



OFFICE OF SURFACE MINING



2002 Annual Report

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

ABOUT THE OFFICE OF SURFACE MINING

The Office of Surface Mining is a small bureau (about 620 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 \$300 million². That sum enables the Office of Surface Mining to support the states' mining programs by granting funds for their regulation and enforcement and providing training and technical support. It also pays 100 percent of the costs for restoring abandoned mines that were left unreclaimed before the Law was passed in 1977. Funds for reclaiming abandoned mines come from tonnage-based reclamation fees paid by America's active coal mine operators.

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

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

2. Not including payment to the United Mine Workers of America Combined Benefit Fund.

Cover Photo: Between 1986 and 1990 this 123-acre site located at the border of Tennessee and Kentucky was mined by a small coal operator (an operator mining less than 300,000 tons per year). Prior to mining, this site was covered with old spoil pits and ridges left from an abandoned 1940's coal mine. Today, with the bond released, this reclaimed mine site is typical East Tennessee pasture land with grazing cattle and abundant wildlife. The five-acre water impoundment provides an outstanding habitat for waterfowl and creates a very pleasant natural setting.

INTRODUCTION

U.S. DEPARTMENT OF THE INTERIOR, OFFICE OF SURFACE MINING COMBINED 2002 ANNUAL REPORT TO CONGRESS AND FINANCIAL ACCOUNTABILITY REPORT

This report describes the operations of the Interior Department's Office of Surface Mining for the period October 1, 2001 through September 30, 2002 (Fiscal Year 2002)³.

This Report was compiled to meet the specific requirements of Section 706 of the Surface Mining Law and Section 306 of the Chief Financial Officers Act of 1990, and includes a summary of results required by the Government Performance and Results Act. Included in the report are activities carried out under several parts of the Law: Title IV, Abandoned Mine Reclamation; Title V, Control of the Environmental Impacts of Surface Coal Mining; and Title VII, Administrative and Miscellaneous Provisions. Surface Mining Law responsibilities of other bureaus and agencies have been omitted because they are reported directly to Congress by the agencies responsible. Those responsibilities include Title III, State Mining and Mineral Resources and Research Institutes program, which was administered by the now abolished U.S. Bureau of Mines; Titles VIII and IX, the University Coal Research Laboratories and the Energy Resource Graduate Fellowships, which are administered by the Secretary of Energy; and Section 406, the Rural Abandoned Mine Program (RAMP) which is administered by the Secretary of Agriculture.

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

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 0.37854 = 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 (1978-2002), and a 15-minute video showing award winning reclamation. In addition, active web links to more detailed information are available when using the electronic version of the report. Printed copies of this Annual Report are also available and will be distributed to the public upon request.

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

Office of Surface Mining
1951 Constitution Ave., NW
Washington, D.C. 20240
www.osmre.gov
(202) 208-2719
e-mail: getinfo@osmre.gov

3. Throughout this document "2002" refers to Fiscal Year 2002 (10/1/01 - 9/30/02) unless otherwise noted.



A MESSAGE FROM THE DIRECTOR

OFFICE OF SURFACE MINING DIRECTOR JEFFREY JARRETT REPORTS ON ACCOMPLISHMENTS ACHIEVED DURING THE PAST 25 YEARS AND FUTURE DIRECTIONS



August 3, 2002, marked the 25th anniversary of the Surface Mining Control and Reclamation Act. This special occasion served as the perfect opportunity to look at the past and marvel at how far we have come under this landmark piece of legislation. In the 1970's Congress recognized both the vital importance of coal in securing our nation's future and the needs of our citizens for a clean, safe, and healthy environment. In response, Congress passed the nation's first comprehensive mining and reclamation

law and gave the Office of Surface Mining its assignment – strike a balance between our country's need for the energy produced by coal and the protection of our environment.

Today, 25 years after the passage of the Surface Mining Law, land reclamation and environmental protection have become successful and routine parts of the coal mining process. In addition, mine sites abandoned prior to the passage of the Surface Mining Law have been cleaned up protecting the lives and health of millions of Americans living and working in the coal fields.

There have been many accomplishments under the Surface Mining Law – some very significant successes over the past 25 years include:

- More than 180,000 acres of abandoned coal mine sites have been reclaimed under the Abandoned Mine Land Program.

A MESSAGE FROM THE DIRECTOR

- Serious threats to public health and safety at abandoned sites have been eliminated including the elimination of the hazards associated with more than 20,000 open mine portals and shafts, 2.5 million feet of dangerous highwalls, 1,000 dangerous water bodies, and 500 miles of clogged streams.
- Over 5.2 million acres of land were permitted and mined in compliance with the environmental protection standards of federal and state law, protecting land and water in the coal fields during mining.
- More than 23 billion tons of coal have been produced by the mining industry providing half of our nation's electricity and helping fuel our nation's leadership of the global economy.
- The mining industry has provided over \$6.5 billion to clean up mine sites abandoned before enactment of the Surface Mining Law.

Throughout this report we have provided photographs showing examples of reclamation that have been achieved over the entire 25-year period. These successes are what the architects of the Surface Mining Law envisioned 25 years ago and represent today's standard for coal mining throughout the country.

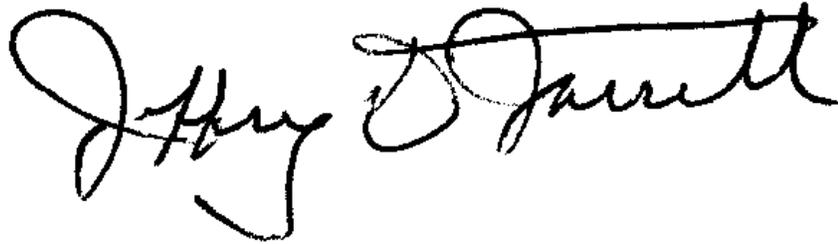
Although we have achieved substantial accomplishments over the past 25 years, there are still challenges that face us. The careful exploration of the available options and concerns surrounding the scheduled 2004 expiration of the Abandoned Mine Land Fee collection authority; determining how various agencies' policies, guidance and coordinated agency decision-making processes can minimize the adverse environmental effects from mountaintop mining operations; and finding acceptable solutions to issues related to the treatment of long-term pollutional discharges and acid mine drainage, are but a few of these challenges. While the solutions to these challenges are complex and diverse, the method in which the Office of Surface Mining will overcome them are not.

Secretary of the Department of the Interior, Gale A. Norton, is firmly committed to a process called the Four C's: consultation, cooperation, and communication - all in the service of conservation. We, at the Office of Surface Mining, embrace Secretary Norton's Four C's enthusiastically, seeing in the words a validation of our historic approach to our mission and a valuable articulation of the standard Office of Surface Mining staff strive to meet.

We invite you to take a look at our annual report and our program and see our commitment to the Four C's in action with our public, state, tribal, environmental group and industry stakeholders. Whether it is soliciting advice and ideas through an advanced notice of proposed rule-making; extensively participating in a multi-agency programmatic environmental impact statement; taking steps to ensure regulatory stability; working with regulatory authorities to set program performance measures; improving and expanding our clean streams programs and watershed cooperative agreements; delivering necessary and desired training and technical services; recognizing and rewarding regulatory authorities and operators that perform above and beyond what is required of them; or simply a field inspection or visit, the Four C's are at the heart of our everyday operations at the Office of Surface Mining.

Finally, as a government agency we have a responsibility to the public to operate in an efficient and effective manner. Under President Bush's leadership, we are focusing on becoming a results oriented agency by linking budget decisions to performance outcomes and striving to have the right people, in the right places doing the right things.

In conclusion I would like to commend all of our stakeholders and Office of Surface Mining employees on 25 years of success under the Surface Mining Control and Reclamation Act. I believe in the goals of this statute and I believe we can maintain a proper balance between protecting the environment and meeting the country's energy needs. Finally, I believe in this program and I am proud to be affiliated with the "Feds Who Get It," a title bestowed on the Office of Surface Mining by Governing Magazine. However, we at the Office of Surface Mining recognize that "getting it" is only half the battle – it is the vision of the Office of Surface Mining to become known as "Feds Who Get It Done!" We certainly welcome your help, comments, or suggestions for continued improvements towards achieving this goal.

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



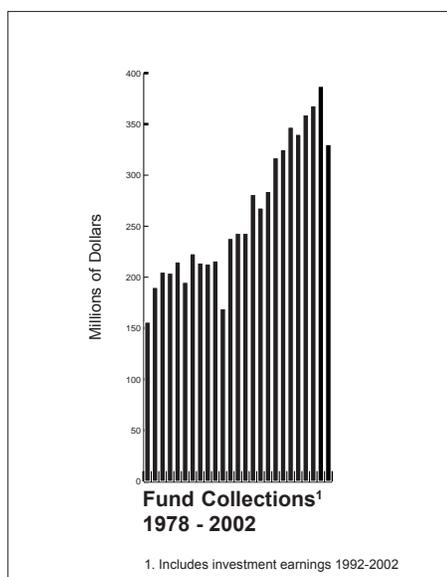
ABANDONED MINE LAND RECLAMATION

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

Title IV of the Surface Mining Law – the Abandoned Mine Land Reclamation Program provides for the restoration of lands mined and abandoned or left inadequately restored before August 3, 1977.

Implementation is accomplished through an Emergency Program (for problems having a sudden danger that present a high probability of substantial harm to the health, safety, or general welfare of people before the danger can be abated under normal program operating procedures), and a non-emergency program. States and tribes with approved programs carry out these responsibilities.

Abandoned Mine Land Fund



Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land Reclamation Fund, which is used to pay the costs of abandoned mine land reclamation projects. The fund consists of fees, contributions, late payment interest, penalties, administrative charges, and interest earned on investment of the fund's principal. From January 30, 1978, when the first fees were paid, through September 30, 2002, the Fund collections totaled \$6,542,832,940. For the same period, Fund appropriations totaled \$5,007,894,164.

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

ABANDONED MINE LAND RECLAMATION

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

State/Tribe	AML Collections	State Share Distribution ¹	Federal Share Distribution ¹	Emergency Distribution ¹	Special Funding ²	Clean Streams Distribution ¹	Total Distribution ¹
Alabama	\$3,486,834	\$1,404,248	\$1,657,068	\$400,000	\$0	\$289,784	\$3,751,100
Alaska	495,900	160,477	1,339,523	25,000	0	0	1,525,000
Arkansas	5,927	248	1,499,752	15,000	0	0	1,515,000
Colorado	6,932,931	1,730,003	807,571	0	0	0	2,537,574
Illinois	6,072,789	2,419,092	6,138,853	800,000	0	735,468	10,093,413
Indiana	11,120,364	3,112,492	1,998,618	309,479	0	323,749	5,744,338
Iowa	0	3,762	1,496,238	0	0	173,253	1,673,253
Kansas	59,172	37,449	1,462,551	465,000	0	0	1,965,000
Kentucky	30,061,909	10,019,837	6,016,465	0	0	723,297	16,759,599
Louisiana	359,074	99,758	0	0	0	0	99,758
Maryland	1,107,321	235,870	1,264,130	0	0	163,769	1,663,769
Mississippi	148,845	0	0	0	0	0	0
Missouri	58,848	87,359	1,412,641	49,800	0	172,231	1,722,031
Montana	11,513,193	3,611,665	0	125,000	0	0	3,736,665
New Mexico	5,683,439	1,638,418	196,331	0	0	0	1,834,749
North Dakota	3,061,317	921,797	578,203	100,000	0	0	1,600,000
Ohio	5,716,442	1,957,896	3,763,196	2,300,000	0	499,225	8,520,317
Oklahoma	459,256	173,193	1,326,807	60,000	0	153,135	1,713,135
Pennsylvania 2/	13,172,159	4,734,675	19,843,819	0	500,000	2,098,336	27,176,830
Tennessee	965,683	0	0	0	0	0	0
Texas	4,507,284	1,584,087	0	0	0	0	1,584,087
Utah	3,776,766	1,114,382	515,188	0	0	0	1,629,570
Virginia	6,008,214	2,123,427	1,846,641	1,050,000	0	308,636	5,328,704
Washington	1,529,929	0	0	0	0	0	0
West Virginia	34,453,470	9,693,083	11,404,655	3,000,000	0	1,259,117	25,356,855
Wyoming	126,076,878	28,659,989	0	0	0	0	28,659,989
Crow Tribe	2,009,726	550,551	0	0	0	0	550,551
Hopi Tribe	1,308,399	428,219	0	0	0	0	428,219
Navajo Tribe	6,914,277	2,414,773	0	0	0	0	2,414,773
Total	\$287,066,346	\$78,916,750	\$64,568,250	\$8,699,279	\$500,000	\$6,900,000	\$159,584,279

1. The term "Distribution" is now used instead of "Allocation". Allocation refers to the "pooling" of monies collected for the AML Fund. State and Federal share distribution amounts are based on formulas and parameters provided annually by the Assistant Director, Program Support. The emergency program distribution amounts are based on estimates provided by the states and approved by the Deputy Director.
 2. The Commonwealth of Pennsylvania received \$500,000 to continue the demonstration project begun in 2000.

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. These funds are only invested in U.S. Treasury Securities.

United Mine Workers of America Combined Benefit Fund

Beginning in 1996, under a requirement of the Energy Policy Act of 1992 (Public Law 102-486), the Office of Surface Mining began an annual transfer from the investment interest earned to the United Mine Workers of America Combined Benefit Fund. This cash transfer is used to defray anticipated health care costs for eligible union coal mine workers who retired on or before July 20, 1992, and their dependents. The Energy Policy Act



1940's and 50's uranium mining on the Navajo Reservation had left abandoned underground mine openings, dangerous highwalls, radioactive waste piles, and undetonated explosives. Today, with reclamation complete, these hazards are eliminated and the site is being returned to native grazing land (above).

In the anthracite coal region of Eastern Pennsylvania, coal seam fires are common. This fire, located under the Pennsylvania town of Centralia, periodically burned to the surface, emitting smoke and noxious fumes. Here, smoke and fumes have killed all vegetation and started a forest fire (below). Emergency action to remove the burning coal was required to prevent additional surface fires starting at this location.



TABLE 2: ABANDONED MINE LAND RECLAMATION FUND STATUS

	Cash Basis	
	2002	2001
Balance, Start of Year	\$1,856,933,503	\$1,812,132,897
Fees, debts, and interest collected	287,066,346	284,044,124
Interest earned on investments	43,277,875	103,495,981
Total Earnings	\$330,344,221	\$387,540,105
Disbursements	196,607,171	160,894,551
Transfers to the United Mine Workers	90,352,804	181,844,948
Total Disbursements and Transfers	\$286,959,975	\$342,739,499
Balance, End of Year	\$1,900,317,749	\$1,856,933,503

authorizes a transfer of up to \$70 million per year of the interest earned on the principal balance of the Abandoned Mine Land Reclamation Fund to the Combined Benefit Fund to defray the costs related to health care for unassigned beneficiaries. Unassigned beneficiaries are those miners for whom no operating coal company is responsible. If, after a typical two-year cycle, the amount of the transfer was

greater or less than the actual health benefits, an adjustment is made to the next transfer. The 2002 annual payment was \$70 million for 16,770 beneficiaries. Prior year adjustments increased this payment by \$43.6 million. The Department of the Interior Appropriations Act, 2001 (Public Law 106-291) required an additional transfer of \$75 thousand to provide refunds for certain qualified operators. This payment was made in January 2002. Pursuant to agreements, the United Mine Workers Combined Benefit Fund returned \$23.3 million in 2002 which was the unused portion of the amount transferred to them in 2001 under the same Law. The total payment in 2002 was \$90.4 million. Since 1992, when the Office of Surface Mining began investing Abandoned Mine Land funds, the cumulative investment earnings have been \$706.2 million. Cumulative transfers to the United Mine Workers of America Combined Benefit Fund, including 2002, have been \$574 million, leaving an interest balance of \$132.2 million. Table 2 summarizes the Fund account for the past two years.

