collected under Section 518 of the Surface Mining Law can be used to reclaim coal mine lands abandoned after August 3, 1977. In 2001, \$21,725 in civil penalties was collected. Of that amount, \$19,332 (base penalty and interest) was deposited into the Civil Penalty Fund for reclamation purposes and \$2,393 (penalties and administrative charges) was transferred to the U.S. Treasury. During 2001, \$80,000 from this fund was obligated for post-Surface Mining Law reclamation projects.

- State regulatory program grants were funded at \$55,574,467 which was \$3,418,467 more than 2000. 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 \$172,065,000 (including the special Pennsylvania grant), which was \$17,263,000 more than in 2000.

■ Expenditures up to \$10,000,000 were authorized for supplemental grants to states for the reclamation of abandoned sites with acid mine 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 2000.

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

All appropriations provisions were met.

Financial Management

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

Debt Collection

When unpaid Abandoned Mine Land reclamation fees are identified, or civil penalties are assessed for mine site violations, the Office of Surface Mining takes appropriate collection actions. Delinquent debt information is retained in the Applicant/Violator System. When necessary, and after all of the agency debt collection avenues have been exhausted, delinquent accounts are referred to the Department of Treasury for additional collection efforts, or to the Interior Department’s Solicitor’s Office for appropriate legal action or bankruptcy proceedings. The current accounts receivable balance is \$4.2 million. The Office of Surface Mining has referred \$2.7 million of this amount to the Office of the Solicitor for legal action, \$1.5 million under bankruptcies, and \$1.2 million for litigation. Another \$0.3 million has been referred to the Department of Treasury for collection. The Office of Surface Mining is pursuing the remaining \$1.2 million internally, \$0.6 million of which is subject to appeal, \$0.2 million is under payment plans, and collection specialist are currently working on \$0.4 million. Table 14 shows 2001 collections and year-end receivable balances.

Table 13: Appropriations

	2001	2000
Regulation & Technology		
Environmental Restoration	\$156,654	\$133,732
Environmental Protection	76,458,863	71,948,404
Regulatory Grants	(55,574,467)	(52,156,000)
Technology Dev. & Transfer	11,984,244	11,746,031
Financial Management	535,819	520,562
Executive Dir. & Admin	11,443,053	11,236,271
Executive Direction	(2,349,343)	(2,224,000)
Administrative Support	(4,087,234)	(3,838,271)
General Services	(5,006,476)	(5,174,000)
Subtotal:	\$100,578,633	\$95,585,000
West Virginia Emergency Supplemental	\$0	\$9,821,000
Abandoned Mine Reclamation Fund		
Environmental Restoration	\$199,604,000	\$180,799,000
Reclamation Grants	(172,065,000)	(154,802,000)
Technology Dev. & Transfer	3,774,849	3,756,000
Financial Management	5,414,000	5,205,000
Executive Dir. & Admin	6,245,151	6,113,000
Executive Direction	(1,260,710)	(1,233,000)
Administrative Support	(2,193,290)	(2,090,000)
General Services	(2,791,151)	(2,790,000)
Subtotal:	\$215,038,000	\$195,873,000
Operating Budget	\$315,019,944	\$301,279,000
Transfer to United Mine Workers Fund	\$181,844,948	\$108,959,942
Total	\$497,461,581	\$410,238,942

1. The appropriation figures for both years include rescissions.

Table 14: Collections Management

Category	Amount Collected	Balance Owed
AML Fees	\$284,044,124	\$3,854,406
Civil Penalties	\$21,725	336,552
Total	\$284,065,849	\$4,190,958

Financial Systems: Electronic Improvements

The Office of Surface Mining is pursuing initiatives to improve its financial and administrative management. Added improvements in 2001 include:

Cost Accounting The Office of Surface Mining's managerial cost accounting program continued to make advances in 2001. Cost accounting information was produced for each major program activity and distributed to managers. This information links expenditures to productivity, so that managers can see the cost of the outputs they are producing. With the baseline established in 2000, comparative data exists and is being used to evaluate trends and improve efficiency of operations.

Payments and Business Methods

The aggressive policy to comply with the Electronic Funds Transfer provisions of the Debt Collection Improvement Act of 1996 continued during 2001. Vendor payments averaged 86.3 percent for 2001, up from 81.5 percent in 2000. Travel payments increased from 99.8 to 99.93 percent. And, in 2001, 99.96 percent of all dollars paid by the Office of Surface Mining were through electronic transfer.

Use of the Small Purchase Card continued to increase during 2001. Total transactions paid by credit card increased from 24,929 transactions in 2000 to 27,243 in 2001. Dollars spent increased from \$4,359,282 in 2000 to \$5,472,606 in 2001. Dollars spent using the credit card amounted to 24.8 percent of all vendor dollars disbursed in 2001.

Financial Management Systems

The Comprehensive On-Line Document Reconciliation System, which is a subsystem for processing the integrated purchase card centrally-billed transactions continues to be improved. In 2001 over 94 percent of all transactions were processed through this system. The cardholder inputs transactions which are matched against the invoice downloaded from the Bank of America to allow daily payment of the invoice. Unmatched transactions are automatically paid against default accounts selected by the user. The system is fully



Reclaimed native grasslands are seeded in late spring or early summer at this North Dakota mine. After two or three growing seasons the grass is well established and local ranchers begin to graze their livestock. Stockponds are included in the reclamation plans where grazing will occur and are constructed as an integral part of the reclamation.

At this operation, the mining company works with cooperating local ranchers who graze their cattle on the reclaimed land. The ranchers are aware of the operational and regulatory requirements that the mine has, and closely manage the livestock grazing. The mining company and ranchers cooperatively develop annual farm plans that guide the management of the reclaimed rangelands. Working closely with the company in a partnership arrangement, these ranchers learn firsthand what their own responsibilities are to maintain and manage reclaimed land toward the goal of final bond release. This knowledge and close working relationship is reflected in very successful on-the-ground reclamation.

integrated with the accounting system and permits the cardholder to adjust the accounting information at any time. The system also has a selection of reports available to monitor usage and data accuracy.

Electronic Filing of Coal Reclamation Fee Reports

Companies can now submit their quarterly Coal Reclamation Fee Report to the Office of Surface Mining on-line using the Internet. The pilot program for electronic filing was successfully completed in January 2001. One hundred twenty eight companies are now enrolled to use the Electronic Filing (E-Filing) system. Companies report that E-Filing is straightforward and easy to use, saving time and providing improved record keeping. The system automatically performs calculations, such as the technical moisture equations to calculate companies' moisture deductions.

The system provides e-mail notifications and reminders of filing due dates, as well as receipt confirmations. System users have the ability to work on their report incrementally and maintain the status of their filings. Permit history reports are also available so that companies can obtain payment and coal production information on-line. Encryption is used to ensure user security. During 2002, the system will be expanded to allow on-line payments using the PayGov system developed by the Treasury Department. The Denver Federal Executive Board awarded the E-Filing project the 2001 Excellence of Government Award for Outstanding Productivity/Process Improvement. The project also received the Office of Surface Mining's Customer Service Excellence Award in 2001.

Audited Financial Statements

Since 1990, the Office of Surface Mining has prepared an Annual Financial Statement after the close of each fiscal year, as required by the Chief Financial Officers Act of 1990 (Public Law 101-576). This year the statements were audited by the public accounting firm of KPMG LLP to opine as to whether financial results are fairly stated and conform with generally accepted accounting principles for federal agencies. In 2001, the Office of Surface Mining received its 11th consecutive "clean" audit opinion.

Information Technology

The Office of Surface Mining uses information technology to improve overall efficiency, support program functions, and provide better information access for other federal agencies, the coal industry, states, tribes, and the public. A telecommunications network, made up of a Wide Area Network and Local Area Networks, is used to electronically transmit and receive information from both internal and external sources.