The Office of Surface Mining collects fees from coal operators through voluntary reporting, audit, and debt collection. In 2002, the initial rate of those reporting and paying on time was 94.2 percent. Through follow-up and other work with the operators, the compliance rate was raised to 99.88 percent, resulting in total collections of \$287,066,346 for the Fund.

ABANDONED MINE LAND RECLAMATION

TABLE 3: ABANDONED MINE LAND GRANTS¹

State/Tribe	Subsidence Insurance	10% Program Set-Aside	Administration ³	Project Costs ⁴	Emergency ⁵	2002 Total	2001 Total
Alabama	\$0	\$0	\$425,634	\$3,360,257	\$400,000	\$4,185,891	\$4,291,410
Alaska	0	0	305,385	1,194,615	25,000	1,525,000	2,936,923
Arkansas	0	0	414,441	1,085,559	15,000	1,515,000	1,615,000
Colorado	0	265,000	756,258	1,628,742	0	2,650,000	2,870,811
Illinois	0	855,795	1,338,945	8,730,949	800,000	11,725,689	12,489,106
Indiana	0	511,111	1,034,548	4,392,031	309,479	6,247,169	7,567,543
Iowa	0	0	235,572	1,439,789	0	1,675,361	1,788,253
Kansas	0	0	231,403	1,566,492	465,000	2,262,895	2,080,482
Kentucky	0	0	1,802,006	14,957,594	0	16,759,600	18,894,469
Louisiana	0	0	99,758	0	0	99,758	141,277
Maryland ²	0	130,000	533,242	1,863,769	0	2,527,011	1,031,939
Missouri	0	62,942	556,420	1,181,429	49,800	1,850,591	2,058,512
Montana	0	0	490,558	3,121,107	125,000	3,736,665	3,972,187
New Mexico	0	163,842	1,073,088	2,300,000	0	3,536,930	5,303,941
North Dakota	0	120,863	184,652	1,273,687	100,000	1,679,202	1,806,390
Ohio ²	0	600,023	3,426,398	6,114,681	2,300,000	12,441,102	10,158,537
Oklahoma	0	0	312,527	1,340,608	100,000	1,753,135	1,813,135
Pennsylvania ²	0	2,457,849	2,900,811	26,705,364	0	32,064,024	42,329,359
Texas	0	0	197,694	0	0	197,694	1,652,971
Utah	0	0	415,562	1,320,747	0	1,736,309	2,096,941
Virginia	0	397,007	647,660	3,347,037	2,700,000	7,091,704	6,715,333
West Virginia	0	0	5,736,471	25,620,893	3,000,000	34,357,364	27,872,041
Wyoming	0	2,865,989	1,330,051	26,672,041	0	30,868,081	29,185,448
Crow Tribe	0	0	93,980	456,571	0	550,551	685,892
Hopi Tribe	0	0	0	215,000	0	215,000	2,842,812
Navajo Tribe	0	0	824,190	7,425,609	0	8,249,799	4,270,653
Total	\$0	\$8,430,421	\$25,367,254	\$147,314,571	\$10,389,279	\$191,501,525	\$198,471,365

1. Funding for these grants is derived from the 2002 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 breakdowns, 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 \$7,259,002 in funding for the Appalachian Clean Streams Program.

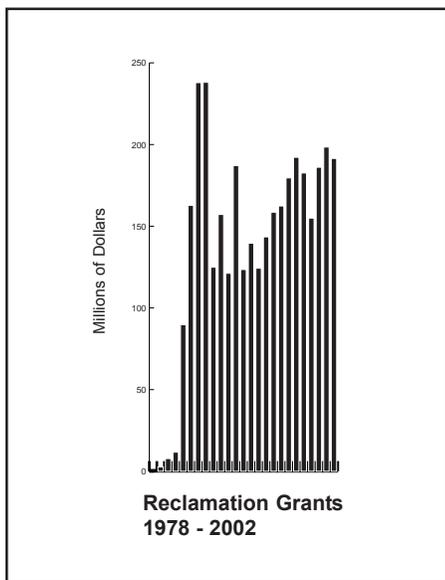
5. This category contains emergency project, administrative, and indirect costs.



Experience has shown that helping the industry achieve compliance reduces the need for additional regulatory resources. To assist in compliance, the Office of Surface Mining provides preprinted forms to all active coal mining companies on the e-filing website or by mail and provides guidance by phone and mail. Because of

Abandoned underground mine openings that drain water are closed using a "wet seal." At this reclaimed abandoned mine entry portal in West Virginia rock was pushed in and around the opening and the entire area covered with topsoil and grass planted. The pipe installed under the fill ensures that water collecting in the mine does not build up behind the rock closure and wash it out.

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



Grants to States and Tribes

Starting with Texas in 1980, the Office of Surface Mining began approving state reclamation programs. Currently, all primacy states except Mississippi have approved abandoned mine land reclamation programs. In addition, the Crow, Hopi, and Navajo Indian Tribes have approved programs. In 2002, the states and tribes received grants totaling \$191,501,525 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, \$3,261,045,007 has been distributed from the fund. Grant obligations (the amount used by the states) for 2002 are shown in Table 3⁴.

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

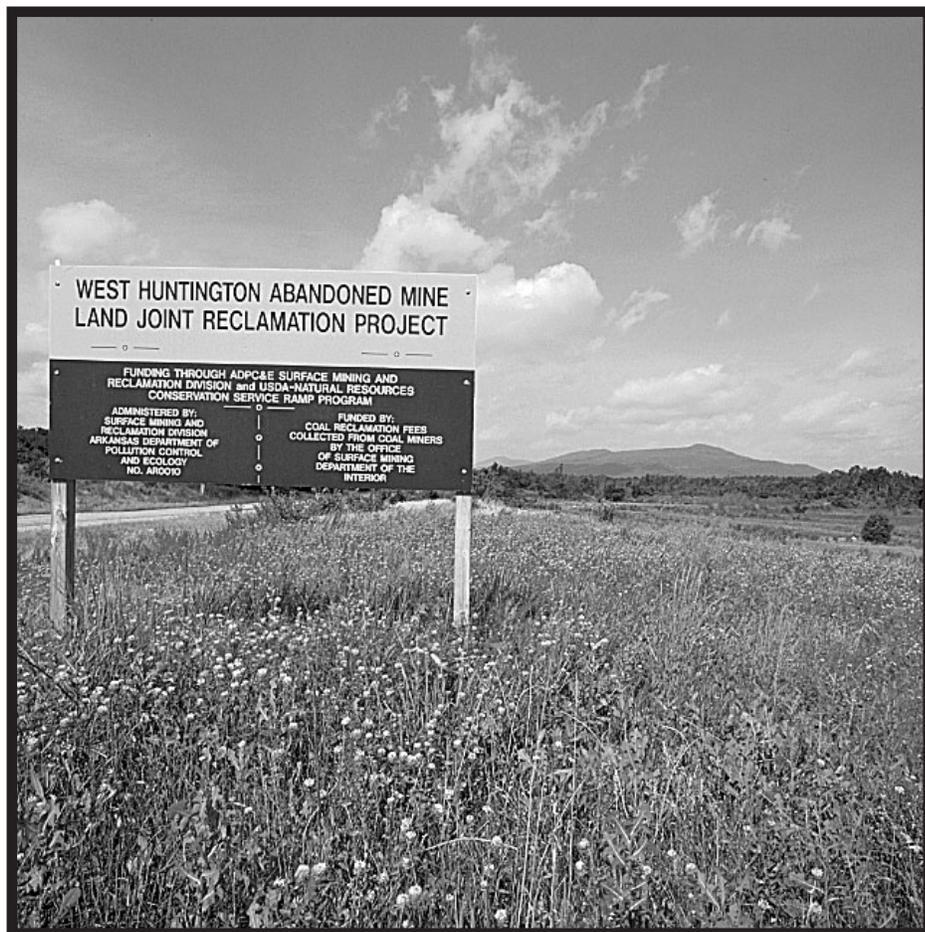
project before a grant is awarded to the state. States now receive amounts based on appropriated spending levels and are held accountable for using those funds in accordance with their approved abandoned mine land reclamation plans. The Office of Surface Mining is no longer involved in cumbersome and detailed pre-award scrutiny of state grant applications. During 2002, the Office of Surface Mining awarded 96 percent of the Abandoned Mine Land grants to the states within 60 days of receiving the grant application.

Minimum Program

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

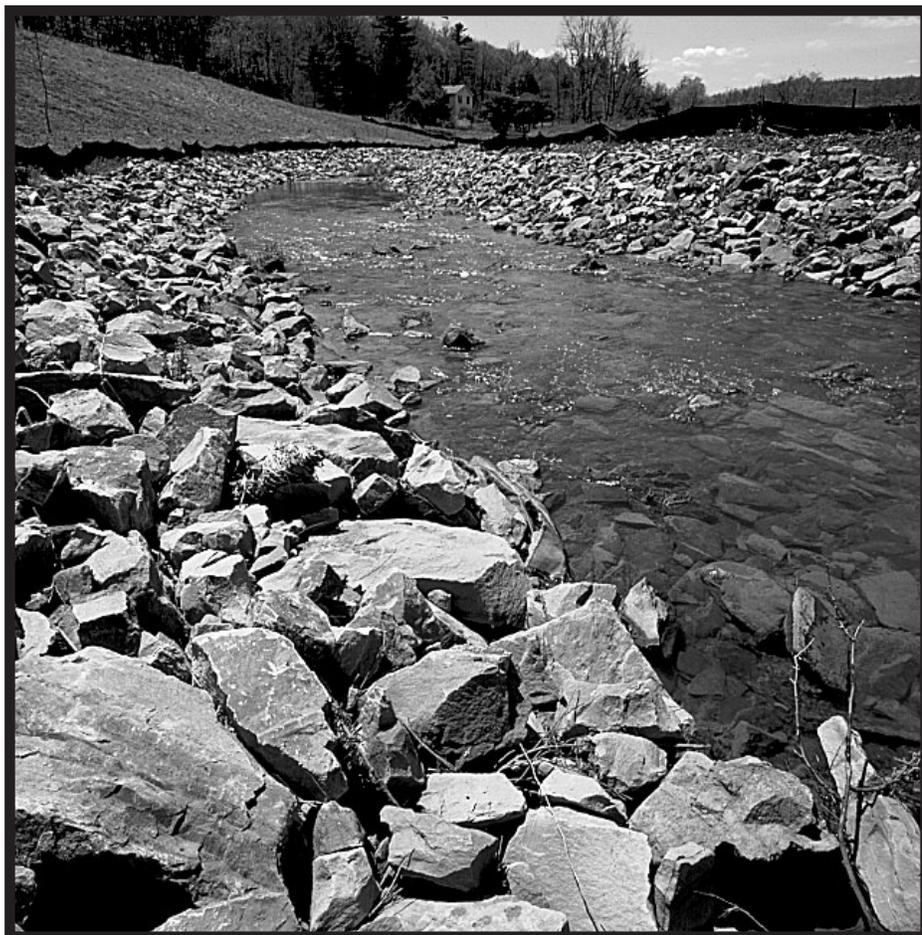
During 2002, Alaska, Arkansas, Iowa, Kansas, Maryland, Missouri, North Dakota, and Oklahoma were eligible for minimum-level program funding and received such grants during the year. Minimum program funding was \$1,500,000 for 2002 (\$100,000 less than 2001). The eight eligible programs received a total of \$7,602,718 in 2002. This funding supplements the formula-based grant and brings those eight states

This joint Natural Resources Conservation Service/Arkansas Department of Environmental Quality project resulted from a cooperative agreement to reclaim abandoned mine sites together. The reclamation of this site eliminated many health and safety hazards. The public is no longer in danger and the site is being integrated back into the natural Arkansas landscape. Ground-water degradation has been eliminated and a dangerously crooked stretch of state highway was eliminated. This was an excellent synergistic opportunity between federal, state, and county authorities that saved the taxpayers thousands of dollars.



4. Larger total obligations (shown in table 3) than total distribution (shown in table 1) result from previous year carry-over or funding from past years distributions that were not used until 2002.

ABANDONED MINE LAND RECLAMATION



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

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

to the minimum-program level. Once minimum-program states or tribes complete their high priority projects listed in the National Inventory of Abandoned Mine Land Problems, their annual grants are limited to state-share funds.

State Set-Aside

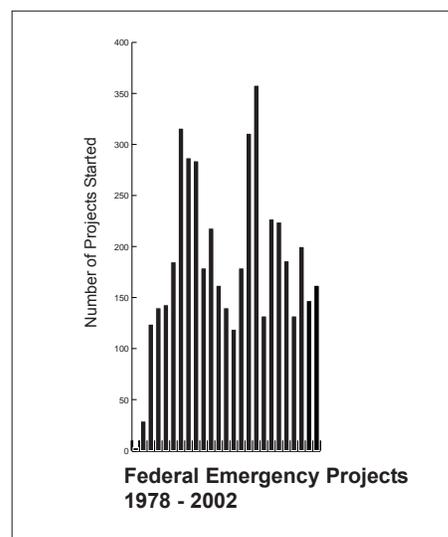
Beginning in 1987, Public Law 100-34 authorized states to set aside up to 10 percent of the state-share portion of their annual abandoned mine land reclamation grants. Set-aside money was deposited into special trust funds and became available, along with interest earned, for use by the state for reclaiming abandoned mine land problems after August 3, 1992, the original expiration date for the collection of

abandoned mine land reclamation fees. (Subsequent legislation has extended that date to September 30, 2004.) Statutory amendments contained in Public Law 101-508 created a new 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 2002, 11 states set aside \$8,430,421.

Subsidence Insurance

Public Law 98-473 authorized states and tribes with approved reclamation programs to use abandoned mine land funds to establish self-sustaining, individually administered programs to insure private property against damage caused by land subsidence resulting from abandoned underground coal mines. Implementing rules were promulgated in February 1986. Under those rules, states 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 2002, no subsidence insurance grants were issued. Through 2002, 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.

Emergency Program



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

Following passage of the Surface Mining Law, the Office of Surface Mining performed all emergency reclamation; however, as programs were approved, many states took over emergency programs. In 2002, 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 completes emergency projects 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. It is anticipated that Iowa will assume the responsibility for the emergency program in 2003.

Investigations of potential emergency problems (called "complaint" investigations) are undertaken by state reclamation agencies or by the Office of Surface Mining. Potential emergency problems are referred to the states or Office of Surface Mining from affected citizens, municipalities, emergency response agencies, and other state agencies. Information on how to report emergency problems can be found at www.osmre.gov/amlemerg.htm.

Following identification of a potential emergency problem, a technical investigation is performed, usually within 48 hours, and an emergency determination made. Of the 1,144 potential emergencies referred to the states and Office of Surface Mining in 2002, 341 were determined to be emergencies, 786 were determined to be not of an emergency nature or not related to coal mining, and

TABLE 4: RECLAMATION PROJECTS STARTED

	2002		Emergency 1978-2002			Non-Emergency 2002	
	Federal	State	Federal	State	Total	Federal	State
Alabama	0	6	10	91	101	0	11
Alaska	0	0	0	1	1	0	3
Arkansas	0	0	1	18	19	0	1
California	0	0	5	0	5	2	0
Colorado	1	0	100	0	100	0	10
Crow Tribe	0	0	0	0	0	0	2
Georgia	0	0	0	0	0	1	0
Hopi Tribe	0	0	0	0	0	2	0
Illinois	0	15	51	247	298	0	0
Indiana	0	18	94	121	215	0	28
Iowa	0	0	22	0	22	0	2
Kansas	0	37	270	601	871	0	3
Kentucky	66	0	935	0	935	0	29
Louisiana	0	0	0	0	0	0	0
Maryland	0	0	17	0	17	0	5
Michigan	1	0	13	0	13	0	0
Mississippi	0	0	0	0	0	0	0
Missouri	0	0	6	2	8	0	3
Montana	0	0	7	13	20	0	7
Navajo Nation	0	0	6	0	6	0	4
New Mexico	0	0	15	0	15	0	6
North Dakota	0	2	15	13	28	0	6
Northern Cheyenne	0	0	2	0	2	0	0
Ohio	0	30	190	258	448	0	10
Oklahoma	0	7	47	17	64	0	2
Pennsylvania	90	0	2,195	0	2,195	0	82
Rhode Island	0	0	3	0	3	0	0
Southern Ute Tribe	0	0	1	0	1	0	0
Tennessee	2	0	17	0	17	2	2
Texas	0	0	6	0	6	0	1
Utah	0	0	0	0	0	0	4
Virginia	0	22	30	125	155	0	19
Washington	2	0	50	0	50	4	0
West Virginia	0	50	179	682	861	0	22
Wyoming	0	0	38	0	38	0	44
Totals	162	187	4,325	2,189	6,514	11	306

17 were still under investigation on September 30, 2002. Problems which were not emergencies; but, were otherwise eligible for reclamation are considered for high priority projects.

During 2002, states obligated \$10.4 million (see Table 3) and the Office of Surface Mining obligated \$10.1 million on emergency reclamation projects (see Table

5). No state expenditures exceeded the Congressionally-imposed "cap" of \$4.5 million which can be spent in any state within a year. In 2002, the states and the Office of Surface Mining started 349 Abandoned Mine Land emergency projects in 15 States (see Table 4). As usual, most emergencies occurred in Pennsylvania, West Virginia, Kentucky, and Kansas.

ABANDONED MINE LAND RECLAMATION

TABLE 5: FEDERAL PROJECT OBLIGATIONS

State or Tribe	Emergency	High Priority	1978-2002 ¹
Alabama	\$0	\$0	\$13,934,015
Alaska	0	0	194,638
Arkansas	0	0	84,904
California	0	60,851	2,352,939
Colorado	37,559	0	1,985,429
Georgia	0	196,589	3,833,685
Illinois	0	0	5,376,749
Indiana	0	0	4,032,023
Iowa	2,465	0	1,440,907
Kansas	0	0	5,094,172
Kentucky	6,686,258	0	111,159,221
Maryland	0	0	2,806,857
Michigan	1,000	0	3,151,360
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	18,279,310
Oklahoma	0	0	1,232,159
Oregon	0	0	42,275
Pennsylvania	3,053,847	0	111,634,006
Rhode Island	0	0	490,469
South Dakota	0	0	143,461
Tennessee	122,046	1,134,378	24,378,434
Texas	0	0	289,849
Utah	0	0	123,791
Virginia	0	0	10,095,658
Washington	197,429	309,259	7,310,108
West Virginia	0	0	29,023,226
Wyoming	0	0	1,067,101
Cheyenne River Sioux Tribe	0	0	2,803,165
Crow Tribe	0	0	1,097,895
Fort Berthold Tribe	0	0	69,972
Fort Peck Tribe	0	0	147,991
Hopi Tribe	0	0	1,263,409
Jacarillo Apache Tribe	0	0	59,998
Navajo Tribe	0	0	2,222,792
Northern Cheyenne Tribe	0	0	585,044
Southern Ute Tribe	0	0	94,206
Rocky Boy Tribe	0	0	60,188
Uintah/Ouray Tribe	0	0	138,738
Ute Mountain Tribe	0	0	14,300
White Mountain Apache Tribe	0	0	1,838
Wind River Tribe	0	0	73,267
Zuni Tribe	0	0	125,009
Undistributed	0	0	580
Total	\$10,100,604	\$1,701,077	\$381,354,141

1. Includes prior year contract deobligations and upward adjustments.

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 use 99 percent of non-emergency reclamation funds. During 2002, the Office of Surface Mining initiated 11 non-emergency projects and the states and tribes initiated 306 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 2002.

Post-Surface Mining Law Reclamation

As authorized by the 2002 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 2002, the Office of Surface Mining funded two reclamation projects in Kentucky costing a total of \$90,858. An additional \$156,356 in unobligated funds will be carried over for use in 2003 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 2002, \$6.9 million was distributed to 12 states (Alabama, Illinois, Indiana, Iowa, Kentucky, Maryland, Missouri, Ohio, Oklahoma, Pennsylvania, Virginia, and West Virginia) and 17 acid mine drainage cleanup projects were begun. This funding provided the incentive for other

Figure 1

	Clean Streams Projects		Watershed Projects	
	Started in 2002	Completed Since 1994	Started in 2002	Completed Since 1999
Alabama	1	3	1	0
Illinois	0	1	0	0
Indiana	3	9	2	2
Kentucky	2	6	0	0
Maryland	0	4	4	5
Ohio	2	8	2	0
Oklahoma	0	1	0	0
Pennsylvania	8	8	8	15
Tennessee	0	0	1	0
Virginia	1	1	0	1
West Virginia	0	6	0	5
Totals	17	48	18	28

sources to contribute to the projects, and during 2002 this funding grew to over \$1.3 million. Since 1996, when the program began, 95 Clean Streams Program projects have been funded by the Office of Surface Mining and 48 have been completed (see Figure 1).

Following is an example of a successful Appalachian Clean Streams Program project completed during 2002.

■ The Pennsylvania Department of Environmental Protection reclaimed the Bells Gap Run project using a \$166,455 Appalachian Clean Streams Program grant and \$337,515 from Pennsylvania's Growing Greener funds. There were two separate abandoned mine sites included in the project. The first site was a 110 gallon/minute discharge coming from an inadequately reclaimed abandoned surface mine. Water was percolating through the exposed acidic spoil and seeping out at down-slope locations. The project reclaimed the surface mine, providing surface drainage and vegetation, and constructed a vertical flow alkalinity producing wetland to treat the water. The second site used an anoxic limestone drain to treat a four gallons/minute discharge from an underground mine. Together, these two projects improved two miles of Bells Gap and Lloydville Runs.

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

Abandoned mine openings such as this one in Pennsylvania are extremely dangerous (below). Partially caved in at the entrance, this example is typical of abandoned mine openings found throughout the country in areas where underground coal mining has taken place. Abandoned sites like this should be reported so they can be reclaimed (see www.osmre.gov/amlemerg.htm).



**TABLE 6:
1978-2002 ABANDONED MINE LAND RECLAMATION ACCOMPLISHMENTS**
PRIORITY 1 AND 2 (PROTECTION OF PUBLIC HEALTH, SAFETY AND GENERAL WELFARE) AND
EMERGENCY PROJECTS⁷

	Clogged Stream ¹	Clogged Stream Land ²	Dangerous Highway ³	Dangerous Impoundment ⁴	Dangerous Pile & Embankment ²	Dangerous Slide ²	Dangerous Gas ⁴	Hazardous Equipment & Facilities ²	Hazardous Water Body ⁴	Industrial/Residential Waste ²	Portal ⁴	Polluted Water: Agricultural & Industrial ⁴	Polluted Water: Human Consumption ⁴	Subsidence ²	Surface Burning ²	Underground Mine Fire ²	Vertical Opening ⁴
Alaska	0	0	11,190	4	6	0	0	1,420	2	4	25	0	0	0	0	0	36
Alabama	2	168	239,440	1	1,846	21	0	470	67	25	1,001	5	13	23	68	0	388
Arkansas	1	0	58,076	1	751	0	0	2	73	25	24	0	0	11	4	0	102
California	0	0	0	0	0	0	0	0	0	0	31	0	0	1	0	0	40
CERT Tribes ⁶	0	0	7,170	0	475	0	0	6	30	9	73			35			18
Colorado	0	0	52,142	0	29	0	0	2	0	2	2,159	3	0	48	35	159	3,039
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	640	56,285	3	819	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	32,861	7	234	3	20	306	2	71	185	11	1	75	103	0	1,104
Indiana	14	121	117,163	6	718	3	3	95	7	32	68	15	7	154	15	0	335
Kansas	1	9	135,275	1	109	3	0	2	1	24	1	3	0	24	5	0	823
Kentucky	43	8,590	24,930	101	414	1,997	0	204	30	28	1,607	6	6,476	50	224	58	124
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	1,514	67,302	6	499	0	0	27	11	71	35	34	15	4	19	7	132
Montana	8	85	22,460	3	173	1	1	216	1	323	1,052	17	12	494	302	69	579
Navajo Nation	0	1	85,413	4	513	7	0	5	0	5	705	19	0	10	3	0	373
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
North Dakota	0	0	65,549	4	303	35	0	14	18	2	13	6	0	1,241	12	0	88
New Mexico	0	1	0	0	9	0	0	17	0	0	460	4	1	35	35	32	774
Ohio	33	5,165	46,809	7	96	373	4	45	9	34	239	1	78	86	89	3	180
Oklahoma	12	1	213,814	0	0	0	0	13	182	6	170	4	3	12	0	0	109
Oregon	0	0	0	0	0	0	0	3	0	0	12	0	0	0	0	0	3
Pennsylvania	94	140	718,276	45	598	37	0	308	119	20	252	27	31	2,431	122	915	481
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	32,795	1	399	66	0	31	36	14	192	5	7	6	28	0	10
Texas	0	0	45,615	0	1,359	0	0	0	15	0	58	0	0	6	0	0	336
Utah	14	9	3,425	1	138	3	19	178	0	2	2,467	2	0	184	43	29	829
Virginia	73	838	25,780	23	259	242	0	217	2	2	944	0	1,614	11	51	0	99
Washington	0	0	0	0	3	0	0	7	0	0	30	0	0	6	15	0	82
West Virginia	46	150	190,422	518	4,238	488	4	515	6	36	2,138	45	9,248	285	446	19	138
Wyoming	114	1,634	483,141	136	1,924	25	0	179	371	29	499	1	0	1,122	41	36	381
Total	498	20,554	2,803,527	877	16,170	3,393	51	4,359	1,027	807	14,615	246	17,516	6,394	1,668	1,327	10,692

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

	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	224	31,135	2	48	0	9,048	5	12	379
Arkansas	0	0	0	0	0	0	0	0	8	0	0	0
CERT Tribes ⁵	0	0	2	6	1,500	0	1	7	80	0	0	50
Colorado	3	6	7	159	2,028	0	18	83	829	0	0	1
Crow	6	0	0	28	1,995	12	2	18	25	0	4	0
Georgia	3	0	0	3	400	0	0	3	7	0	0	0
Hopi Tribe	0	0	0	25	51	15	0	10	10	0	0	0
Iowa	0	2	0	1	1,467	5	1	19	440	0	0	0
Illinois	1	6	148	2,408	10,880	178	60	574	1,874	1,112	1	836
Indiana	0	75	177	1,292	15,046	227	21	73	1,770	829	2	2,305,070
Kansas	0	0	1	89	3,200	0	0	23	316	10	0	0
Kentucky	604	0	53	232	2,000	0	69	4	1,016	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	4	5	142	16,824	1	0	96	1,341	69	0	86
Montana	1	76	58	147	1,170	1	230	34	875	0	19	2,741
Navajo Nation	36	1	2	136	280	98	62	111	265	0	0	1
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	3	0	11	68	0	6	4	2	244	2	0	0
Ohio	0	0	3	129	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	8,208	0	21	106	1,988	1	31	91,041
Tennessee	76	0	15	67	230	8	0	78	359	0	4	360
Texas	0	0	0	8	0	0	0	0	436	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	55	22,340	0	4	5	182	0	0	622
Wyoming	0	0	0	39	0	91	0	7,069	8,017	199	0	0
Total	767	193	603	5,675	146,459	651	619	8,363	29,919	2,295	106	2,401,415

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

ABANDONED MINE LAND RECLAMATION



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

This watershed is part of the City of Altoona water supply, and the removal of the metals and acidity from the streams will reduce costs of water treatment at the filtration and treatment facility located at the downstream reservoir. The Pennsylvania Department of Environmental Protection worked closely with the Blair County Conservation District and the City of Altoona in developing and constructing this successful acid mine drainage treatment project.

Watershed Projects

As part of the Appalachian Clean Streams Program in 2002, \$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 \$4.4 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 2002, 16 new (totalling \$1,344,469) and 5 amendments to existing watershed

cooperative agreements (totalling \$214,590) were awarded (see Figure 2) and 18 projects were started. Since 1999, 28 watershed projects have been completed.

Significant on-the-ground improvement has been made by watershed projects during 2002. For example, the Mountain Watershed Association Sagamore Mine Drainage Project located in northeast Fayette County Pennsylvania. There are about 30 miles of streams, with 17 miles severely impacted by drainage from abandoned coal mines in the watershed.

As a watershed partner, the Agriculture Department's Natural Resources Conservation Service completed a watershed restoration plan in 2000. That plan identified 119 sources of abandoned mine drainage. Of those, ten were targeted for treatment because they contributed more than 90 percent of the total problem in the watershed.

The Sagamore Mine Drainage Remediation Project is the first acid mine drainage project completed in the watershed. The project included the collection of underground mine seeps, relocation and reclamation of a streamside coal refuse pile, and design and construction of two distinctly different treatment systems. One system includes two large wetland areas, that treats water high in iron and aluminum; but, is "net alkaline" (no alkalinity in the form of limestone needs to be added to cause the metals to fall out of solution). A special feature of this system are two wind mills that operate air pumps. The 20-foot tall

windmills pump air into the water, enhancing the process that leads to precipitation of the iron. The second system is an underground anoxic limestone drain that the acidic water flows through. The limestone dissolves in the water, and raises the pH enough to cause the metals to fall out in the wetlands.

Figure 2

Four Rivers RC&D Area, Inc. Enos Lake (Indiana)	\$69,280
Tuscarawas Soil & Water Conservation District Linden Mine (Ohio)	100,000
National Wild Turkey Federation Simmons Run (Ohio)	100,000
Huff Run Watershed Restoration Partnership, Inc. Huff Run Pit #1 (Ohio)	100,000
Western MD RC&D Fazenbaker (Maryland)	62,000 ¹
Western MD RC&D North Branch Casselman (Maryland)	100,000
Georges Creek Watershed Association Potomac Hill (Maryland)	100,000
Blacklick Creek Watershed Assn. Webster Mine Drainage (Pennsylvania)	80,000 ¹
Mountain Watershed Assn., Inc. Gallentin Site (Pennsylvania)	34,250 ¹
Mountain Watershed Assn., Inc. Sagamore #2 (Pennsylvania)	28,340 ¹
Wood Duck Chapter of Trout Unlimited Cold Stream (Pennsylvania)	99,783
Tri-Area Recreation Authority Arthur Gardner (Pennsylvania)	100,000
Headwaters Charitable Trust Kyler Run AMD (Pennsylvania)	100,000
Headwaters Charitable Trust Howe Bridge (Pennsylvania)	100,000
Headwaters Charitable Trust Blue Valley Phase II (Pennsylvania)	52,400
Little Toby Creek Watershed Assn. Brandy Camp Project (Pennsylvania)	15,000
Western PA Conservancy Big Run #2 Project (Pennsylvania)	85,506
Shamokin Creek Restoration Carbon Run Site (Pennsylvania)	22,500
Cumberland Mountain RC&D Bear Creek #2 (Tennessee)	100,000
Black Diamond RC&D, Inc. Guest River (Virginia)	100,000
Lower West Fork Watershed Assn. Nixon Run Site (West Virginia)	10,000 ¹
Total	\$1,559,059

1. Amendment

The Office of Surface Mining contributed \$107,000 of the total project cost of \$358,000. Other financial partners included the Natural Resources Conservation Service, Environmental Protection Agency, and the Western Pennsylvania Watershed Protection Foundation. The Pennsylvania Department of Environmental Protection provides maintenance, and is an active funding and design partner in several of the other acid mine drainage remediation projects in the watershed.

The completion of this project provided the Association and community with a successful example of what can be accomplished when people and groups work together. The project site is crossed by a rails to trails hike/bike trail, that connects several of the Indian Creek Communities. The local school system is using the site for environmental field trips, and local youth groups have planted trees and shrubs along the trail. Mountain Watershed Association has successfully leveraged their success on this project to improve public involvement in environmental issues affecting the watershed and has been successful in starting additional projects.