During 2001, additional safeguards and improved security of automated systems was implemented. Greatly increased security threats have required increased precautions to ensure the integrity of information and the protection of Agency assets. Continued reviews and modification of existing procedures have provided increased protection of the Office of Surface Mining's information systems.

Reviews and changes to the Office of Surface Mining's Continuity of Operations Planning were undertaken to assure mission critical operations could be provided in the event of a disruption in its primary location. Improvements in offsite backups and recovery of data are being planned to ensure critical information is safeguarded.

Human Resources Management

During 2001, the automated recruitment, rating and ranking system continued to be a significant tool for job recruitment. Over the last 18 months, the Office of Surface Mining has attracted over 6,000 applicants to jobs using the automated system. Using this on-line system and a contract with Headhunter (a web based recruitment site that lists Office of Surface Mining vacancies) more diverse candidates (greater than 40 percent are minority and nearly 50 percent women) are applying for Office of Surface Mining positions. Use of the Headhunter web site has increased the applicant pool by about 25 percent. The Office of Surface Mining on-line job application web site can be accessed at www.osmre.gov/applyforjobs.htm.

As part of the succession planning process, data from the national survey was used to analyze work load and work force requirements. Using this data, determinations on projected retirement dates, skill levels of current employees, and skills required for future employees are being made.

The contract between Office of Surface Mining and the Bureau of Indian Affairs (in Washington D.C.) expired on June 30, 2001. Turnover of files to the Bureau of Indian Affairs Anadarko Personnel Office occurred as planned. Most human resources employees affected by the contract termination have been placed. Salary and benefits for the remaining employees end in March 2002 in accordance with contract termination provisions.

During 2001, Quality of Worklife Seminars were held on breast cancer, prostate cancer, heart disease, living your life, and retirement. The Federal Employees Retirement System Retirement seminars along with Social Security presentations were presented in Denver, Colorado; Knoxville, Tennessee; Lexington, Kentucky; Charleston, West Virginia; and Alton, Illinois. The headquarters office also participated with the Department of the Interior University and Politics and Prose Bookstore in Washington, D.C., in the government-wide forum and speaker series on Career, Balance and Diversity.

Monitoring Potential Conflicts of Interest

Sections 201(f) and 517(g) of the Surface Mining Law prohibit any federal or state employee "performing any function or duty under this Act" from having "direct or indirect financial interests in underground or surface coal mining operations." The Office of Surface Mining monitors compliance to prevent conflicts with an employee's official duties. In 2000⁶, 632 Office of Surface Mining, 935 other federal, and 2,885 state employees filed financial disclosure statements. Four federal and one state violations were identified and resolved.

Labor Management Partnership

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

Equal Opportunity

The Office of Surface Mining's Strategic Plan for Improving Diversity consists of 7 objectives that address the recruitment of women, minorities, the disabled, reasonable accommodation, employee development, retention, zero tolerance of discrimination, quality of work life, and accountability of managers. Since implementation of this plan continuous progress has been shown in decreasing the under-representation of minorities and women. Retention continues to be a major problem. As a result, even

6. Data for 2000 are reported here because 2001 federal statistics will not be available until January 2002 and state statistics until May 2002.



Native vegetation has been planted at this recently reclaimed mine site in Texas. These plants provided a fast growing cover that prevents erosion and a root structure that stabilized the soil. The native oaks and other trees are rapidly becoming established and will eventually become the dominant tree cover.

though there was success, there was no significant change due to the large number of separations (40) during 2001. Nevertheless, the Officer of Surface Mining successfully hired a minority as its Deputy Director. This position is at the Senior Executive Service pay level.

During 2001, 24 new employees were hired. This number includes 14 women and 7 minorities. This change can be attributed to management's increased sensitivity and outreach to women and minorities. In addition, training has been offered to managers and employees in the areas of diversity and zero tolerance for discrimination. As a result, progress has been made in these areas. For example, there were 55 promotions in 2001; women received 34 and minorities received 21 of the promotions. It is also significant that women and minorities received 7 of the promotions at the GS-13 and 14 grade levels, and a woman was promoted to a GS-15.

Alternative Dispute Resolution Operating Procedures were issued to all employees in 2001. Employees more readily use Alternative Dispute Resolution since the operating procedures were issued and about one-third of Office of Surface

Mining employees received Alternative Dispute Resolution training during the year.



Because surface mining removes the original plant cover from the land and exposes the soil, special care is needed. Until the reclaimed land is stabilized by revegetation, rainfall can pick up sediment and erode the land faster than undisturbed areas. Erosion is controlled through careful planning and design incorporating a variety of measures that work together to reduce the erosive force of water.

At this North Dakota reclaimed mine site a rock structure has been constructed in a grass waterway to slow water runoff and prevent erosion. Erosion control practices such as this are important in areas where storms are brief, but, intense, and could erode gullies, damage the vegetation, and create a sedimentation problem downstream. At this site a sedimentation pond was also constructed below the grass waterway to collect water and allow any sediment to fall to the bottom before flowing downstream.

During 2001, five discrimination complaints were filed, as compared to 11 complaints filed the previous year. This number represents a significant decrease in the number of complaints filed and also represents the fourth consecutive year that the number of complaints filed in the Office of Surface Mining has decreased. This decrease is attributed to training and the use of Alternative Dispute Resolution. At the end of the year, there were 12 complaints being processed, which represents a decrease of 33 percent from the previous year. The majority of pending cases are awaiting hearings by the Equal Employment Opportunity Commission.

VII. Performance Goals and Results

Mission

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

Vision

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

The Office of Surface Mining has followed the criteria of the Government Performance and Results Act of 1993, the Office of Management and Budget guidelines, and the Department of the Interior's guidance in implementing its planning and management processes. A mission statement was developed that reflects the mandate of the Surface Mining Law and a vision statement adopted that states values, service and assistance afforded to its customers, stakeholders and partners. The mission statement reflects the mandate to reclaim abandoned mine lands and provide safety for the environment and society during active coal mining operations, and the subsequent reclamation of those lands.

An obvious outgrowth from the mission statement was the two results-oriented mission goals, whose outcomes indicate the mandate of Environmental Restoration (reclamation of abandoned Mine Lands) and Environmental Protection (regulation of active mining operations). Following is a summary of the 2001 results for these two Government Performance and Results Act goals.

Environmental Restoration: Abandoned Mine Land Reclamation

Performance goals

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

Measuring the final results of the Abandoned Mine Land Program, the aim of which is to restore a safe and clean environment, is a difficult task. Intermediate measures are used, such as the number of acres reclaimed, as an indicator of success. It is estimated that over 1.5 million acres of land have been disturbed and over 11,500 miles of streams polluted by coal mining. Since 1977, over 142,000 acres of health and safety coal related problems such as underground fires, subsidence, landslides, open shafts, and highwalls (unstable man-made cliffs) have been reclaimed and over 493 miles of streams have been reclaimed.

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

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

Performance Results

In 2001, the Office of Surface Mining, along with its partners the states and Indian tribes, achieved the following results. Acres Reclaimed - the Office of Surface Mining's goal for 2001 was to reclaim 8,600 acres. The goal was exceeded and 13,808 acres were reclaimed. (In 2000, 12,176 acres were reclaimed.) These performance results represent cumulative acres reclaimed. The number of acres reclaimed is reported by states and Indian tribes, usually between two and four years after they receive the initial grant funding. Thus, results reported this year represent funds provided to states and tribes during fiscal years 1997-1999. Because the Office of Surface Mining started using acres reclaimed to measure our success, in 1999 the computer inventory system which records acres reclaimed was improved. This improvement allowed for better reporting by the states and Indian tribes. Because of this improved reporting, the 2000 results were much larger than the goal and with the backlog completed, 2001 results more closely match the 2001 goal.