Summer Watershed Internship Program

The Office of Surface Mining and Environmental Protection Agency initiated the Summer Watershed Internship program in 1999; and in 2002, funded 31 interns in eight states. Since the program began, 97 interns have been placed in nine states (see Figure 3), all of

them working directly for watershed groups on acid mine drainage issues.

The internship program enables college students (juniors and above) to bring technical expertise and youthful energy to volunteer watershed organizations. Each intern spends a semester working in a watershed, and receives college credit for his or her efforts. In 2002, the Office of Surface Mining funding provided a \$2,000 stipend and \$500 for project expenses to each intern. In every case, the interns strengthened the capacity of the sponsoring watershed group, adding to their monitoring data, developing watershed plans, and building public awareness.

Vista Initiative

During 2002 the Office of Surface Mining created pilot programs that provided three full-time VISTA Watershed Development Coordinators in Tennessee and five in West Virginia. These coordinators monitor acid mine drainage discharge and conduct educational programs. The Office of Surface Mining coordinates the volunteers and provides a \$5,000 administrative support cooperative agreement to each watershed sponsor. During the Fall of 2002, eight more coordinators were funded in Tennessee and West Virginia and discussions are ongoing in Alabama, Maryland, and Virginia for 2003 coordinator funding.

Brownfields Initiative

During 1999, the Office of Surface Mining initiated the first successful Environmental Protection Agency Brownfields pilot project for an entire coal-impacted watershed. This project resulted in an inventory, assessment, and planning for the cleanup of Dark Shade Creek in Pennsylvania. Dark Shade Creek

is the worst polluted river in Pennsylvania. During 2002, the Office of Surface Mining conducted Brownfields training at Dark Shade for watershed representatives and their interns. This training provides program information and has already resulted in two new Brownfields projects in Tennessee and Kentucky.

Soccer Initiative

The University of Virginia College at Wise was a 2002 U.S. Soccer Foundation grant recipient. The Virginia Department of Mines, Mineral and Energy completed reclamation work at the college highwall site using soil and rock to eliminate a dangerous highwall. The borrow site was designed and reclaimed to be used as an official sized soccer field. Also, the Virginia Department of Mines, Mineral and Energy has partnered with the Lonesome Pine Soil and Water Conservation District to construct a parking lot adjacent to the field. This is one of three pilot projects that has been initiated by the Office of Surface Mining and the U.S. Soccer Foundation.

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

Figure 3

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

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



ABANDONED MINE LAND RECLAMATION

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 eighth year the states and Indian tribes managed their own data, entering it electronically into the Office of Surface Mining's inventory system. In 2002, this process resulted in 1,275 records added, 4,437 modified, and 146 deleted.

Before reclamation, this 50-acre site adjacent to an active Indiana coal mine consisted of a very large abandoned gob pile and a slurry pond. The site was the principal source of acid mine drainage that was polluting the local watershed. The area was graded and covered with approximately two feet of shale and unconsolidated subsoil material, then revegetated to pasture and hay fields. Costs to complete this reclamation project were shared by the mining company and the landowner, saving the public over \$200,000 in abandoned mine land funds.



Figure 4

Completed	\$1.9 billion	17.7 percent
Funded	0.2 billion	1.9 percent
Unfunded	8.6 billion	80.4 percent
<hr/>		
Total	\$10.7 billion	100 percent

As of September 30, 2002, the system contained information for 17,231 problem areas, mostly related to abandoned coal mines. (A problem area is a geographic area that contains one or more abandoned mine problems. Problem area boundaries are delineated by the extent of their effect on surrounding land and water, not just the abandoned mine sites.)

Although the Abandoned Mine Land Program is one of the Nation's most successful environmental restoration programs, with over \$1.5 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, 2002, a breakdown of (Priority 1, 2, and 3) costs from the Inventory System show over \$8.6 billion of unreclaimed problems (see Figure 4).

During 2002, 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 25 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 2003 rules.) This year five awards

were presented at the 2002 annual meeting of the National Association of Abandoned Mine Land Programs.

■ National Abandoned Mine Land & Mid-Continent Region Awards -- The Indiana Division of Reclamation's Sunshine Mine Reclamation Project in Bicknell, Indiana, won the national and regional awards for elimination of a 25-acre area of gob, slurry, mine drainage, and derelict buildings that travelers referred to as "the ugly old coal mine at the edge of town." The project included regrading refuse, spreading 100 tons per acre of agricultural lime, covering the material with four feet of soil, and planting vegetation. In addition, almost 5,000 linear feet of erosion control features were installed. Most drainage from the reclaimed site has been directed into a small wetland that improves site aesthetics, eliminates offsite sedimentation, and enhances water quality downstream.

■ Appalachian Region Award -- The Maryland Abandoned Mine Land Section of the Bureau of Mines' Kempton Coal Waste Stabilization and Doser Installation Project in Kempton, Maryland, won the Appalachian regional award for reclamation of an early 1900's underground mine that was discharging about 3.5 million gallons of highly acidic mine drainage per day. Discharges from a ventilation airshaft and an 18" diameter borehole had been responsible for eliminating aquatic habitat in more than 35 miles of the Potomac River. The reclamation efforts included installing a water-powered dosing system immediately adjacent to the airshaft discharge. In addition, a total of 160,000 cubic yards of coal refuse was removed from the Kempton Glades Wetland, designated a Wetland of Special State Concern because of its biologically unique environment.

■ Western Region Award and People's Choice Awards⁵ -- The New Mexico Abandoned Mine Land Bureau's Sugarite Canyon Project in Raton, New Mexico, won the western regional award for its reclamation of the Sugarite Canyon. This reclamation stabilized sides of the steep-walled canyon, which were covered with large areas of eroding coal mine waste. The project used a unique design that included construction of straw bale terraces with seedlings planted behind the straw mulch, which provided immediate control of water erosion and long-term stabilization of the steep slopes. This difficult abandoned mine problem has been successfully reclaimed and no longer poses a safety hazard to visitors of the Sugarite Canyon State Park.

For additional information on the award program and the 2003 program rules see www.osmre.gov/awardwin01.htm or www.osmre.gov/pdf/aml2003.pdf for a illustrated description of the 2002 award winning reclamation.

The first Office of Surface Mining/state cooperative agreement project started under the Surface Mining Law was the abatement of the Peach Creek refuse fire in Logan County, West Virginia. The project contained 38 acres of burning refuse that was excavated and quenched using water from a ten-acre pond constructed on the project site. Today, 20 years after the project's completion, the area is covered by a wide variety of vegetation and it is difficult to identify traces of the past abandoned mine land hazards.



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

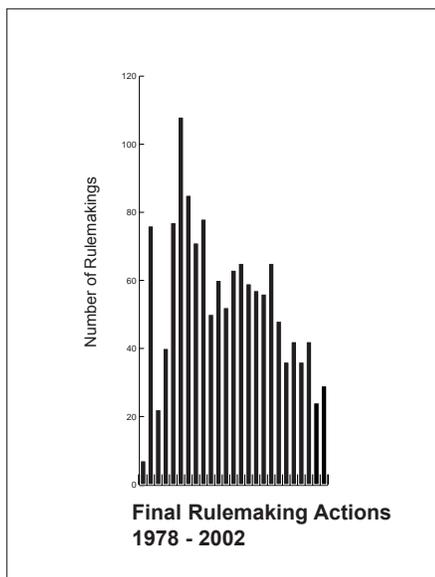


REGULATION OF ACTIVE COAL MINES

A REVIEW OF THE SHARED FEDERAL-STATE-INDIAN ACTIVE SURFACE AND UNDERGROUND COAL MINING AND RECLAMATION OPERATIONS THROUGHOUT THE NATION

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

Rulemaking and State Program Amendments



The 2002 rulemaking process included discussions with coal industry representatives, citizen groups, and state regulators to obtain their input and suggestions.

During the year, the Office of Surface Mining published one proposed permanent program rule in the *Federal Register*; Abandoned Mine Land Reclamation Notices (RIN 1029-AB99), and one final permanent program rule, Civil Penalty Adjustments (RIN 1029-AC00) (see Table 7). Subject to Office of Surface Mining approval, states have the right to amend their programs at any time for appropriate reasons. Whenever the Surface Mining Law or its implementing regulations are revised, the Office of Surface Mining is required to notify the states of the changes needed to make sure that the state programs continue to meet federal requirements. As a result, the states have submitted a large number of complex amendments. The Office of Surface Mining has taken several steps to process states submissions more efficiently. For example, the amendment

review process within the Office of Surface Mining has been decentralized, and standard format and content guidelines for state program submissions have been issued to the states. In 2002, the Office of Surface Mining published 31 proposed and 28 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.

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

REGULATION OF ACTIVE COAL MINES

TABLE 7: FINAL RULES PUBLISHED

Civil Penalty Adjustments

30 CFR 723 and 845

11/21/01

This rule adjusts the penalty amount of certain civil monetary penalties authorized by the Surface Mining Law. The rule implements the Federal Civil Penalties Inflation Adjustment Act of 1990 which requires that civil monetary penalties be adjusted for inflation at least once every four years.

Significant Court Decisions

During 2002, there were seven significant court decisions that influenced the implementation of the Surface Mining Law: Valley Fills, Subsidence, Eleventh Amendment, Abandoned Mine Land Fund, and Takings (see Table 8).

State Programs

Since May 3, 1978, all surface coal mines have been required to have permits and to comply with either Office of Surface Mining regulations or corresponding

approved 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 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.



Reclamation at this 200-acre steep-slope contour mine in Eastern Kentucky exemplifies the intent of the Surface Mining Law. When reclaimed in the early 1990's topsoil was spread on the slopes and grass planted (below). After five years of natural plant succession, native trees and shrubs cover the slopes and reforestation is quickly progressing (left). With proper planning and effective site management, both economical mining and successful reclamation can be achieved.



TABLE 8: SIGNIFICANT COURT DECISIONS

Valley Fills

Kentuckians for the Commonwealth, Inc. (KFTC) v. Rivenburgh, No. 01-0770 (S.D. W. Va.)

On May 8, 2002, Judge Haden granted Kentuckians for the Commonwealth's motion for summary judgment and held that the Clean Water Act does not allow filling the waters of the United States solely for waste disposal. Kentuckians for the Commonwealth filed this suit on August 21, 2001, against officials of the Department of the Army, Corps of Engineers (COE), seeking review of a decision in which the Corps of Engineer's Huntington, West Virginia District had authorized Martin County Coal Corporation to place excess spoil from coal mining in streams in Martin County, Kentucky. The Department of the Interior is not a party to this litigation, although this case raises issues relating to valley fills and mountaintop mining, matters that are subject to regulation under the Surface Mining Law. Judge Haden held that agency rulemaking or permit approval that allows the filling of streams for waste disposal is *ultra vires*, beyond the authority conferred by the Clean Water Act, and that only Congress can rewrite the Clean Water Act to allow such fills.

Subsidence

Citizens Coal Council, et al., v. Norton, No. 00-274 (D.D.C.)

On March 28, 2002, the United States District Court for the District of Columbia, James Robertson, J., rejected the Secretary's regulation that interprets subsidence from underground mining not to fall within the scope of the term "surface coal mining operations" as defined in Section 701(28) of SMCRA. 30 U.S.C. § 1291(28).

Eleventh Amendment

Pennsylvania Federation of Sportsmen's Clubs, Inc. v. Hess, Nos. 00-2139, 01-1683 (3d Cir.) (consolidated)

On July 24, 2002, a panel of the Third Circuit ruled that the Eleventh Amendment to the United States Constitution bars suit in federal court against a state official where what is at issue is that official's purported failure to implement, administer, enforce, and maintain a federally-approved state coal mining program. In reaching its decision the panel ruled that state program provisions promulgated pursuant to the Surface Mining Law do not constitute federal law and hence do not fall within the so-called *Ex Parte Young* exception to the Eleventh Amendment.

Abandoned Mine Land Fund

Coal Operators and Associates, Inc., et al. v. Norton, No. 00-6320 (6th Cir.)

On June 3, 2002, the United States Court of Appeals for the Sixth Circuit affirmed the District Court's dismissal of this action which sought to force a distribution back to the states of one half (or approximately \$823,291,000.00) of the approximately \$1.4 billion unappropriated balance in the Abandoned Mine Land Fund. The Appeals Court held that the private party appellants had failed to establish standing to sue on behalf of the states to whom any duty is owed under the Surface Mining Law.

Takings Litigation

Wyatt v. United States, Nos. 99-5054, -5059 (Fed. Cir.) (Previously identified as *Eastern Minerals Int'l, Inc. v. United States*)

On May 20, 2002, the U.S. Supreme Court denied plaintiffs' petition for a writ of *certiorari*, leaving intact a favorable decision of the U.S. Court of Appeals for the Federal Circuit. The Federal Circuit, on November 19, 2001, reversed a trial court decision in which the U.S. Court of Federal Claims found a permanent Fifth Amendment taking based on the Office of Surface Mining's "extraordinary delay" in processing Eastern Mineral International, Inc.'s permit application. In reversing the trial court's judgment, the Federal Circuit held that: (1) plaintiffs could not maintain a permanent takings action after February 28, 1991, since the permit applicant voluntarily relinquished its coal lease on that date and, therefore, "possessed no valid property interest from which it could assert a takings claim" and (2) there was no temporary taking prior to February 28, 1991, because the trial court's finding of extraordinary delay was "clearly erroneous."

Stearns Co. v. United States, No. 594_89L (Fed. Cl.)

On August 5, 2002, Senior Judge Smith of the U.S. Court of Federal Claims issued a decision finding the government liable for a physical taking of the plaintiff's coal interests located underneath the Daniel Boone National Forest in Kentucky. He held that Office of Surface Mining's implementation of section 522 of the Surface Mining Law effected a physical taking by "revers[ing] the basic structure of rights between surface and subsurface owners." Judge Smith awarded the plaintiff \$5,000,000, plus compound interest from 1980, attorneys fees, and costs (the \$5 million plus interest and fees has been accrued in the 2002 financial statements).

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

Specifically, to further reporting of end results and on-the-ground success, the Office of Surface Mining now evaluates and reports state-specific and national findings for offsite impacts and reclamation success. The purpose of measuring offsite impacts is to protect 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 units⁶ 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. During 2002, 92.8 percent of the inspectable units were free of offsite impacts (an decrease of 1.1 percent from 2001).

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

After topsoil is replaced, seed must be spread over the soil and stabilized to ensure germination and establishment. At this Missouri active mine hydroseeding spreads a mixture of seed, water, and fertilizer, without driving mechanized equipment over the site. Using this technique, even steep slopes or the stockpile of topsoil shown in this photo can be successfully seeded.



REGULATION OF ACTIVE COAL MINES



Successful tree growth has been achieved on many eastern U.S. mine sites. The mixed tree stand on this reclaimed West Virginia mine site began as a tree planting along the ridge. Additional trees have since "volunteered" into the favorable growing conditions created by the reclamation and now cover the entire hillside.

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/report02.htm for copies of Annual State Oversight Reports.)

Table 9 provides the Office of Surface Mining's oversight inspection and enforcement activities during 2002 (detailed 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;

TABLE 9: FEDERAL OVERSIGHT OF STATE PROGRAMS

State	Violations Cited by the Office of Surface Mining ¹			
	Site Visits	Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders
Alabama	96	0	0	0
Alaska	4	0	0	0
Arkansas	5	0	0	0
Colorado	8	0	0	0
Illinois	106	0	0	0
Indiana	81	0	0	0
Iowa	23	0	0	0
Kansas	9	0	0	0
Kentucky	402	4	0	0
Louisiana	4	0	0	0
Maryland	41	0	0	0
Mississippi	2	0	0	0
Missouri	40	0	0	0
Montana	4	0	0	0
New Mexico	1	0	0	0
North Dakota	2	0	0	0
Ohio	221	0	0	0
Oklahoma	37	0	0	0
Pennsylvania	547	12	4	0
Texas	14	0	0	0
Utah	4	0	0	0
Virginia	167	1	0	0
West Virginia	466	2	0	0
Wyoming	13	0	0	0
Total	2,297	19²	4	0

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

2. Of the 19 Notice of Violations, 14 were for Abandoned Mine Land Fee related problems (Kentucky 1, Pennsylvania 11, and West Virginia 2).

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

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

Although the Office of Surface Mining encourages and supports state primacy in the regulation of coal mining and reclamation operations, some states with coal reserves have elected not to submit or maintain regulatory programs. Those states are called federal program states, and their coal mining and reclamation

operations are regulated by the Office of Surface Mining. Federal programs are in effect in 12 states: Arizona, California, Georgia, Idaho, Massachusetts, Michigan, North Carolina, Oregon, Rhode Island, South Dakota, Tennessee, and Washington.

Of the federal program states, only Tennessee and Washington had active coal mining in 2002. Table 10 includes the regulatory actions in those two states during 2002.

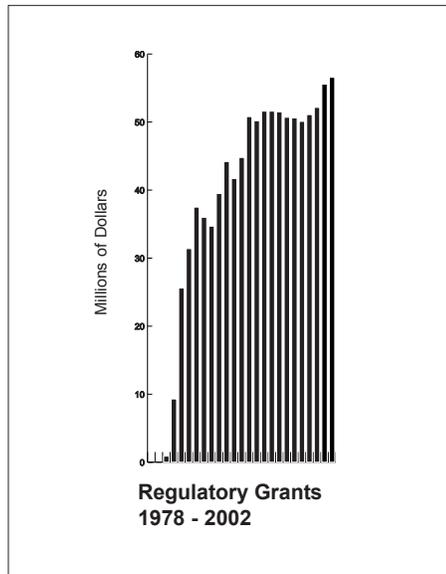
TABLE 10: REGULATORY PROGRAM STATISTICS

State	Regulatory Staffing	AML Staffing	New Permits	New Acreage Permitted	Total Acreage Permitted	Disturbed Acreage	Inspectable Units	Complete Inspections	Partial Inspections	Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders	Bond Forfeitures	Acreage of Phase I Bond Release	Acreage of Phase II Bond Release	Acreage of Phase III Bond Release
Alabama ¹	26.00	17.75	9	3,073	83,710	NA	211	2,588	427	55	0	3	14	2,812	2,114	4,527
Alaska	3.48	5.50	1	837	9,099	1,445	11	27	55	1	0	0	0	0	0	0
Arizona	NA	NA	1	417	417	0	1	0	0	0	0	0	0	0	0	0
Arkansas	4.00	6.65	0	0	1,144	541	14	57	13	2	0	0	0	20	0	0
Colorado	24.00	14.00	0	0	1,626,000	23,082	66	196	368	26	0	0	0	97	865	2,598
Crow Reservation	1.45	4.55	0	0	4,747	2,904	1	4	8	2	0	0	0	1,308	1,048	0
Georgia	NA	NA	0	0	0	141	6	6	1	0	0	0	0	0	0	0
Hopi Reservation	2.00	6.40	0	0	6,137	209	1	7	11	0	0	0	0	0	0	0
Illinois ¹	36.00	36.00	4	1,063	1,887	NA	91	414	1,013	43	1	0	0	12,313	13,218	12,172
Indiana ¹	53.00	21.00	8	4,925	288,100	NA	152	852	1,654	50	1	0	1	5,004	5,887	8,408
Iowa ¹	2.15	3.45	0	0	4,133	NA	24	96	24	4	0	0	9	92	92	39
Kansas ¹	3.25	10.75	2	562	4,237	NA	12	44	72	1	0	0	0	0	934	934
Kentucky	342.01	82.00	96	44,484	1,705,987	246,774	2,073	9,346	16,815	889	98	20	10	12,997	4,207	14,465
Louisiana	2.65	0.60	0	0	45,200	17,084	2	8	16	3	0	0	0	0	0	986
Maryland ¹	11.38	4.80	3	153	6,053	NA	64	341	634	7	0	1	0	20	74	16
Mississippi	2.07	NA	0	0	1,908	985	1	3	9	0	0	0	0	0	0	0
Missouri ¹	11.70	11.20	1	575	17,532	NA	47	108	213	46	31	0	0	238	275	615
Montana	17.00	8.85	1	7,710	62,621	29,763	17	87	88	0	0	0	0	253	126	0
Navajo Reservation	6.00	26.80	0	1,866	83,044	31,099	14	53	60	7	0	0	0	485	0	0
New Mexico	10.50	9.00	0	0	97,000	2,138	15	56	124	0	0	0	NA	NA	0	0
North Dakota	8.75	4.88	1	17,051	75,129	49,190	35	140	494	0	0	0	0	0	0	109
Ohio	32.21	41.73	41	3,897	95,400	46,347	363	1,455	2,009	147	0	11	2	3,557	3,693	5,888
Oklahoma ¹	25.20	6.00	1	3,147	31,562	NA	89	319	560	7	0	0	0	3,265	1,601	2,659
Pennsylvania ¹	266.50	128.00	64	2,311	408,900	NA	2,145	8,218	11,829	952	30	0	NA	4,532	6,182	7,231
Tennessee	51.00	NA	3	525	25,785	15,511	385	1,013	1,022	28	2	2	0	1,148	1,690	745
Texas	39.00	8.00	1	9,341	248,810	149,551	20	76	209	10	0	0	0	1,134	1,134	1,120
Utah	23.00	11.00	1	114	171,232	2,367	27	115	181	6	0	2	0	1	62	0
Ute Reservation	2.00	NA	0	0	175	120	2	7	8	0	0	0	0	0	0	0
Virginia	79.00	16.06	22	3,319	73,135	45,763	613	2,575	3,417	302	0	4	0	952	1,411	3,031
Washington	NA	NA	0	0	14,930	6,136	2	8	17	4	0	0	0	0	0	0
West Virginia	295.23	69.50	59	10,556	296,542	187,218	2,431	7,435	11,328	1,359	91	25	9	2,728	7,170	7,830
Wyoming	28.98	13.50	1	0	335,200	4,067	35	132	243	10	0	0	0	1,397	0	34
Total	1,409.67	567.97	320	115,926	5,825,756	NA¹	8,970	35,786	52,992	3,961	254	68	45	54,353	51,783	73,407

1. Disturbed acreage is not available for nine states and a national total is not provided because it would not accurately reflect the nationwide total.

REGULATION OF ACTIVE COAL MINES

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 2002, the Office of Surface Mining awarded \$703,695 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 2002 to administer and enforce regulatory programs. During 2002, the Office of Surface Mining awarded 96 percent of the regulatory grants to the states within 60 days of receiving the grant application.



Because surface mining removes the original plant cover from the land and exposes soil, special care is needed. Until the mined land is stabilized by revegetation, snow melt and rainfall can pick up sediment and erode mined lands much faster than undisturbed areas. To prevent offsite sedimentation impacts of the mining process, sedimentation ponds are constructed to catch sediment-laden water. Solids settle out before the clear water is allowed to flow from the mine site. At this Craig, Colorado mine, site ponds are located below the active mining operation and catch all surface water before it leaves the permitted mine area.

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 2002, the Secretary had entered into such cooperative agreements with Alabama, Colorado, Illinois, Indiana, Kentucky, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Utah, Virginia, West Virginia, and Wyoming (see www.osmre.gov/coop.htm). Under the Surface Mining Law, once the Secretary

TABLE 11: REGULATORY GRANT OBLIGATIONS

State/Tribe	2002 Federal Funding	2001 Federal Funding	Cumulative Through 2002 Federal Funding ¹
Alabama	\$1,021,425	\$987,837	\$25,184,421
Alaska	182,455	178,665	5,536,230
Arkansas	137,851	130,329	3,414,155
Colorado	1,885,631	1,846,452	27,625,006
Illinois	2,884,006	2,682,741	51,958,645
Indiana	1,874,576	1,863,869	30,931,529
Iowa	126,089	145,981	2,649,545
Kansas	125,114	137,040	2,834,049
Kentucky	13,067,882	12,895,953	259,275,387
Louisiana	158,404	189,484	3,475,427
Maryland	572,272	486,693	11,240,448
Michigan	0	0	135,458
Mississippi	109,628	115,965	1,142,871
Missouri	505,153	491,100	8,483,747
Montana	957,649	961,707	16,427,616
New Mexico	743,966	689,035	12,245,140
North Dakota	421,240	486,822	11,039,428
Ohio	2,135,541	1,600,123	57,024,796
Oklahoma	1,230,080	1,087,936	17,654,932
Pennsylvania	11,380,931	11,222,798	207,453,289
Rhode Island	0	0	158,453
Tennessee	0	0	5,340,085
Texas	1,451,800	1,497,816	21,703,598
Utah	1,763,318	1,764,267	27,422,152
Virginia	3,183,539	3,336,526	65,162,629
Washington	0	0	4,893
West Virginia	7,929,525	8,143,010	114,969,523
Wyoming	2,023,230	1,952,811	32,180,898
Crow Tribe	72,832	63,522	1,039,792
Hopi Tribe	168,849	167,460	1,574,638
Navajo Tribe	435,450	433,263	3,810,633
N. Cheyenne Tribe	26,564	15,260	89,845
Total	\$56,575,000	\$55,574,465	\$1,029,189,258

1. Includes obligations for AVS, TIPS, Kentucky Settlement, and other Title V cooperative agreements. Figures for 2002 do not include downward adjustments of prior-year awards. However, cumulative figures are net of all prior-year downward adjustments.

and a state have signed a cooperative agreement, the state regulatory authority assumes permitting, inspection, and enforcement responsibilities for surface coal mining activities on federal lands in that state. The Office of Surface Mining maintains an oversight function to ensure that the regulatory authority fully exercises its delegated responsibility under the cooperative agreement. In states without cooperative agreements, the required permitting, inspection, and enforcement activities are carried out by the Office of Surface Mining. During 2002, 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 2002, seven mining plan actions were prepared and approved for coal mines on federal land (Colorado 1, Montana 2, New Mexico 1, North Dakota 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 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

At this Beulah, North Dakota reclaimed mine site, it is impossible to identify where the mining operation was located. The company has complete mining and reclamation, bonds were released, and local land owners are using the land for grazing, just as they did prior to mining.



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education in the area of mining and mineral resources. Development grant funding for 2002 was \$703,695. Table 10 includes statistics on regulatory activities on Indian lands during 2002.

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

Mining also proposed 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

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 is already resulting in significant monetary and time savings, as it provides more complete and up-to-date records for all those involved in the permitting process. The Office of Surface Mining is currently assisting primacy states in developing and implementing various aspects of electronic permitting. When implemented, electronic permitting provides permit reviewers with computer-based tools to access electronic 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. Availability of electronic permitting tools also enables the state regulatory agencies to convert old pre-mining data to electronic formats.

In 2002, seven western states (Alaska, Colorado, Montana, New Mexico, North Dakota, Utah, and Wyoming), three eastern states (Kentucky, Virginia, and West Virginia), and five mid-continent states (Alabama, Illinois, Indiana, Mississippi, and Texas) are in various stages of implementing electronic permitting programs.

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.



At this reclaimed Ohio mine site the operator created a permanent impoundment from a sedimentation pond. During the active mining the pond prevented sediment from leaving the permitted area. Now as a permanent pond, the impoundment receives clear drainage from the reclaimed land and is used to water livestock.

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

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 the near future.



To facilitate mining of a coal seam in Gillette, Wyoming, blasting was used to loosen the coal after the overburden was removed (above). Approximately half a million tons of coal in a seam 80 feet thick was loosened by this single blast.

Today, many reclaimed mine sites reestablish and improve wildlife habitats. For bird species that require specific nesting structures, nesting boxes are constructed and placed to attract and retain a breeding population on the reclaimed land. This bluebird box (below) was placed on a fence post by a mine operator in Hayden, Colorado. It provides the necessary environment for these birds to quickly become reestablished on the reclaimed land and encourages greater diversity of wildlife on the site.



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 2001,⁷ the anthracite mining industry produced approximately 3.89⁸ million net tons, a decrease of 19,000 tons from 2000. Anthracite operators mined approximately 2.09 million tons from culm and bank material (compared to 1.35 million tons in 2000⁹), 1.65 million tons from surface mines (compared to 2.33 million tons in 2000), and 0.15 million tons from underground mines (compared to 2.2 million tons in 2000). The reprocessing of anthracite culm banks accounts for about half of the total anthracite coal production and helps to fuel several cogeneration plants. The Pennsylvania anthracite program currently includes 333 inspectable units (60 underground mines, 14 preparation plants, 4 refuse disposal sites, 124 reprocessing operations, and 131 surface mines). Pennsylvania's Department of Environmental Protection conducted 3,290 inspections (compared to 3,867 in 2000) and issued 161 violations (compared to 217 in 2000) in the Anthracite region. Pennsylvania's Department of Environmental protection continues to successfully carry out the provisions of the anthracite regulatory program.

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,

7. Calendar Year
8. Pennsylvania Department of Environmental Protection, Harrisburg, 2001, *Annual Report On Mining Activities*

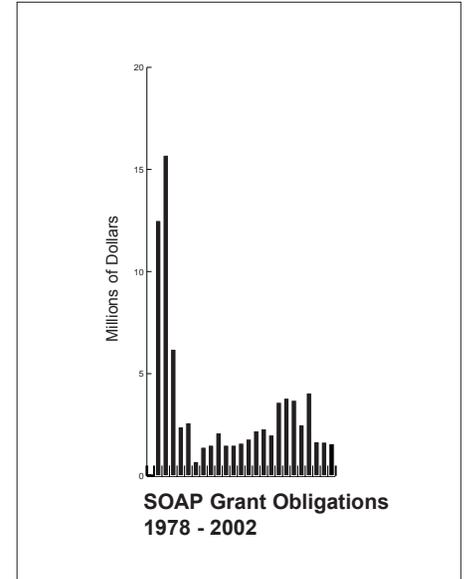
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anoxic drains, limestone lining of stream channels, stream relocation and channel reconstructions, aerobic passive wetlands treatment systems, as well as the reclamation of abandoned silt dams, stripping pits, and mine openings within the headwaters areas of the watershed.

Pennsylvania's Bureau of Abandoned 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)



After the topsoil has been removed by scrapers, the subsoil is removed using hydraulic shovels and haul trucks at this Indiana mine. The subsoil is immediately hauled back to the reclamation area, dumped, and graded. This equipment, combined with direct haul-back methods, reduces compaction, a serious problem in valuable prime farmland soil.



Section 401 (c)(11) of the Surface Mining Law authorizes up to \$10 million annually of the fees collected for the Abandoned Mine Reclamation Fund to be used to help qualified small mine operators obtain technical data needed for permit applications. Beginning with 1992, the Abandoned Mine Reclamation Act of 1990 increased the qualifying production limit from 100,000 to 300,000 tons. The Energy Policy Act of 1992 (Public Law 102-486) added additional technical permitting services to the list of items eligible for funding under the Small Operator Assistance Program. The new services include engineering analyses and design necessary for hydrologic impact determination, cross-section maps and plans, geologic drilling, archaeological and historical information, plans required for the protection of fish and wildlife habitat and other environmental values, and pre-blast surveys. The program has always funded the hydrologic and geologic data collection and analyses required as part of the probable hydrologic consequences determination and statement of overburden analysis under Section 507(c) of the Surface Mining Law.