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 costs... should be assigned to outputs...". The Office of Surface Mining has attempted to comply with this standard by computing the "cost per acre reclaimed". For 2001 this cost was determined to be \$9,832, measured on a "full cost basis". Full costs include operating costs in addition to "other costs" such as depreciation, bad debts, and future funding expenses. This approach corresponds to the number of reported acres reclaimed which includes priority 1, 2, and 3 problems for pre-Surface Mining Law grant programs, coal interim sites, and acid mine drainage. It excludes federal emergencies, non-coal projects, and non-Abandoned Mine Land funded reclamation. The 2000 cost per acre reclaimed has been amended to \$12,669 to conform to our current revised method of calculating the cost per acre.

Environmental Protection: Regulation of Active Coal Mines

Performance goals

On-the-ground results are measured by the percentage of inspectable units that are free of offsite impact during each evaluation year. As part of each federal and state mine inspection, a determination is made as to whether any negative offsite impacts have occurred or are occurring at that mine site. These are recorded on an annual basis for each mine. It is the goal of the Office of Surface Mining and its state partners to minimize offsite impacts at all mines. The measure of the success in meeting this goal is to assure that a high percentage of all inspected mine sites are without negative offsite impacts throughout the year. The 2001 goal was 94 percent free of offsite impacts.

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

Performance results

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

of these desired results. The number of offsite impacts that occur - these are damaging effects that would occur as a result of blasting, land stability, hydrology or encroachment that would affect people, land, water, or structures outside the permitted area of mining operations. In 2001, 93.9 percent of the mines were free of offsite impacts. (In 2000, 94.1 percent of the mines were free of offsite impacts.)

United Mine Workers Combined Benefit Fund Program

Description

Public Law 102-486 was passed on October 24, 1992, and became effective in 1996. Under this law, 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. These Abandoned Mine Land interest proceeds are made available to provide health benefits for certain eligible retired coal miners and their dependents. Payments are made annually based on the number of beneficiaries and are made in advance based on an estimate. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid. Additionally, the number of beneficiaries can change from year to year based on court cases, bankruptcies and mortality. The 2001 annual payment was \$67.5 million for 17,411 beneficiaries. Prior year adjustments increased this payment by \$35.4 million. In addition, Public Law 106-291 required the transfer of an additional \$78.9 million to offset any net asset deficit as estimated by the trustees of the fund as of August 31, 2001. (This includes \$174 thousand that the Combined Benefit Fund returned to the Office of Surface Mining which was rescinded by Congress. The funds have been restored but have not been transferred back to the Combined Benefit Fund.)

Budget

In 2001, the Office of Surface Mining collected \$103.5 million in investment earnings. Those collections brought the cumulative investment collections to \$662.9 million. Cumulative transfers, including 2001, are \$483.7 million leaving an interest balance of \$179.2 million.

Performance Measures

The Office of Surface Mining determined meaningful performance measures for this transfer are not possible. Once the transfer is made (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. The Office of Surface Mining did, however, request an audit of these funds from 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. Results of the audit verified in general, the amounts transferred from the Abandoned Mine Reclamation Fund to the Combined Benefit Fund for the period 1996-2000 were accurately determined in accordance with the Coal Industry Retiree Health Benefit Act of 1992 and that the amounts paid for the health care of beneficiaries were accurate⁷.

Summary of Annual Abandoned Mine Land Interest Collections and Transfers to the Combined Benefit Fund

As of September 30, 2001
(in thousands)

Year of Int Collection	Interest Collection	1996 Transfer	1997 Transfer	1998 Transfer	1999 Transfer	2000 Transfer	2001 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	114,573	17,880
1996	69,384	47,184	0	(10,721)	9,554	(2,535)	3,413	46,895	22,489
1997	81,007		31,374	7,034	15,129	(4,240)	4,254	53,551	27,456
1998	67,031			36,249	9,495	7,961	3,896	57,601	9,430
1999	82,830				47,588	(2,708)	18,647	63,527	19,303
2000	94,369					42,482	5,231	47,713	46,656
2001	103,496						67,502	67,502	35,994
Total	662,898	47,184	31,374	32,562	81,766	108,960	181,844	483,690	179,208

7. February 2001, Inspector General Report No. 01-I-187.

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IX. Financial Statements and Notes

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.

FMFIA Assurance Statement

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



Glenda Owens, Acting Director

Management Control Review

OSM conducted its annual assessment of agency programs and systems in accordance with the FMFIA and Office of Management and Budget Circular A-123. FMFIA requires OSM to conduct periodic reviews of its programs and systems to provide assurance management controls are in compliance with the applicable laws, regulations, and policies.

For fiscal year 2001, OSM 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 OSM found its management controls adequate to safeguard our programs and systems against waste, fraud, abuse, and mismanagement. No material weaknesses were identified.

FY 2001 MANAGEMENT CONTROL REVIEWS

REVIEW	SCOPE	Areas for Improvement
Acquisition Management	Targeted review questions for the Office of Property and Acquisition Management on the Contracting Officer's Technical Representative Certification Program and Bureau use of Convenience Checks.	N/A
Personal Property Management	Targeted review questions for the Office of Property and Acquisition Management on personal property management staffing levels.	N/A
Sensitive Automated Information System (<i>Pittsburgh LAN</i>)	1.Applicant Violator System (DFM) 2.Knoxville Field Office LAN 3.Lexington Field Office LAN 4.Lexington Applicant Violator LAN	Minor issues with system security identified for correction.
Applicant Violator System (AVS)	Review of controls in place to ensure entry of complete and timely data into AVS.	AVS program has adequate controls on place to accurately enter information in a timely manner.
Fee Compliance	Review of the reclamation fee compliance management process to include the controls surrounding the addition of new accounts, the management of current account status, and the closing of accounts.	No weaknesses identified, controls in place are adequate.
Administrative Control of Funds	Review of process and procedures for allocation of funds at the Appalachian Regional Coordinating Center.	Servicing Budget Officers continue to advise program managers of their legal and administrative responsibilities at least annually, as well as issue guidance to all offices explaining the fund accountability system.
Indian Lands Program	Review of selected processes that the Western Regional Coordinating Center follows in implementation of the Indian Lands Program.	The blaster certification exam needs to be updated, develop process to identify whether reciprocity-issued certificates should be revoked, ensure permit revisions are adequately documented, and issue guidance for termination of jurisdiction on initial program lands.
Federal Lands Program	Review of permit finding in the Washington Federal program; integrate information from a recently completed review of permit findings within the Tennessee Federal program.	Mine Coordinators and Technical Reviewers provided training to ensure all of the Review Criteria in the Technical Review Form are addressed. Also revise Technical Review Form to ensure all applicable regulations listed as part of the Review Criteria.

Federal Financial Management Improvement Act (FFMIA)

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

OSM received an unqualified opinion on the financial statements and no material weaknesses in the report on internal controls and no non-compliance with laws and regulations that could have a direct and material effect on the determination of financial statement amounts.

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 percent of its payments are made on time. OSM took the following steps to ensure that this continues:

- Charge cards were used to cut through red tape and expedite payment. Almost 94% of purchase transactions were made with charge cards in FY 2001, and the agency continues to promote their increased use, and
- Electronic funds transfer (EFT) was used to make 86% of the agency's vendor payments covering 99.9% of the dollar amount paid.

Debt Collection Improvement Act

OSM collected over 99.78% of the Abandoned Mine Land Reclamation Fees due this year, for a total of \$284 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 an active follow-up through audits and several other compliance activities. The current uncollected outstanding accounts receivable balance is \$4.2 million, comprised of \$3.9 million in AML Fees and Audit debt, and \$0.3 million in civil penalties. The \$4.2 million balance includes accounts that may not be collectible. After deducting a \$1.4 million estimate for uncollectible receivables, we estimate that \$2.8 million of this amount should be collectible.