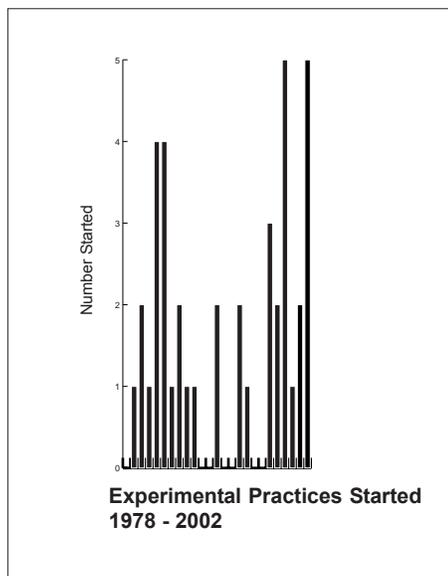
TABLE 12: SMALL OPERATOR ASSISTANCE PROGRAM

State	Grant Amount ¹		Operators	Projects Started
	2002	2001		
Alabama	\$35,000	\$55,107	2	1
Kentucky	513,441	1,031,677	56	69
Maryland	35,000	35,000	1	1
Ohio	100,000	80,000	5	6
Pennsylvania	805,054	225,616	42	48
West Virginia	84,743	224,916	1	1
Total	\$1,573,238	\$1,652,316	107	126

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

Small Operator Assistance Program regulations (30 CFR 795) place program responsibility with the states that have Office of Surface Mining approved permanent surface mining programs. In states with federal programs, the Office of Surface Mining operates the Small Operator Assistance Program. In 2002, 107 small mine operators received assistance (compared to 79 in 2001 and 108 in 2000). Table 12 provides a summary of the Small Operator Assistance Program by state during 2002.

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 2002, five new experimental practices were approved. All five of these experimental practices involved variances from approximate original contour in order to allow postmining land use for industrial, commercial, residential, or public use. Thirteen of the 40 experimental practices (11 of the last 16) approved since the enactment of the Surface Mining Law involve the retention of highwalls to facilitate the creation of land suitable for such uses. Section 711 specifically allows the use of experimental practices to create such land. Four of these practices have been determined to be successful and the Office of Surface Mining is currently looking into the question of whether the prohibition on leaving highwalls after mining and reclamation is absolute, or whether regulations could be developed, based on a history of successful experimental



During the mining and reclamation at this Clintwood, Virginia site 13,000 feet of abandoned mine highwalls were eliminated and reclaimed to the same standard as the rest of the active mine areas. The site has been transformed from a barren wasteland into an aesthetically pleasing landscape with productive hay and pasture land.

practices, that would allow the leaving of highwalls on land reclaimed for the postmining land uses specified in Sec. 711 of the Law (industrial, commercial, residential, or public use).

In addition to the 16 experimental practices currently underway, since inception of the program 16 were determined to be successful, three unsuccessful, one was terminated due to a regulation change, and four have been completed; but, a final report has not yet been submitted.

Reclamation Awards

To recognize and transfer the lessons learned from completing the Nation's most outstanding reclamation, the Office of Surface Mining presents awards to coal mine operators who have completed mining and reclamation operations that result in outstanding on-the-ground performance. For a description of the active mining award program and 2003 rules, see www.osmre.gov/activerules01.htm. The 2002 Awards were presented September 18, 2002, at a banquet hosted by the National Mining Association, as follows:

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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 outstanding cultural, historical, or archaeological preservation on reclaimed coal mine land, and the Award was presented to two companies, The Falkirk Mining Company in Underwood, North Dakota, and Peabody Western Coal Company, Kayenta Mine, located in Navajo County, Arizona.

■ The Falkirk Mine is located in a landscape that was home to prehistoric indigenous Indian groups. Permitting over the past 25 years has required many archaeological and historic site surveys, resulting in preservation before mining. In addition, Falkirk made discoveries during mining that included prehistoric burial and bison-kill sites. Mining operations were

halted until all evidence could be recovered and permanent protection established.

■ At the Peabody Kayenta Mine there is a long history of archaeological research. Information from Navajo and Hopi traditional medicine men, herbalists, and Black Mesa residents identified special plants. Local seed was collected and planted. Since the project began 10 years ago, more than 234,000 cultural plant seedlings have been planted on nearly 170 acres. In 1966 newly passed federal antiquity laws dictated that, before mining, a thorough investigation had to be made and detailed reports filed. When the Black Mesa Archaeological Project was initiated, no one realized it would become one of the largest, longest-running archaeological projects in North America.

The sensitivities of these companies to cultural and community values, and their effectiveness in preservation, is a model for others to follow.

National Awards:

■ Consolidation Coal Company, Burning Star No. 4 Mine, Cutler, Illinois. The Burning Star mine produced coal from 1973 to 1997 and is now completely reclaimed. The successful restoration of two major streams was a significant engineering and reclamation accomplishment at this former mine site. Almost nine miles of Galum and Bonnie creeks were restored after being temporarily diverted during the mining. The high-quality wildlife habitat surrounding the streams includes deep water, wetlands, flood plain, and upland vegetation communities. Approximately 350,000 trees were planted in association with the stream restoration. This

Reclamation at this Petersburg, Indiana mine site (right) has resulted in the development of a planned landscape, managed to promote fish and wildlife and related environmental values. Today more than 1,200 acres have been reclaimed including many water impoundments ranging in size from about one 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.

The Surface Mining Law requires that all highwalls created by mining be covered. Generally this is accomplished by placing spoil against the highwall and grading it so that the contour of the land, after the highwall is covered, approximates the original slope. The final reclaimed slope at this Laurel County, Kentucky mining operation (below) closely matches the original contour of the land, leaving no trace of the highwall.





Heavy plastic liners were spread over this graded mine site near Pittsburgh, Pennsylvania to create a pollution barrier for a large landfill. Reclamation for this land use required careful grading to provide even slopes and a clean surface. Multiple barriers of plastic and soil prevent leakage and provide drainage to the bottom of the fill for collection and treatment. In the future, the entire valley of this former mine will be filled with refuse and covered with earth.

rough grade needed for the golf course and a rock crusher was used to provide base material for special areas. Two ponds provide irrigation water for the automated sprinklers located throughout the entire length of the bent grass greens, fairways, and tees. This project is a showcase for reclamation creativity.

■ Red River Mining Company, Coushatta, Louisiana. Red River's lignite mine has been operating for 12 years and has never had a lost-time accident or environmental violation. Reclamation of the mine site is mostly commercial forestry, a traditional use of land in this moist lowland landscape. Loblolly pines have been planted since 1991 and are now growing into stands of marketable forests. Smaller areas have been planted in pasture land and permanent ponds have been constructed to increase land value and provide water for cattle. Pond features include hardwoods, forbes, and grassland species that provide both shelter and food supplies for waterfowl, deer, and other wildlife.

■ Carbon Coal Company, Carbon No. 2 Mine, Gallup, New Mexico. Carbon Coal Company's mining at this operation ended in 1986, and final grading and revegetation seeding was completed in 1991. Average annual precipitation is about 9.5 inches; however, summer flooding was an annual occurrence prior to mining. Reclamation included four permanent impoundments and intervening drainage channels that have prevented flooding of the adjacent town of Gallup. This 300-acre reclaimed site supports a remarkable diversity of plant and animal life. More than 100 vascular plant species have been established including grasses and shrubs, and revegetation carrying capacity has more than doubled. This stable, diverse landscape is a great asset to the Gallup community.

outstanding reclamation and the added diversity it created have resulted in rapid reestablishment of wildlife populations that will provide a stable long-term land use for years to come.

■ Signor Brothers, Babb Creek Operation, Bloss Township, Pennsylvania. Before reclamation, Babb Creek had washed into a late 1800's coal refuse pile and was eroding refuse downstream and causing acid mine drainage. Signor Brothers designed refuse-removal and stream bank protection methods that eliminated 22,000 tons of refuse without harming the creek. Downed trees with the root wads on the stream bank turned Babb Creek away from the refuse and improved the fish habitat. Another innovative technique was the use of large equipment to load the refuse during frozen winter weather. This greatly reduced possible sediment problems.

Today, with reclamation complete, downstream surveys report increased macro-invertebrate and fish populations -- the result, a five-mile stream segment of Babb Creek was removed from the Pennsylvania Department of Environmental Protection's list of impaired streams.

■ Mingo Logan Coal Company, Low Gap Surface Mine No. 2, Wharnccliffe, West Virginia. The Mingo Logan Coal Company used contour and mountaintop removal mining methods that resulted in the postmining land use being transformed into a world-class 18-hole golf course. The 330 acres are characterized by rolling terrain and high mountain meadows. The upper level containing the front 9 holes was constructed within a backfill area. The lower level is built on a valley fill. Special soil handling procedures established the

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Small family cemeteries are common on mine sites. To protect them, the Surface Mining Law requires that mining be kept at least 100 feet from all cemeteries. On this mine in Eastern Kentucky, mining was completed leaving an unmined area surrounding this small community cemetery. As the site was reclaimed, the backfill was graded to provide the premining slope that allows easy access from all sides of the cemetery. In addition, this operator went beyond the requirements of the Law by constructing a gravel lane between the county road and the cemetery to facilitate easy access for local citizens.

■ RFI Energy, Inc., Mine No. 208, Perry Township, Pennsylvania. RFI Energy has reclaimed 202 of its 212 disturbed acres. This unusually timely reclamation has eliminated large disturbed areas and prevented soil erosion. Before mining there were 88 acres of abandoned mine lands with 8,000 feet of highwalls and accompanying spoil piles and mine pits. Today, there is no visible difference between this reclaimed land and that of the virgin mine areas. Approximately 55,000 tons of coal combustion ash was used as a soil amendment resulting in vigorous vegetation in one growing season. When mining began, this site had significantly acidic water discharges from the abandoned mines. As mining progressed through areas where these

discharges originated, the flows improved in quality, and then dried up. This exemplifies mining and reclamation as envisioned by the architects of the Surface Mining Law.

■ Arch of Illinois, Inc., Captain and Denmark Mines, Cutler, Illinois. At its production peak, Arch of Illinois Captain Mine was the largest surface mine east of the Mississippi. When combined with the adjacent Denmark Mine, the reclaimed land area was well over 11,000 acres. Located just west of Pyramid State Park, the reclaimed land has been purchased by the state, making it the largest state park in Illinois. Before the land transfer, reclamation was aimed at recreational/wildlife use. This included a mix of

farmland, lakes, wetlands, and forests. Many of the trees planted in the 1980's are now becoming mature forests. Wildlife became established and the value of this extensive area has continued to grow. This reclaimed site will provide recreational benefits for years to come.

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 2002 award was presented to two individuals 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 these two individuals model examples 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 2002 Best-of-the-Best winners, Daniel Fescemyer, Superintendent, and Larry Morrison, Pit Supervisor, RFI Energy, Inc. in Clarion County, Pennsylvania.

Special 25th Anniversary Awards

To commemorate 25 years of mining and reclamation under the Surface Mining Law three mine operations were selected from all of the past award winners as the most successful reclamation under the Surface Mining Law.

■ **Gold Award:** Solar Sources, Inc., Sky-Point Mine, Lynnville, Indiana. This Southern Indiana mining operation has achieved some of the finest examples of mining and reclamation in a complex arrangement of land ownerships and existing uses. The company has worked extensively with land owners and the community to reduce mining impacts. They have continually restored the topography, soil, water, and drainage conditions that will support productive future uses of the land. The high standards of reclamation are a model for the entire mining industry.

■ **Silver Award:** Bellaire Corporation, Indian Head Mine, Beulah, North Dakota. The Indian Head Mine was one of the oldest surface coal mines in the country, producing lignite coal from 1922 - 1992 and disturbing approximately 2,200 acres of land. Today the land is reclaimed and returned to small grain production,

Permanent impoundments included in the reclamation provide farmers with water for livestock and greatly add to the wildlife habitat (below). At this reclaimed site the mine operator has worked with the landowners and incorporated improvements that will provide better conditions for the landowners long-term agricultural land use.



livestock grazing, and haying that significantly exceeds productivity standards. This land resembles its natural surroundings and is virtually indistinguishable from the surrounding landscape. This outstanding operation has continually used innovative mining and reclamation techniques, tested and experimented with new reclamation methods, and completed some of the finest on-the-ground reclamation under the Surface Mining Law.

■ **Bronze Award:** Trapper Mining, Inc., Trapper Mine, Craig, Colorado. Operating since 1977, the Trapper Mine reclamation and erosion control methodologies have consistently produced stable, well vegetated, diverse, and productive

reclaimed lands. The numbers and diversity of wildlife utilizing the reclaimed land is unparalleled in the mining industry. This award winning reclamation is a testament to the company's commitment to long-term stewardship of the land they mine.

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

The success of topsoil handling is measured by the land's crop productivity after reclamation. Although mining at this Amish farm in Southern Indiana went right up to the barnyard, agricultural production was interrupted for only one growing season.





TECHNOLOGY DEVELOPMENT AND TRANSFER

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

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

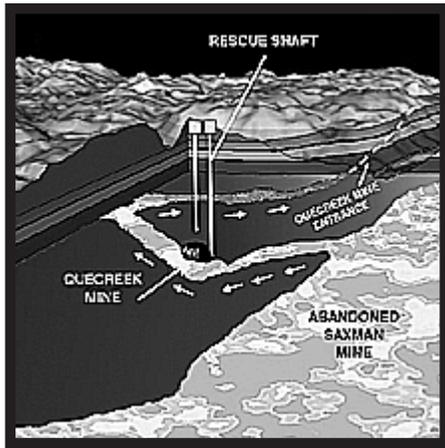
While the focus of the Office of Surface Mining is to help state and tribal partners do their jobs, the ultimate goal is to improve the health, safety, and the environment for our primary customers—the people who live and work in coalfield communities. The Office of Surface Mining provides information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

Technical Innovation and Professional Services

The Office of Surface Mining organized the Technical Information Processing System (TIPS) in 1988 to provide state and federal mine regulators with a comprehensive set of analytical tools to aid in technical decision-making related to the Surface Mining Law. In 2002, the name of the function was changed to the Technical Innovation and Professional Services to reflect the primary role that service plays in the everyday function. The services provided are centered on off-the-shelf scientific and engineering computer hardware and software supported by the Office of Surface Mining in partnership with the states and tribes. The service has grown from a few applications available on a single specially designed shared workstation, to a suite of software on each user's desktop computer. Costs are held low through shared licensing of the software via the Internet.

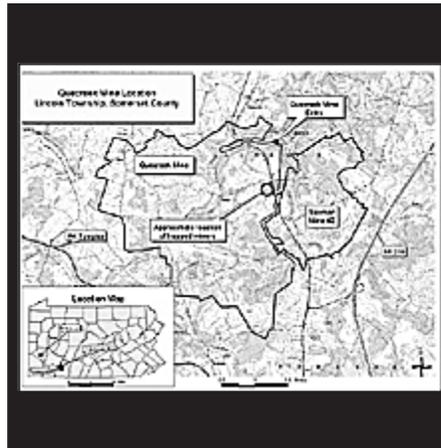
Much of the pre-mining land in the East is forest and it is important to reestablish forests on reclaimed coal mine land. At this reclaimed Western Kentucky mine site (left) the land use is a fish and wildlife habitat and thousands of trees and shrubs were planted. Scattered blocks of oak, pine, tulip poplar, walnut, ash persimmon, hickory, crab apple, chestnut, dogwood, and hawthorn were planted that now create forest land for wildlife.

TECHNOLOGY DEVELOPMENT AND TRANSFER



The Technical Innovation and Professional Services include: providing a comprehensive training program for core software for users, delivering core software to the users desktop, conducting the necessary research and development to ensure core software is the state-of-the-art, and providing technical assistance. Customers include states, tribes and Office of Surface Mining staff throughout the country. In cooperation with customers, the Technical Innovation and Professional Services Steering Committee was established to help guide the efforts. The Steering Committee is composed of state and Office of Surface Mining staff.

Currently the principal equipment consists of Windows-based computers at state, tribal, and Office of Surface Mining offices with access to the license servers via the Internet and Office of Surface Mining Wide Area Network. The software covers a wide range of subjects and includes 19 commercially available applications covering geospatial, hydrology, engineering, and statistical topics. This software provides products that are used for 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 2002, 700 desktop users at 96 state, tribal, and Office of Surface Mining sites made use of the software. On average, 86 customers use this software each workday.

Software updates were provided to each of the 96 customer sites as part of a semiannual service to keep the tools up to date. Information Technology Administrators at each site then installed the updated software directly on the desktop of each of the 700 customers.

An excellent example of a state regulatory agency using these tools occurred in Pennsylvania when nine miners were trapped 240 feet below the surface in a flooded mine shaft. Pennsylvania Department of Environmental Protection staff in the Bureau of Mining and Reclamation and Bureau of Abandoned Mine Reclamation prepared informational maps for the public, using TIPS software. A Bureau of Mining and Reclamation staff member prepared a 3-D perspective map showing the interaction of surface topography, geology, and coal seams, the locations of the rescue and air shafts, and the cross sections of the abandoned Saxman mine which flooded into the Queecreek mine where the miners were working. The 3-D illustration was provided to the Department of Environmental Protection artists who added graphics showing the water and trapped miners to create a very effective map illustrating the miners' situation (above left).

Meanwhile, at the Bureau of Abandoned Mine Reclamation offices, staff digitized the Queecreek and abandoned Saxman mine boundaries from available mine maps, creating a map showing where the miners were trapped in combination with the mine boundaries, roads and towns, superimposed on a U.S. Geological Survey basemap (left).

Both of these graphics were widely distributed on the Internet, to the media, and rescue officials.

Training

Training of state, tribal, and Office of Surface Mining staff in the practical application of the software is done on a continuing basis and is an integral part of the operation. Instructor-led software training courses incorporate the reclamation experience of its instructors to provide a unique training experience. Training during 2002 increased to 500 students in 59 classes, compared to 2001 levels of 370 students in 42 classes. This training included ten instructor-led courses. The training program employed 45 different instructors in 2002; 21 of these were state program experts. The composite Government Performance and Results Act rating for Technical Information Processing System training satisfaction for 2002 was 91.5 percent. The four categories making up this score breakdown as follows: class satisfaction 89 percent, facility 90 percent, lead instructor 95 percent, and co-instructor 92 percent.

E-training courses were offered for the first time in 2002. Eight on-line Geographic Information System courses were offered in multiple sessions through a contract with the Environmental Systems Research Institute Virtual Campus. During the year 114 students participated in the classes. By the end of 2002, 58 students had completed their courses, a completion rate of over 50 percent, well above industry e-learning training completion averages.

New courses offered in 2002 included advanced global positioning system

hardware and software use, water quality analysis, and groundwater modeling.

Services Provided

Following are examples of Technical Innovation and Professional Services assistance that occurred in 2002.

■ In the fall of 2001, staff provided Global Positioning System (GPS) project support/training to the Utah Division of Oil, Gas, and Minerals Abandoned Mine Lands program. Nearly 350 tree seedlings planted on hard rock mine tailings near Alta, Utah were GPS-mapped as tree-vigor evaluations were field-recorded. The fieldwork was accomplished in less than six hours, and revealed a distinct zone of seedling mortality that will be studied further. Under the composite

Government Performance and Results Act this assistance obtained a 100% satisfaction rating.

■ Assistance was provided to Indiana program staff and Patoka South Fork Watershed Steering Committee that included map preparation on the Augusta Lake project. The Steering Committee is now using the software products and methods introduced in the project to coordinate, plan, and design future watershed projects.

■ Assistance was provided to the Mississippi Department of Environmental Quality that examined soil, soil-substitution, and geochemistry data on a new permit application. Scientific modeling and mapping tools were used to georeference old aerial photographs for

making determinations on historically used prime farmland and cropland.

■ Using two different engineering design programs, staff assisted the Missouri Abandoned Mine Lands program with designs for several dangerous mine shaft closures.

The Office of Surface Mining solicits customer satisfaction ratings in compliance with the composite Government Performance and Results Act. During 2002, these assistance efforts obtained a 98 percent satisfaction rating.

Geographic Information System Databases

Development of geographic information system databases continues to be a priority in the Western Region and Tennessee. Staff at these locations are converting map and tabular data from mining operations into geographic information system databases. This enables reviewers to bring up permit application data on the computer screen for quick reference and analysis. For example, soil-type data can be combined with vegetation data to explore the success of revegetation growing in different soils.

At the Mid Continent region staff created a geographic information system for abandoned mines in St. Louis, Missouri. The project used four separate software products to scan and digitize mine maps, merge these with other maps, convert all maps to a common coordinate system, merge attribute data, and integrate all information into an easy to use product. Following a presentation to the Missouri Land Reclamation Program, state staff immediately began using the system for Abandoned Mine Land Emergency Program investigations.

Remote Sensing Technology

The remote sensing program was initiated in 2001 and made significant progress in 2002. In the Western region, aerial and satellite imagery are an integral part of the regional geographic information system

This reclaimed mine site contains 110 acres of open water, islands, wetlands, uplands, and forest habitats. Wetland islands were constructed in the shallow areas to maximize transition zones for wildlife. The islands were heavily vegetated and quickly became a connection to the surrounding habitat for birds and mammals. This reclaimed mine is now a regional wetland attraction.



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with quarterly updates acquired, processed, and delivered to permitting and inspection staff. The inspectors routinely use this imagery to assist in planning areas to visit in the field, during consultations with mine operators, and when preparing maps to include in inspection reports. Aerial imagery was acquired during 2002 for four large western mines and is being distributed to the Bureau of Land Management, Bureau of Indian Affairs, and state and tribal governments representing a new era in cooperation with our regulatory partners.

Five pilot projects were initiated in the Appalachian region with regulatory staff in Kentucky, Pennsylvania, Tennessee, Virginia, and West Virginia. Over 500 km² of 1-meter resolution satellite imagery was procured and processed with an accuracy of less than 1 meter using a methodology developed by Technical Innovation and Professional Services staff. A combination of inspection and permitting applications are in development that will allow inspectors to better monitor mines, allow permitting staff to make decisions faster, and allow managers to certify bond release requests in a more timely manner.

A remote sensing workshop was held for 14 attendees from seven regulatory programs. This core group of users will help disseminate remote sensing knowledge, assist as future class instructors, and assist in the preparation of a report on eastern remote sensing applications. Under the composite Government Performance and Results Act this workshop obtained a 100 percent satisfaction rating.

A noteworthy accomplishment in this area during 2002, was receipt of the 2nd place prize in the annual *GeoSpatial Solutions* magazine contest for geotechnology, out-placing over 70 other entries from around the world.



What does coal mining and reclamation look like? Most people have never seen an active coal mine or had a chance to see its similarity to modern highway construction or other major earth-moving operations. These three photos show a sequence of steps that are found at most coal mines. The photos are all taken from the same viewing point and show a rural Ohio mining operation over a three year period. During the initial stages of mining (left) the land is cleared of trees and shrubs, topsoil removed and stored for use during reclamation. Six months later (center) the area has been mined and rock and overburden is piled where the coal was extracted. Two years later (right) the regrading is complete, the top soil replaced, and vegetation is growing on the site. The following year agricultural crop production resumed.

Mobile Computing

During 2002, field-oriented software running on mobile computing devices was successfully tested. Inspectors from Colorado, New Mexico, and Office of Surface Mining field offices navigated to permit features and field-verified jurisdictional boundaries at Western mines. These features were established on permit maps with existing high-precision geographic positioning system units employing satellite real-time correction.

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, are participants. 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.

The Office of Surface Mining has been funding this initiative at approximately \$200,000 per year. In 2002, the Office of Surface Mining funding was used for field verification of acid mine drainage prediction, the printing of additional *Review of Mine Drainage Prediction Methods* handbooks, and initial work on standard Acid Drainage Technology Initiative kinetic testing protocols used in evaluating acid mine drainage potential, monitoring the performance of in-situ drainage treatment systems, evaluating methods of identifying selenium in geologic and overburden materials, and evaluating methods to remove selenium from drainage water.

International Activities

During 2002, the Office of Surface Mining continued to provide guidance to the Government of Indonesia in the national reform of mining policy. Three years ago, the Ministry of Energy and



Mineral Resources sought the Office of Surface Mining's assistance in restructuring and decentralizing the regulation of mining and reclamation in Indonesia. The Ministry delegated considerable authority to local and regional governments and made them responsible for regulating most aspects of mining operations. In drafting statutory changes to Indonesia's mining law, Ministry officials looked to the state/federal partnership under the U.S. Surface Mining Law as a model for decentralizing government authority over mining. The United States Agency for International Development provided the Office of Surface Mining with 100 percent funding to support the Ministry's request.

In addition to relying on the expertise of numerous Office of Surface Mining technical professionals, as well as staff from other federal offices, the Ministry tapped into the vast regulatory and technical experience of personnel in state governments. The highly visible role of the State Regulatory Authorities in the project has been important in demonstrating to Ministry officials how national and regional government personnel can work together to produce positive results. Indeed, almost all of the project training, technical assistance and consultations have been carried out jointly by federal and state experts. In addition to retaining a full-time Project Director on duty in Jakarta, the Office of Surface Mining coordinated the work of several

state/federal teams on temporary assignments at various locations within Indonesia. Likewise, Ministry officials visited the United States to see firsthand how the state/federal partnership works and to view examples of the reclamation results that have been achieved through the partnership.

During 2002, project activities designed to improve Indonesia's national, regional and local capability for mine inspection and enforcement included training in the development of more effective permitting processes, the management of an environmental assessment process, and the effective conduct of mineral production and royalty audits. In addition to presenting seminars on Advanced Mine Inspection techniques and Water Quality

Standards for mining operations, federal and state staffs presented the Office of Surface Mining's highly regarded Instructor Training Course to help Indonesian officials develop the capability to provide on-going training. Specialized technical training and consultations focused on topics of special interest to Indonesian officials, including advanced coal fire suppression techniques, fine coal recovery at coal processing operations, gold and mercury mining technologies, and the translation of training materials into Bahasa Indonesia.

During stays in the United States, Indonesian officials attended a seminar on coal fines processing, observed fine coal recovery circuits in Western Maryland and visited the Interior Department's Bureau

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



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At this large North Dakota mine the reclaimed land has returned to an agricultural use -- wheat production and livestock grazing. Tree and shrub seedlings (top) have been machine planted to established shrub patches and shelter belts. More than 150,000 trees and shrubs have been planted to establish windbreaks (above) and wildlife plantings. These plantings provide shelter for livestock and protection against wind and water erosion.

of Land Management's Phoenix Training Center. Other project activities in 2002 included training in the preparation of Environmental Impact Statements through the University of Southern Maine and the development of a preparer's certification course.

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

Figure 5

Course Name	Sessions	Students
Acid-forming Materials: Fundamentals	1	23
Acid-forming Materials: Planning and Prevention	1	20
Acid-forming Materials for Program Staff	1	17
Acid-Forming Materials Abandoned Mine Land Workshop	1	14
Administration of Reclamation Projects	1	15
Advanced Blasting	1	22
Abandoned Mine Land Design Workshop: Dangerous Openings	1	12
Abandoned Mine Land Design Workshop: Dangerous Highwalls	1	9
Abandoned Mine Land Design Workshop: Landslides	1	15
Applied Engineering	1	23
Basic Inspection Workbook	0	(61) ¹
Blasting and Inspection	2	44
Blasting and Inspection (Module 3)	1	34
Bonding Workshop: Cost-Estimation	1	28
Bonding Workshop: Legal and Administrative Aspects	3	48
Effective Writing	3	67
Enforcement Procedures	1	21
Enforcement Tools and Applications	1	17
Erosion and Sediment Control	3	60
Evidence Preparation and Testimony	1	15
Expert Witness	1	10
Historic and Archeological Resources	2	45
Historic and Archeological Refresher	1	22
Instructor Training	1	22
NEPA Procedures	2	43
Office of Surface Mining Orientation	1	16
Permit Findings Workshop	1	15
Permitting Hydrology	1	16
Principles of Inspection	1	13
Soils and Revegetation	1	23
SMCRA and the ESA	2	30
Spoil Handling and Disposal	1	24
Subsidence	1	22
Surface and Groundwater Hydrology	2	46
Underground Mining Technology	2	32
Wetlands Awareness	3	49
Total	49	932

¹ 61 books distributed

to regulate the surface coal mining industry and reclaim mined lands in an economical and environmentally sound manner. The World Bank funded the project and fully reimbursed the Office of Surface Mining for all costs. In the second project, the Office of Surface Mining provided training to Indonesian officials in suppressing fires at outcrops of exposed coal and peat to prevent the occurrence of much larger forest fires in the mountainous regions of Indonesia. The coal fire-suppression project was entirely funded by the State Department's Southeast Asia Environmental Initiative.

Technical Training

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 2002, the program offered 49 sessions of 36 different courses (see Figure 5). In addition to regularly scheduled courses, in response to specific requests, special sessions of the NEPA Procedures course were held for Navajo students and a special session of the Bonding Workshop: Administrative and Legal Aspects was held for Virginia. A new course, SMCRA and the Endangered Species Act, was piloted

to facilitate implementation of the 1996 Biological Opinion which was issued to the Office of Surface Mining by the U.S. Fish and Wildlife Service. This course, which was developed in conjunction with the Fish and Wildlife Service, provides information on how requirements of the Endangered Species Act are integrated into the Surface Mining Law permitting process. Another new course that piloted in 2002 was Advanced Blasting: Investigation and Analysis of Blasting Effects. This course enhances student skills in gathering and analyzing blast-related information and will assist in resolving citizen complaints from ground vibrations, air blasts, fumes, and flyrock. A new course for Abandoned Mine Land students, Acid-Forming Materials AML Workshop, brought together experts to exchange information on reclaiming problematic areas in the Midwest. This course will be adapted in 2003 for Eastern states. Another new 2002 offering was Office of Surface Mining Orientation for new personnel. This course familiarizes students with the missions of the Department of Interior and the Office of Surface Mining. Students are provided with an overview of all Office of Surface Mining programs and a wide variety of information on personnel issues. At the request of the states, pertinent parts of the course will be offered to state and tribal staff to facilitate an understanding of the roles played by state/tribal and federal agencies in implementing the Surface Mining Law. In 2002, the training program provided technical and logistical support for a highly successful state and tribal benchmarking workshop on the Probable Hydrologic Consequences (PHC)/Cumulative Hydrologic Impact Analysis (CHIA) process as well as a related seminar on performance measurement and strategic planning. The workshop was attended by 83 state, tribal, and Office of Surface Mining representatives. The workshop shared information about model state programs with the goal of adopting or adapting processes to more effectively deliver products and services (e.g., permitting) to customers.