OSM is in substantial compliance with the Debt Collection Improvement Act and has referred 100% of its eligible, uncollected debts to the Department of Treasury for collection.

Civil Monetary Penalty Act

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

As of September 30, 2001 and 2000
(dollars in thousands)

	2001	2000 (Restated)
ASSETS		
With the Federal Government		
Fund Balance with Treasury (Note 2)	\$49,008	\$44,699
Net Investments, Non-Marketable (Note 3)	1,863,582	1,832,171
Accounts Receivable, Net (Note 4)	2	9
Total Federal	1,912,592	1,876,879
With the Public		
Accounts Receivable, Net (Note 5)	25,654	2,118
Interest Receivable (Note 6)	498	375
General Property, Plant and Equipment, Net (Note 7)	2,576	2,891
Total Public	28,728	5,384
TOTAL ASSETS	\$1,941,320	\$1,882,263
LIABILITIES (Note 10)		
With the Federal Government		
Accounts Payable	\$50	\$119
Federal Employee Benefits	490	463
Unfunded Liabilities	679	669
Amounts Held for Others (Note 8A)	790	342
Other (Note 6)	12	22
Total Federal	2,021	1,615
With the Public		
Accounts Payable (Note 20)	54,764	45,310
Federal Employee Benefits	2,405	2,334
Amounts Held for Others (Note 8B)	528	529
Accrued Unfunded Employee Benefits	3,996	4,150
Actuarial Liabilities	4,929	2,485
Estimated Future Liabilities (Note 9)	80,100	120,677
Total Public	146,722	175,485
Total Liabilities	148,743	177,100
NET POSITION (Note 20)		
Unexpended Appropriations (Note 11)	40,319	36,480
Cumulative Results of Operations	1,752,258	1,668,683
Total Net Position	\$1,792,577	\$1,705,163
TOTAL LIABILITIES AND NET POSITION	\$1,941,320	\$1,882,263

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

For the years ended September 30, 2001 and 2000
(dollars in thousands)

	2001	2000 (Unaudited)
COSTS		
Operating Costs		
Paid to the Federal Government (Note 12)	\$19,211	\$19,671
Paid to the Public		
Paid to the Public	242,326	264,200
UMWA Combined Benefit Fund Transfers (Note 13)	181,845	108,960
Total Paid to the Public	<u>424,171</u>	<u>373,160</u>
Total Operating Costs	443,382	392,831
Other Costs		
Depreciation and Amortization	572	625
Future Funding Requirements (Notes 14 & 20)	(53,440)	35,640
Net Loss on Disposition of Assets	288	99
Other	<u>4</u>	<u>3</u>
Total Costs	390,806	429,198
LESS EARNED REVENUE		
From the Federal Government (Note 15A)	1,784	1,999
From the Public (Note 15B)	<u>390</u>	<u>61</u>
Total Earned Revenues	2,174	2,060
NET COST OF OPERATIONS (Note 19)	\$388,632	\$427,138

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

For the year ended September 30, 2001
(dollars in thousands)

NET COST OF OPERATIONS	\$388,632
FINANCING SOURCES	
Appropriations Used	94,549
Interest Revenue	89,958
Other Non-Exchange Revenue (Note 16)	283,945
Imputed Financing Sources (Note 17)	3,535
Financing Sources Transferred In (Out)	(48)
Fines and Penalties - Public	268
Total Financing Sources	<u>472,207</u>
Net Results of Operations	83,575
Net Change in Cumulative Results of Operations	83,575
Change in Unexpended Appropriations	<u>3,839</u>
Change in Net Position	87,414
NET POSITION-BEGINNING OF YEAR	
Unexpended Appropriations-Beginning of Year	36,480
Cumulative Results of Operations-Beginning of Year	<u>1,668,683</u>
Net Position-Beginning of Year (Note 20)	<u>1,705,163</u>
NET POSITION - END OF YEAR	<u><u>\$1,792,577</u></u>

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

For the year ended September 30, 2001
(dollars in thousands)

BUDGETARY RESOURCES

Budget Authority	\$497,877
Unobligated Balances - Beginning of Year	70,158
Spending Authority from Offsetting Collections	2,213
Adjustments	20,942
Total Budgetary Resources Available	<u>\$591,190</u>

STATUS OF BUDGETARY RESOURCES

Obligations Incurred	537,100
Unobligated Balances Available	50,420
Unobligated Balances Not Available (Note 18)	3,670
Total Status of Budgetary Resources	<u>\$591,190</u>

OUTLAYS

Obligations Incurred	537,100
Less: Spending Authority from Offsetting Collections and Adjustments	(25,568)
Obligated Balance, Net - Beginning of Year	277,325
Less: Obligated Balance, Net - End of Year (Note 22)	(351,915)
Total Outlays	<u>\$436,942</u>

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

For the year ended September 30, 2001
(dollars in thousands)

OBLIGATIONS AND NONBUDGETARY RESOURCES

Obligations Incurred	\$537,100
Less: Spending Authority from Offsetting Collections and Adjustments	(25,568)
Imputed Financing Sources (Note 17)	3,535
Transfers In (Out)	(48)
Total Obligations as Adjusted and Non Budgetary Resources	<u>515,019</u>

RESOURCES THAT DO NOT FUND NET COST OF OPERATIONS

Change in Amount of Goods, Services, and Benefits	
Ordered but not yet Received	(73,341)
Change in Unfilled Customer Orders	86
Costs Capitalized on the Balance Sheet	(554)
Total Resources That Do Not Fund Net Cost of Operations	<u>(73,809)</u>

COSTS THAT DO NOT REQUIRE OR GENERATE RESOURCES

Depreciation and Amortization	572
Revaluation of Assets and Liabilities	288
Other	2,444
Total Costs That Do Not Require or Generate Resources	<u>3,304</u>

FINANCING SOURCES YET TO BE PROVIDED (55,882)

NET COST OF OPERATIONS \$388,632

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



Summary of Significant Accounting Policies:

A. Reporting Entity

The Office of Surface Mining Reclamation and Enforcement (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. 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.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, the net cost of operations, the changes in net position, the budgetary resources, and the statement of financing of OSM, as required by the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994. These financial statements have been prepared from the books and records of OSM in accordance with accounting principals 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. These financial statements present proprietary and budgetary information while other financial reports also prepared by OSM pursuant to OMB directives are used to monitor and control OSM's use of budgetary resources.

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

The accounting structure of OSM is designed to reflect both accrual and budgetary accounting transactions. Under the accrual method of accounting, revenues are recognized when earned, and expenses are recognized when incurred, without regard to receipt or payment of cash. The budgetary accounting principles, on the other hand, are designed to recognize the obligation of funds according to legal requirements, which in many cases is prior to the occurrence of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of Federal funds.

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

- 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.
- 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.
- 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).
- The accounting principles and standards contained in departmental and bureau accounting policy and procedures manuals, and/or related guidance.
- Statements of Federal Financial Accounting Concepts (SFFAC). These concepts are not authoritative, per se, and do not have required implementation dates. However, they do contain very useful guidance regarding the completeness of the reporting entity and the presentation of financial information.

C. Responsibility

1. Fund Accounting

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

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

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

- **AML Funds** - These funds were established by SMCRA for the deposit of coal reclamation fees, related late payment interest, and administrative charges recovered in pursuing collections. Available reclamation fees are used solely to finance the Abandoned Mine Lands (AML) Reclamation program. However, before AML funds can be used, a Congressional appropriation is necessary to authorize yearly spending limits.
- **Civil Penalty Funds** - Penalties are assessed for violations and are used to reclaim mining sites.
- **Bond Forfeiture Funds** - Companies sometime forfeit bonds and the money is used to reclaim the mine site.

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

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

- Deposit Funds - These funds account for receipts awaiting proper classification, amounts held in escrow, and proceeds from the sale of vehicles.
- Receipt Funds - The Office of Surface Mining's financial statements include: (1) miscellaneous judicial service fees, (2) fines, (3) administrative fees, (4) miscellaneous receipts, (5) interest, and (6) unclaimed monies which are credited annually to the Treasury's general government fund. In the billing and collection of these funds, OSM is merely acting as a collection agent for the Treasury.

2. Government Performance and Results Act (GPRA) Program Activities

Beginning in FY 1998, OSM is responsible for reporting costs by GPRA program activity. OSM's GPRA program activities are:

- 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.
- 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.
- 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.

D. Revenues and Financing Sources

1. Realized Operating Revenue

- Appropriations - The United States Constitution prescribes that funds must be made available by Congressional appropriation before they may be expended by a Federal agency.
- Other Revenue - Additional funds are obtained through various sources including reimbursements for services performed for other Federal agencies and the public as well as fees and miscellaneous receipts derived from other OSM programs.

2. Assessments

- The Bond Forfeiture Fund receives operating authority based on revenue provided from forfeited performance bonds. Regulations require that proceeds from this fund be used to reclaim lands that are specific to the forfeited bond.
- The Civil Penalty Fund collects revenue from assessments levied against permittees who violate any permit condition or any other provision of Title 30 U.S.C. 1268. Regulations require that proceeds from this fund be used to reclaim lands adversely affected by coal mining practices on or after August 3, 1977.

3. Abandoned Mine Land Fees (AML)

The Abandoned Mine Land (AML) program is funded by a reclamation fee assessed on coal mine operators. The fee is based on the type and volume of coal produced for sale, transfer, or use. As appropriated by Congress, monies received and deposited in this special fund are used to reclaim lands adversely affected by past mining.

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

4. Interest Earnings

Beginning in FY 1996, OSM has annually transferred a portion of the interest it has earned through investment of the AML Funds unexpended balance to the United Mine Workers of America Combined Benefit Fund. See Notes 1K, 3, and 13 for additional information.

5. Transfers In/Transfers Out

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

E. Centralized Federal Financing Activities

OSM's financial activities interact with and are dependent on the financial activities of the centralized management functions of the federal government that are undertaken for the benefit of the government as a whole. These activities include public debt and employee retirement and post-employment benefit programs. Employee retirement and post-employment benefit costs, along with an imputed financing source for these costs, are included in OSM's financial statements. Please see Note 17 for the breakdown of these assigned costs. Public debt activities that are performed for the benefit of the government as a whole are not included in these financial statements.

F. Allowance for Doubtful Accounts

OSM uses two different methodologies to recognize bad debts arising from uncollectible accounts receivable, the net of the allowance method and the specific analysis method. The net of the allowance

method is used for special and civil penalty funds accounts receivable. Under this method, an allowance for doubtful accounts is calculated based upon OSM's past experience in successfully collecting delinquent accounts receivable by aging category. OSM's allowance methodology is representative of the collectability of delinquent accounts. For all other types, the allowance is based on an analysis of each account receivable.

G. Grant Expenditures

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

H. Administrative Expenses

Executive and general administrative expenses incurred by OSM benefit both the Regulation and Technology and AML funds. Both funds receive an equitable reallocation of indirect costs through a budget-based formula.

I. Distribution of AML Appropriation for Reclamation Grants

OSM distributes the Congressional appropriation from the collections of AML fees through grants to states and tribes. The distribution contains three main components: 1) state share distribution 2) federal share distribution 3) emergency program distribution. The state-share portion is based on the percentage of each state's balance in the AML Trust Fund. All states or tribes with a participating state or tribal reclamation program receive state share distributions on an annual basis if they have a balance in the trust fund. OSM distributes additional monies from the federal-share portion of the AML appropriation based upon state historical coal production prior to 1978. Under the minimum program provision, OSM distributes at least \$1.6 million to states or tribes with qualifying reclamation projects. This provides additional funding for Priority 1 and Priority 2 AML coal projects. OSM also distributes monies to be used only for qualifying emergency programs from the federal-share portion of the appropriation.

J. Fund Balance with Treasury

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

K. Investments

OSM invests excess cash from AML fee collections in Treasury bills and certificates. Note 3 provides additional information concerning investments. Some of these investment earnings are transferred to the United Mine Workers of America Combined Benefit Fund. See Note 13 for additional information.

L. Personnel Compensation and Benefits

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

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

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

OSM employees contribute seven percent of their gross pay to CSRS. OSM makes matching contributions to CSRS on behalf of CSRS employees. Employees covered by CSRS are not subject to Social Security taxes, nor are they entitled to accrue Social Security benefits for wages subject to CSRS. CSRS employees, however, do contribute to Medicare. FERS employees are subject to social security and Medicare taxes. OSM also contributes an amount equal to one percent of the employee's basic pay to the tax deferred thrift savings plan and matches employee contributions up to an additional four percent of pay for FERS employees. FERS employees can contribute up to eleven percent of their gross earnings to the plan. CSRS employees have the option of contributing to the thrift savings plan up to six 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. Note 17 provides for a further breakdown of these retirement and post-employment benefit costs.

M. Income Taxes

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



Fund Balance with Treasury:

The Treasury performs cash management activities for all 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. Restricted amounts represent the AML fees collected but not yet made available for spending by Congress.

(Dollars in thousands)	2001	2000
Available:		
General Fund Appropriations	\$45,702	\$41,533
Special Fund Appropriations	360,303	305,949
Restricted:		
AML Fund	1,505,267	1,528,517
Other	1,318	871
Subtotal Fund Balance	\$1,912,590	\$1,876,870
Less Invested Balance (See Note 3)	(1,863,582)	(1,832,171)
Total Fund Balance	\$49,008	\$44,699

Note
3

Net Investments, Non-Marketable:

Effective October 1, 1991, OSM was given authority to invest the balance of the AML Special Fund in non-marketable federal securities under Public Law 101-508. The Bureau of Public Debt is the sole issuer of authorized non-marketable Federal securities, which are purchased by OSM directly from the Treasury. OSM may invest in bills, notes, bonds, par value special issues, and one-day certificates. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities. OSM uses the straight-line method for amortizations as opposed to the effective interest method, which is required by generally accepted accounting principles, however the effect of using the straight-line method is not significantly different from that of the effective interest method.

When previously issued Treasury bills are purchased by OSM, the unamortized (discount) or premium is calculated by the Treasury at the time of purchase. The unamortized discount represents the value of the discount carried until a security is redeemed or matures. Investments are entered at the fair value, with the discount accrued as amortization of premiums or discounts.

(Dollars in thousands)	2001	2000
Face Value	\$1,866,451	\$1,847,088
Unamortized Discount	(9,908)	(35,689)
Amortization on Premiums or Discounts	6,845	20,772
Interest Receivable	194	0
Net Investments	<u>\$1,863,582</u>	<u>\$1,832,171</u>

Note
4

Accounts Receivable with the Federal Government:

(Dollars in thousands)	2001	2000
BIA – Department of the Interior	\$0	\$6
Corps of Engineers	2	3
Net Receivables with the Government	<u>\$2</u>	<u>\$9</u>

There is no Allowance for Uncollectible Accounts recorded for receivables with other government agencies because such amounts are deemed fully collectible.


Accounts Receivable with the Public:

(Dollars in thousands)	Gross A/R	Allowance for Uncollectible Accounts				2001 Net A/R	2000 Net A/R
		Beginning Balance	Additions	Reductions/ Collections	Ending Balance		
Total Accounts Receivable	\$26,428	\$2,101	\$600	(\$1,927)	\$774	\$25,654	\$2,118

Accounts receivable with the public are recorded net of the allowance for uncollectible (doubtful) accounts. These receivables represent uncollected Abandoned Mine Land, civil penalty, audit fees, and other receivables. The accounts receivable balance at September 30, 2001 includes a refund receivable due from the United Mine Workers Combined Benefit Fund in the amount of \$23,328,000 which was accrued during FY 2001 and was deemed to be 100 percent collectible.


Interest Receivable from the Public:

(Dollars in thousands)	Gross Interest Receivable	Allowance for Uncollectible Accounts				2001 Net I/R	2000 Net I/R
		Beginning Balance	Additions	Reductions/ Collections	Ending Balance		
Non-Entity	\$31	\$118	\$77	(\$176)	\$19	\$12	\$22
Entity	\$1,065	\$945	\$367	(\$733)	\$579	\$486	\$353
Total Interest Receivables	\$1,096	\$1,063	\$444	(\$909)	\$598	\$498	\$375

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


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

All property and equipment is depreciated using the straight-line method and the asset's useful life and is determined using OMB guidance.

(Dollars in thousands)	Service Life (Years)	Acquisition Value	Accumulated Depreciation	2001 Net Book Value	2000 Net Book Value
ADP Equipment	15	\$2,066	(\$1,506)	\$560	\$952
Office Equipment	11-20	898	(232)	666	697
Vehicles	6-10	2,758	(1,408)	1,350	1,242
Total Physical Assets		\$5,722	(\$3,146)	\$2,576	\$2,891

Note
8

Amounts Held for Others:

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

8A. Amount held for Others with the Federal Government
(Dollars in thousands)

	2001	2000
Reimbursable Advance	\$790	\$294
Other Deposits	0	48
Totals	\$790	\$342

8B. Amount Held for Others with the Public
(Dollars in thousands)

	2001	2000
Reimbursable Advance	\$105	\$303
Other Escrows	65	76
Civil Penalties Escrow	68	49
Bonds	50	10
Other Deposits	232	83
Overpayments	8	8
Totals	\$528	\$529

Note
9

Estimated Future Liabilities:

A. Environmental Liabilities

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

Although OSM's mission includes the administration of programs designed to protect society from the effects of coal mining operations, OSM has no liability for future environmental cleanup. OSM does not own land or contribute to environmental contamination. However, OSM provides some funding, through grants for states and tribes and through contracting in states or tribal lands that do not have approved abandoned mine land programs, in order to reclaim eligible abandoned mine sites or to work on other qualified projects. All costs associated with these projects are accrued in the accompanying financial statements as the grantee incurs them.

B. Contingent Liabilities

There have been claims filed against OSM with adjudications pending. As of September 30, 2001 a liability of \$80,100,000 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. Cash settlements of \$80,000,000 are expected to be paid out of the Judgment Fund maintained by Treasury, and settlements of \$100,000 from operating resources of OSM. The related liability at September 30, 2000 was \$120,677,488.

All accrued contingent liabilities are reflected as non-current, as they are not expected to be paid in the next twelve months. No amounts have been accrued in the financial records for claims where the amount or probability of judgment is uncertain. Sufficient information is not currently available to determine if the ultimate resolution of these proceedings, actions, and claims will materially affect OSM's financial position or results of operations.

10

Liabilities:

(Dollars in thousands)

	Covered by Budgetary Resources	Not Covered by Budgetary Resources	2001 Total	2000 Total (Restated)
Accounts Payable-Federal	\$50		\$50	\$119
Unfunded Liabilities		\$679	679	463
Federal Employee Benefits	490		490	669
Amount Held for Others (Note 8A)	790		790	342
Other	12		12	22
Total Liabilities with the Federal Government	\$1,342	\$679	\$2,021	\$1,615
Accounts Payable-Public	\$54,764		\$54,764	\$45,310
Federal Employee Benefits	2,405		2,405	2,334
Amounts Held for Others (Note 8B)	528		528	529
Accrued Unfunded Employee Benefits		\$3,996	3,996	4,150
Actuarial Liabilities		4,929	4,929	2,485
Estimated Future Liabilities (Note 9)		80,100	80,100	120,677
Total Liabilities with the Public	\$57,697	\$89,025	\$146,722	\$175,485
Total Liabilities	\$59,039	\$80,704	\$148,743	\$177,100

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.

11

Unexpended Appropriations:

(Dollars in thousands)

	2001	2000 (Restated)
Unobligated and Available	\$212	\$9,952
Unobligated and Unavailable	3,670	4,696
Obligated	36,437	21,832
Total Unexpended Appropriations	\$40,319	\$36,480

Unexpended appropriations consist of unobligated funds, unavailable authority and obligated funds. 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.

**Costs Paid to Federal Agencies:**

(Dollars in thousands)	2001	2000 (Unaudited)
U.S. Department of the Interior:		
Bureau of Reclamation	\$25	\$21
Bureau of Land Management	76	4
Minerals Management Service	2	57
National Park Service	1	3
Office of the Secretary	2,607	3,257
Fish and Wildlife Service	0	6
Geological Survey	56	5
Total Department of Interior	<u>\$2,767</u>	<u>\$3,353</u>
Other Federal Agencies:		
Office of Personnel Management	\$5,823	\$5,878
Department of Labor	348	258
Department of Agriculture	604	714
General Services Administration	4,054	3,577
U.S. Postal Service	28	37
U.S. Treasury	1,533	1,567
Government Printing Office	287	333
Department of State	163	179
Other	69	114
Total Other Federal Agencies	<u>\$12,909</u>	<u>\$12,657</u>
Other – Imputed Costs	<u>3,535</u>	<u>3,661</u>
Total Costs Paid to Federal Agencies	<u>\$19,211</u>	<u>\$19,671</u>

Costs paid to Federal Agencies represent expenditures made to other Bureaus within the Department of the Interior and to other Federal entities. The Office of Surface Mining does not incur costs with itself.

**UMWA-CBF Transfers:**

Presently, all earnings from AML investments are reinvested, thus providing a source of additional funding to enhance AML Special Fund equity. However, with the enactment of Public Law 102-486 on October 24, 1992, and effective with FY 1996, OSM is required to transfer annually a portion of the interest earned from the AML Special Fund to the United Mine Workers of America Combined Benefit Fund (UMWA-CBF). These AML interest proceeds are made available to provide health benefits for certain eligible coal miners and their dependents. Payments are made in advance and are an estimate based on the number of beneficiaries. The number of beneficiaries can change from year to year based on court cases, bankruptcies, and mortality. Also on October 11, 2000, the Department of the Interior and Related Agencies Appropriations Act, 2001 Public Law 106-291, provided for additional funding to offset any net asset deficit as estimated by the trustees of the fund through August 31, 2001. The source of the additional funding was the amount of interest earned during fiscal years 1992 through 1995, inclusive, that had not been transferred to the UMWA-CBF. With Public Law 106-113, Congress authorized a similar payment in the amount of \$68 million during FY 2000. The net amount of this transfer in FY 2001 is \$78.9 million.

The financial statements include accrued accounts payable to the UMWA-CBF in the amount of \$43,606,000 and \$35,441,000 for FY 2001 and 2000, respectively. These amounts reflect future payments that are adjustments to actual costs of previous years estimated costs. Additionally, OSM recognizes a corresponding future funding expense for these payables as these costs are funded with the subsequent years appropriations. Notes 14 and 20 illustrate the effect of these payables on the financial statements.

(Dollars in thousands)	2001 Payment	2000 Payment (Unaudited)
Total Number of Beneficiaries	17,411	16,972
Special payments identified in Public Law	\$78,902	\$68,000
FY 2001 Costs	67,503	0
FY 2000 Costs	5,231	42,482
FY 1999 Costs	18,647	(2,708)
FY 1998 Costs	3,896	7,961
FY 1997 Costs	4,253	(4,240)
FY 1996 Costs	3,413	(2,535)
Total Payment	\$181,845	\$108,960

Note 14

Future Funding Requirements:

The Department of the Interior has provided OSM with its unfunded future liability for workers compensation benefits covered by the Federal Employees Compensation Act (FECA) and the Departmental Payroll operation has provided data for accrued unfunded leave. Amounts reflected as changes in contingent legal liabilities result from legal determinations of future payment probability. OSM accrues expenses for future UMWA-CBF payments that are adjustments to previous estimated payments.

(Dollars in thousands)	2001	2000 (Unaudited)
Accrued Unfunded Leave	\$(153)	\$249
FECA Accrual	10	40
Changes in FECA Actuarial	2,443	(118)
Changes in Contingent Legal Liabilities	(40,577)	28
Account Receivable due from UMWA-CBF	(23,328)	0
Changes in Accounts Payable due to UMWA-CBF	8,165	35,441
Total Future Funding Requirements	\$(53,440)	\$35,640

Note 15

Earned Revenue:

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

(Dollars in thousands)	2001	2000 (Unaudited)
15A. Total Revenue from Federal Government		
Bureau of Indian Affairs	\$783	\$992
Bureau of Land Management	4	71
Minerals Management Service	36	130
Office of the Secretary - DOI	11	8
Environmental Protection Agency	46	48
Department of Energy	37	17
Department of State	757	623
Office of Solicitor	5	4
Corps of Engineers	33	11
USDA-Forest Service	57	25
National Endowment for the Arts	15	20
Vehicle Sales	0	50
Total Revenue from Federal Government	\$1,784	\$1,999
15B. Total Revenue from the Public		
Bond Forfeitures	\$172	\$3
Indonesia	14	33
Copy Fees	2	2
Blaster Fees	3	2
Permit Fees	44	13
Mine Map Sales & FOIA	7	8
Vehicle Sales	148	0
Total Revenue from Public	\$390	\$61
Total Earned Revenue	\$2,174	\$2,060


Other Non-Exchange Revenue:

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

(Dollars in thousands)	<u>2001</u>
Revenue from AML fees and Civil Penalties	<u>\$283,945</u>


Imputed Financing Sources

The following table details the expenses incurred for retirement and post-employment benefits.

Assigned Retirement and Post-Employment Benefits Cost (Dollars in thousands)	Base Salary of Eligible Employees	OSM Percentage of Cost	2001 Assigned Cost
Civil Service Retirement System Pensions	\$18,796	8.69%	\$1,634
Civil Service Retirement System Offset Pensions	2,076	9.99%	207
Retirement Life Insurance	24,859	0.02%	5
Retirement Health Benefits	563.25 employees (yearly average) multiplied by \$2,999 per employee		1,689
Total Assigned Benefits Cost			<u>\$3,535</u>

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


Unobligated Balances Not Available:

To properly report the financial position of the bureau, these financial statements include expired appropriated accounts, which are unavailable for new obligations. These unavailable funds are canceled and returned to the Treasury five years after the appropriation was authorized. The current balance of unavailable (or expired) appropriations is approximately \$3.7 million.


Net Cost of Operations by Segment:

During the year ended September 30, 2001, OSM revised the presentation of the Consolidated Statement of Net Cost of Operations and related disclosures to present gross costs, earned revenues, and net costs by program and responsibility segment. OSM's presentation is consistent with the strategic goals included in the strategic plan and in accordance with the Government Performance and Results Act.

OSM restated the Consolidated Statement of Net Costs of Operations and related disclosures for the year ended September 30, 2000 to conform with the current year presentation. The restated Consolidated Statement of Net Cost of Operations and disclosures for the year ended September 30, 2000 have not been audited.

Supporting Schedule by Responsibility Segment

For the years ended September 30, 2001 and 2000
(dollars in thousands)

	Environmental Restoration	Environmental Protection	UMWA CBF Transfer	2001 Total	2000 Total (Unaudited)
Office of Surface Mining Operations:					
Total Expenses	\$32,963	\$11,034		\$43,997	\$77,630
Revenues	538	1,636		2,174	2,060
Net Cost	32,425	9,398		41,823	75,570
Grants to States and Tribes:					
Total Expenses	129,436	50,691		180,127	207,167
Revenues	0	0		0	0
Net Cost	129,436	50,691		180,127	207,167
Authorized Special Payments:					
Total Expenses			\$166,682	166,682	144,401
Revenues			0	0	0
Net Cost			166,682	166,682	144,401
Net Cost of Operations	\$161,861	\$60,089	\$166,682	\$388,632	\$427,138

See independent auditor's report

**Restatements:**

During 2001, OSM became aware of certain payments including \$35,441,000 due to the UMWA-CBF and \$7,428,000 due to states and tribes for grants that should have been accrued in the financial statements in 2000. Accounts payable with the public, net position, future funding requirements and net cost of operations have been restated to reflect these differences. The effect of these restatements increased accounts payable with the public and decreased net position by \$42,869,000. Additionally, OSM posted a reclassification to components of net position for \$8,000 related to certain revenue postings.

(Dollars in thousands)

Net Position - September 30, 2000, as Previously Reported			\$1,748,032
Cumulative Results of Operations, as Previously Reported			1,709,594
Adjustments:			
Payment Accruals	(40,903)		
Reclass to Unexpended Appropriations	(8)		
Sub-Total		(40,911)	
Cumulative Results of Operations, as restated		1,668,683	
Unexpended Appropriations, as Previously Reported			38,438
Adjustments:			
Payment Accruals	(1,966)		
Reclass from Cumulative Results of Operations	8		
Sub-Total		(1,958)	
Unexpended Appropriations, as restated		36,480	
Net Position - September 30, 2000, as restated			<u>\$1,705,163</u>

Note
21

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 2002 through FY 2006 and beyond below. The FY 2002 amount for these leases is \$602 thousand. 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 does not have any capital or non-GSA equipment or other property leases. OSM rental expenses for 2001 and 2000 were \$3,833 and \$4,478 thousand, respectively.

(Dollars in thousands)	
Fiscal Year	GSA Real Property
2002	\$2,538
2003	2,336
2004	2,281
2005	1,107
2006	1,057
After 5 Years	3,796
Total Future Lease Payments	<u>\$13,115</u>

Note
22

Obligated Balance, Net - End of Year:

OSM's net obligated balance at the end of 2001 is comprised of accounts receivable (with the Federal Government), unfilled customer orders without advance (related to reimbursable agreements), undelivered orders for goods and services ordered but not yet received, and accounts payable.

(Dollars in thousands)	
2001	
Accounts Receivable	\$2
Unfilled Customer Orders	481
Undelivered Orders	(345,728)
Accounts Payable	(6,670)
Obligated Balance, Net-End of Year	<u>\$(351,915)</u>

Supplementary Statement of Budgetary Resources by Major Budget Accounts

For the year ended September 30, 2001
(dollars in thousands)

	Regulation and Technology	AML and Civil Penalties	Total
BUDGETARY RESOURCES			
Budget Authority	\$100,801	\$397,076	\$497,877
Unobligated Balances - Beginning of Year	15,764	54,394	70,158
Spending Authority from Offsetting Collections	1,800	413	2,213
Adjustments	(393)	21,335	20,942
Total Budgetary Resources Available	\$117,972	\$473,218	\$591,190
STATUS OF BUDGETARY RESOURCES			
Obligations Incurred	112,925	424,175	537,100
Unobligated Balances Available	1,377	49,043	50,420
Unobligated Balances Not Available	3,670	0	3,670
Total Status of Budgetary Resources	\$117,972	\$473,218	\$591,190
OUTLAYS			
Obligations Incurred	112,925	424,175	537,100
Less: Spending Authority from Offsetting Collections and Adjustments	(3,820)	(21,748)	(25,568)
Obligated Balance, Net - Beginning of Year	26,614	250,711	277,325
Less: Obligated Balance, Net - End of Year	(41,623)	(310,292)	(351,915)
Total Outlays	\$94,096	\$342,846	\$436,942

See accompanying independent auditors' report

C-IN-OSM-0044-2001



United States Department of the Interior

Office of Inspector General
Washington, D.C. 20240

Memorandum

To: Director, Office of Surface Mining Reclamation and Enforcement

From: Roger La Rouche
Assistant Inspector General for Audits

Subject: Independent Auditors' Report on the Office of Surface Mining Reclamation and Enforcement's Financial Statements for Fiscal Years 2001 and 2000
(No. 2002-I-0021)

We contracted with KPMG LLP, an independent certified public accounting firm, to audit the Office of Surface Mining Reclamation and Enforcement's (OSM) financial statements for fiscal year 2001. The contract required that KPMG audit be conducted 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*. The Office of Inspector General (OIG) is responsible for the opinion on the balance sheet and related notes for fiscal year 2000.

In connection with the contract, we monitored the progress of the audit at key points and reviewed KPMG's report and related working papers and inquired of their representatives. Our review, as differentiated from an audit in accordance with *Government Auditing Standards*, was not intended to enable us to express, and we do not express, opinions on the OSM's financial statements or on conclusions about the effectiveness of internal controls or on conclusions about compliance with laws and regulations. KPMG is responsible for the auditors' report on the fiscal year 2001 financial statements (Attachment 1) and for the conclusions expressed in the report. However, our review disclosed no instances where KPMG did not comply in all material respects with the *Government Auditing Standards*.

In its audit report dated December 21, 2001, KPMG stated that in its opinion the OSM's financial statements for fiscal year 2001 present fairly, in all material respects, the financial position of the OSM as of September 30, 2001, and its net cost of operations, changes in net position, budgetary resources, and reconciliation of net cost of operations to budgetary obligations for the year then ended in conformity with accounting principles

generally accepted in the United States of America. In our report dated December 21, 2001 (Attachment 2) we stated that in our opinion the OSM's consolidated balance sheet presents fairly, in all material respects, the financial position of OSM as of September 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

KPMG did not note any material weaknesses related to internal controls over financial reporting. With regard to compliance with laws and regulations, KPMG disclosed no instances of noncompliance that are required to be reported or instances where OSM's financial management systems did not substantially comply with the requirements of the *Federal Financial Management Improvement Act of 1996*.

Section 5(a) of the *Inspector General Act* (5 U.S.C. App. 3) requires the OIG to list this report in its semiannual report to the United States Congress.

The Independent Auditor's Report is intended for the information of the management of OSM, the Office of Management and Budget, and the United States Congress. This report, however, is a matter of public record, and its distribution is not limited.

Attachments (2)



707 Seventeenth Street
Suite 2300
Denver, CO 80202

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheet of the Office of Surface Mining Reclamation and Enforcement (OSM) as of September 30, 2001, and the related consolidated statements of net cost, changes in net position, and financing and the combined statement of budgetary resources for the year then ended (hereinafter referred to as financial statements). The objective of our audit was to express an opinion on the fair presentation of these financial statements. In connection with our audit, 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 year ended September 30, 2001 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 would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined below in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws and regulations, exclusive of 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* or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

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.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of the OSM as of September 30, 2001, and the related consolidated statements of net cost, changes in net position, and financing and the combined statement of budgetary resources for the year then ended.



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

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, 2001, and its net cost of operations, changes in net position, budgetary resources, and reconciliation of net cost of operations to budgetary obligations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information in the Management's Discussion and Analysis section is not a required part of the financial statements, but is supplementary information required by the Federal Accounting Standards Advisory Board and OMB Bulletin No. 97-01, *Form and Content of Agency Financial Statements*, as amended. 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The information in the Supplementary Statement of Budgetary Resources by Major Budget Accounts is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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 material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Because of inherent limitations in any internal control, misstatements due to error or fraud may occur and not be detected. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above. However, we 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 December 21, 2001.

Compliance With Laws and Regulations

The results of our tests of compliance with the laws and regulations described in the responsibilities section of this report, exclusive of FFMIA, disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The results of our tests of FFMIA disclosed no instances in which the OSM's financial management systems did not substantially comply with the three requirements discussed in the responsibilities section of this report.

Responsibilities

Management's Responsibility

The Government Management Reform Act of 1994 (GMRA) requires a 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 meet the GMRA reporting requirements, the OSM prepares annual financial statements.

Management is responsible for:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal control over financial reporting and performance measures; 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the fiscal year 2001 financial statements of the OSM based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audit 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 audit provides a reasonable basis for our opinion.

In planning and performing our fiscal year 2001 audit, we considered the OSM's internal control over financial reporting by obtaining an understanding of the OSM's internal control, determining whether internal control 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 control 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 on internal control over financial reporting.

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 Management's Discussion and Analysis, we obtained an understanding of the design of significant internal control 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 on such controls.

As part of obtaining reasonable assurance about whether the OSM's fiscal year 2001 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 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 and Department of the Interior's management, Department of the Interior's Office of Inspector General, OMB, 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

December 21, 2001



United States Department of the Interior

Office of Inspector General
Washington, D.C. 20240

Independent Auditors' Report

To: Director, Office of Surface Mining Reclamation and Enforcement

Subject: Office of Surface Mining Reclamation and Enforcement's Financial Statements for Fiscal Year 2000

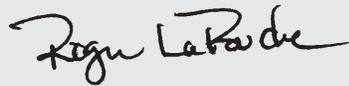
We have audited the Office of Surface Mining Reclamation and Enforcement's (OSM) consolidated balance sheet and related notes as of September 30, 2000. The objective of our audit was to express an opinion on the fair presentation of the consolidated balance sheet. This financial statement is the responsibility of the OSM, and our responsibility is to express an opinion, based on our audit, on this financial statement.

We conducted our audit in accordance with the auditing standards generally accepted in the United States of America: the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and with Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*. These standards and OMB Bulletin No. 01-02 require that we plan and perform the audit to obtain reasonable assurance as to whether the accompanying balance sheet is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures contained in the consolidated balance sheet and the accompanying notes. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall balance sheet presentation. We believe that our audit of the balance sheet provides a reasonable basis for our opinion.

In our opinion, the consolidated balance sheet referred to above presents fairly, in all material respects, the financial position of the OSM as of September 30, 2000 in conformity with accounting principles generally accepted in the United States of America.

During 2001, OSM became aware of certain payments that should have been accrued in the consolidated financial statements in 2000. As discussed in Note 20 to the financial statements, accounts payable with the public and net position have been restated to reflect these differences. The effect of these restatements increased accounts payable with the public and decreased net position by \$42,869,000.

In our report dated March 7, 2001, we expressed an opinion that OSM's statement of net cost for the year ended September 30, 2000 presented fairly, in all material respects, its net cost of operations in conformity with accounting principles generally accepted in the United States of America. As described in Note 19, OSM has restated its statement of net cost for the year ended September 30, 2000 to conform with the presentation of net cost for the year ended September 30, 2001. We did not audit the restated statement of net cost for the year ended September 30, 2000, and accordingly, we do not express an opinion on this statement.



Roger La Rouche
Assistant Inspector General for Audits
March 7, 2001, except for Note 20
as to which the date is December 21, 2001