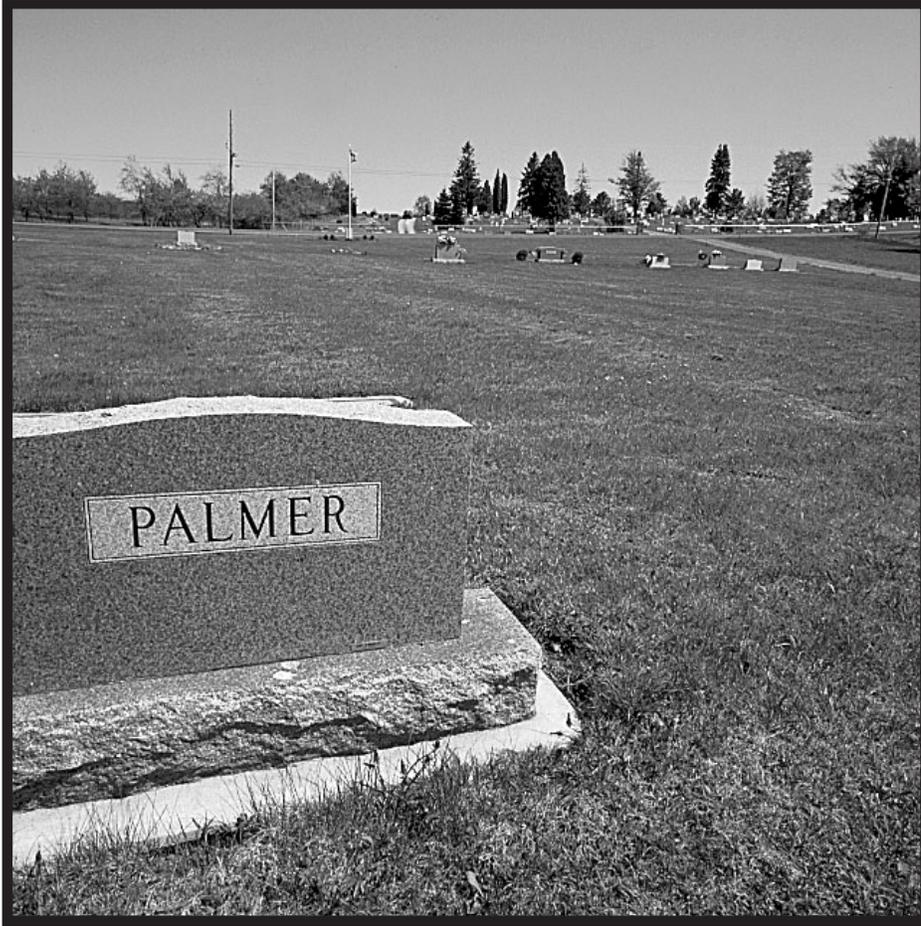


When reclamation is successfully completed, the land closely resembles the landscape before mining. This Oswego, Kansas mining operation disrupted the landowner's agricultural operation for only a short time and today it is back into agricultural production.

In line with the President's e-government initiative and in conjunction with the states, development of a new on-line training course was initiated that will provide students with basic information on acid-forming materials prior to attending advanced acid-materials classes. This should result in better prepared students and more in-class time to address applications and advanced concepts. Some costs savings from reduced travel are anticipated as well. Preliminary work also began on a new course on Passive Treatment Systems for acid-mine drainage. This course will include topics such as wetlands and anoxic limestone drain treatments. The audience for the course is permitting specialists, inspectors, and Abandoned Mine Land specialists.

All aspects of the National Technical Training program from identification of training needs through course development and presentation are cooperative efforts of state, tribal, and Office of Surface Mining offices. This joint effort exemplifies Secretary Norton's 4Cs of cooperating, communicating, consulting with local agencies, and fostering good conservation practices. In 2002, there were 163 instructors, — 52 percent from 16 Office of Surface Mining offices, 39 percent from 16 States, 4 percent from the Interior Department's Solicitor's Office, and 5 percent from other sources. The 49 sessions, which reached 932 students, were presented in 28 locations in 13 states. State and tribal students accounted for 82 percent of students, Office of Surface Mining

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With proper reclamation, mined land can be returned to its premining use or to a valuable new use. A cemetery adjacent to an active coal mining operation in Davis, West Virginia, needed room to expand. Extra blasting in this area reduced the size of the rocks in the backfill so that this reclaimed mine site could become a level, well-drained cemetery.

students for 16 percent, and 2 percent for other participants. The program's Government Performance and Results Act attendance goal of 900 students was exceeded by 32 students and the customer satisfaction rating of 96 percent exceeded the goal of 90 percent by 6 percent.

Applicant/Violator System

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

The primary purpose of the Applicant/Violator System is to provide state regulatory authorities with a central database of application, permit, ownership and control, and violation information. Federal and state officials review Applicant/Violator System data when evaluating 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 2002, the Office of Surface Mining responded with quality reviews for 3,316 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 \$1,536,479 due, in part, to violation information in the system.

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 specific needs of the target audience.

Outreach efforts by the Applicant/Violator System Office included sponsoring an exhibit at the 24th Annual Conference of the National Association of Abandoned Mine Land Programs. The exhibit explained the process of how abandoned mine land contractors obtain a permit eligibility check from the system prior to being awarded a contract and to promote access to the system.

Regrading the land's surface is a major part of the surface mine reclamation process. Because golf course construction also requires extensive surface grading, they are found on reclaimed mine sites throughout the country. This course near Pittsburgh, Pennsylvania (below) has provided golfers with enjoyment for many years and it is impossible to find any trace of the coal mining that occurred in past years.



During 2002, the Applicant/Violator System Office received customer satisfaction ratings that averaged 97 percent. This is the fourth year of extremely high customer satisfaction ratings.

General information about the system, including access and user information, instructions for obtaining access software, and how to obtain customer assistance, can be found at www.av.sosmre.gov.

Slurry Impoundments

Since 1996, there have been four major breakthroughs from coal preparation plant slurry impoundments into underground mines. The National Research Council of the National Academies of Science conducted a study on preventing coal waste impoundment failures and breakthroughs and released a report on that study in October 2001. The report included several recommendations for joint work by the Office of Surface Mining and the Labor Department's Mine Safety and Health Administration to minimize the potential for future breakthroughs. The Office of Surface Mining and Mine Safety and Health Administration have established a joint technical committee to facilitate ongoing impoundment issues. In addition, the Office of Surface Mining and the Mine Safety and Health Administration developed several ad hoc technical working groups to develop specific responses to the recommendations contained in the National Research Council report. These groups, which also involve representatives from state regulatory authorities, are working to develop proposals for consideration by the Office of Surface Mining and the Mine Safety and Health Administration. As a part of this effort, two separate technical meetings on the use of geophysical methods for identifying underground mine voids were planned. In October, 2002, the Mine Safety and Health Administration hosted a one-day technical meeting on the subject. The Office of

Surface Mining is planning a three-day interactive forum on geophysical methods to be held in Lexington, Kentucky in July, 2003.

Mountaintop Mining

As part of a 1998 settlement agreement in *Bragg v. Robertson, No. 98-0636 (S.D.W.Va.)*, the Office of Surface Mining continued to work with the U.S. Environmental Protection Agency, the U.S. Army Corps of Engineers, the U.S. Fish and Wildlife Service, and the West Virginia Department of Environmental Protection to prepare an environmental impact statement on mountaintop mining and valley fills in the steep slope regions of Appalachia. The agencies plan to publish a draft environmental impact statement in early 2003.

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

As provided in the settlement agreement, the Office of Surface Mining also continued to cooperate with West Virginia in the review of permit applications proposing to construct large fills as part of the mining operation. During 2002, the Office of Surface Mining participated in the review of nine permit applications. These activities are reported monthly to the West Virginia Congressional delegation; the reports are available on-line at www.osmre.gov/mtindex.htm.

However, on May 8, 2002, in *Kentuckians for the Commonwealth, Inc. v. Rivenburgh, No. 01-0770 (S.D.W.Va.)*, Judge Charles H. Haden II enjoined the Huntington District of the U.S. Army Corps of Engineers from issuing any permit under section 404



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At this North Dakota mine site the operator has completed exemplary reclamation that has included the local community in all stages of the work. Using local partnerships and innovative farm planning the company has returned mined lands to full agricultural production in a very short time. Partnerships with farmers in planning and managing the reclaimed lands were the key to success. This close working relationship resulted in improved on-the-ground productivity and more rapid return of agricultural lands to the owners.

of the Clean Water Act for placement of a fill in waters of the United States unless the fill has a primary purpose or use other than the disposal of waste. Because of this decision, permitting activity for mines involving large fills in West Virginia, which is within the jurisdiction of the Huntington District, has slowed significantly. Therefore, the monthly reports have been discontinued until the legal status of fills associated with mining operations is clarified.

Interactive Forum

An Interactive Forum entitled "Approaching Bond Release: Post Mining Land Use in the Arid and Semi-Arid West" was held in Bismarck, North Dakota, on August 25-30, 2002 (this was the last in a series of six forums on bond release in the arid and semiarid west). The post mining land use topics included: achieving goals, verifying success, and releasing bond on post mining reconstructed farmlands, forests, wildlife habitat, grazing lands, reclaimed native grasslands, and industrial sites. In addition, presentations were made on slope and channel reclamation using fluvial geomorphic principles, and oil and gas development on post mining landscape. The forum provided an opportu-

nity for industry and the regulators to openly discuss post mining land use issues by sharing information and interacting with all parties in the coal mining community. The three-day forum was supplemented by two days of workshops on Geographic Information Systems for Mining Applications, and Digital Imaging for Permitting and Regulatory Applications. The forum concluded with a field trip to reclaimed portions of the Dakota-Westmoreland and BNI mines. The one hundred and twenty participants from 15 states, one tribe, and Canada attended the forum, field trip, and two workshops.

Revised Universal Soil Loss Equation

For the third consecutive year *Guidelines for the Use of the Revised Universal Soil Loss Equation (RUSLE) on Mined Lands, Construction Sites, and Reclaimed Lands*, software (RUSLE Version 1.06) was distributed on CD-ROM. In 2002, The Office of Surface Mining upgraded the software, enabling it to run in WINDOWS 2000 and XP environments. With the addition of new weather station data, and extension of existing databases, the software is now a more powerful tool that is being used to estimate soil loss under a wide variety of site-specific conditions. The new guidelines are providing assistance for maximizing the accuracy of soil-loss prediction estimates, recommending procedures that ensure soil-loss calculations are reproducible, and identifying critical areas for future research.

In its outreach, the Office of Surface Mining is sponsoring the conversion of the Guidelines to a WINDOWS environment to complement the Agriculture Department's new RUSLE 2.0 software. In addition, the Agriculture Department's Natural Resources Conservation Service has incorporated the Office of Surface Mining guidelines into their version of RUSLE 2.0 software for agricultural purposes.

Coal Combustion By-Products

The Office of Surface Mining has continued to be involved in several Coal Combustion By-Product related activities, including technology transfer, rulemaking efforts by the Environmental Protection Agency, and research efforts by the Energy Department's National Energy Technology Laboratory.

During 2002, the Office of Surface Mining conducted the third in a series of technical interactive forums that focused on the use and disposal of Coal Combustion By-Products at coal mines in the Western U.S. The proceedings for this forum will be available on the Office of

Surface Mining website by late 2002. The proceedings include 33 presentations on the basics of Coal Combustion By-Products testing and terminology, Western mining case studies, environmental impacts to ground water, and the regulatory direction of by-product placement at mine sites.

The Office of Surface Mining is an active participant on the Technical Steering Committee of the University of Kentucky's International Ash Symposium series that is planning for its upcoming symposium in 2003. In support of Environmental Protection Agency data collection for its rulemaking efforts, the

Office of Surface Mining: (1) continued to participate with the Environmental Protection Agency in field visits to investigate state programs and field conditions of by-product placement at mine sites, and (2) provided extensive technical information and guidance to the Environmental Protection Agency on its Risk Assessment study concerning ground water quality impacted by by-product placement at mine sites. The Office of Surface Mining also provided extensive technical and regulatory guidance on by-product placement at coal mining sites to the Interstate Mining Compact Commission for its State/Federal Initiative that is building a state consensus on Coal Combustion By-Products regulatory guidance. In support of by-product research activities, the Office of Surface Mining actively participates on the Energy Department's Combustion By-Products Recycling Consortium national steering committee that evaluates and makes recommendations for funding of Coal Combustion By-Products research. For additional information on by-product placement at mine sites see www.mcrc.osmre.gov/ccb.

The pond and forested wetland reclamation at this Mt. Pleasant, 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 baldcypress, 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.



Bat Conservation and Mining

The Office of Surface Mining has worked to protect the populations and habitats of bats associated with mining since 1998 when a Memorandum of Understanding was signed with Bat Conservation International. During 2002, the Office of Surface Mining conducted the second in a series of technical interactive forums on all aspects of Bat Gate Design. The forum served as the format to produce a "state of the art" manual on Bat Gate Design for distribution by Bat Conservation International and the U.S. Fish and Wildlife Service. The manual includes 41 presentations on why bats and their habitats need protection, how to plan for a mine or cave closure project, how to design specific bat friendly closures, how to manage the construction of a bat friendly closure, and how to maintain a closure structure and monitor the effects of that closure on bat populations.

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The Office of Surface Mining was selected to receive the 2002 Department of the Interior Environmental Achievement Award for achievements of Bat Conservation Steering Committee. For additional information on Bat Conservation and Mining see, www.mcrc.org/osmre.gov/bats.

Reforestation

The Office of Surface Mining has been extensively involved with efforts to encourage reforestation of coal mined lands since 1998. During 2002, the Office of Surface Mining conducted the second in a series of technical interactive forums on Market-Based Approaches to Reclamation and Reforestation of Mined Land. The proceedings included 17 presentations on market-based approaches to land reclamation, market-based economic and management considerations related to reforestation of mined lands, and reforestation success stories.



The Office of Surface Mining has developed an outreach package that is ready for distribution. This outreach package provides general guidance to land owners and others on how to use existing market-based approaches to finance reforestation efforts on active and abandoned mined lands. For additional information on the Office of Surface Mining's Reforestation Initiatives see www.mcrc.org/osmre.gov/tree. The Market-Based Approaches forum proceedings will be available on this website by the end of 2002.



Wooded draws are a natural feature of the North Dakota landscape that provide critical habitat for wildlife (top). Traditionally coal mining operations mined through these draws and then reclaimed them. Although this has met with success, this mine operator took a new look at working with these unique natural features – they left the wooded draws alone. Instead of mining through them, they mined around them. Today, the reclaimed land around the draws is used for grazing land and the cattle frequent the draws for water and cover (center). Reclaimed grazing land goes right up to the wooded draws and is indistinguishable from the premining conditions (bottom). The extra work needed to accomplish this reclamation has eliminated environmental impacts and provided reclamation that is already part of the natural landscape.

Hydrologic Permit Requirements

Hydrology – ground water flow and quality, surface water flow and quality and the interaction of ground water and surface water as part of the hydrologic balance, constitute a significant part of the Surface Mining Law and its implementing regulations. The Office of Surface Mining completed two major activities related to permitting hydrology requirements during 2002. The first was a technical reference document, the second was a benchmarking workshop on best practices dealing with hydrology.

The technical reference document titled *Permitting Hydrology: A Technical Reference Document for Determination of Probable Hydrologic Consequences (PHC) and Cumulative Hydrologic Impact Assessments (CHIA), Baseline Data* was disturbed via the Internet in May 2002. The “Probable Hydrologic Consequences” is a responsibility of permit applicants to collect baseline ground and surface water data and to make a prediction of the impacts of the mining and reclamation operation on these baseline conditions. The “Cumulative Hydrologic Impact Assessments” are hydrologic analysis done by the regulatory authorities prior to permit approval to ensure that material damage to the hydrologic balance outside the permit area will not occur.

The Office of Surface Mining, in conjunction with the Interstate Mining Compact Commission, sponsored the Workshop on Hydrologic Permitting Requirements. The workshop was held March 12-14 in New Orleans, Louisiana. The purpose of the workshop was for federal, state and tribal regulatory authorities to share with each other which regulatory program experiences have proven to be their best or most innovative methods, processes and practices related to the Probable Hydrologic Consequences and Cumulative Hydrologic Impact Assessments.

Bonding Technical Assistance

Office of Surface Mining's Bonding Specialist provided technical assistance and background data on Frontier Insurance Company with respect to their liquidation process to primacy states, in addition to providing articles about current status of the surety industry. In 2002, the Office of Surface Mining provided on-site administrative bonding technical assistance for newly hired Utah Division of Oil Gas and Mining's staff, and conducted a joint quality-control review of bond instruments as part of the training.

Technical Library Resource Center

During 2002, the Office of Surface Mining Technical Library in Denver, Colorado actively publicized the new web site www.wrcc.osmre.gov/glas/ that provides on-line access to the library catalogue. The library staff respond to more than 325 requests from state regulatory agency staff, other federal agency staff, citizens, coal industry, consultants, and academics, in addition to fulfilling more than 280 Office of Surface Mining requests for information. The technical library plays a large role in technology transfer by assisting with the dissemination of electronic information and publications to Office of Surface Mining constituents.

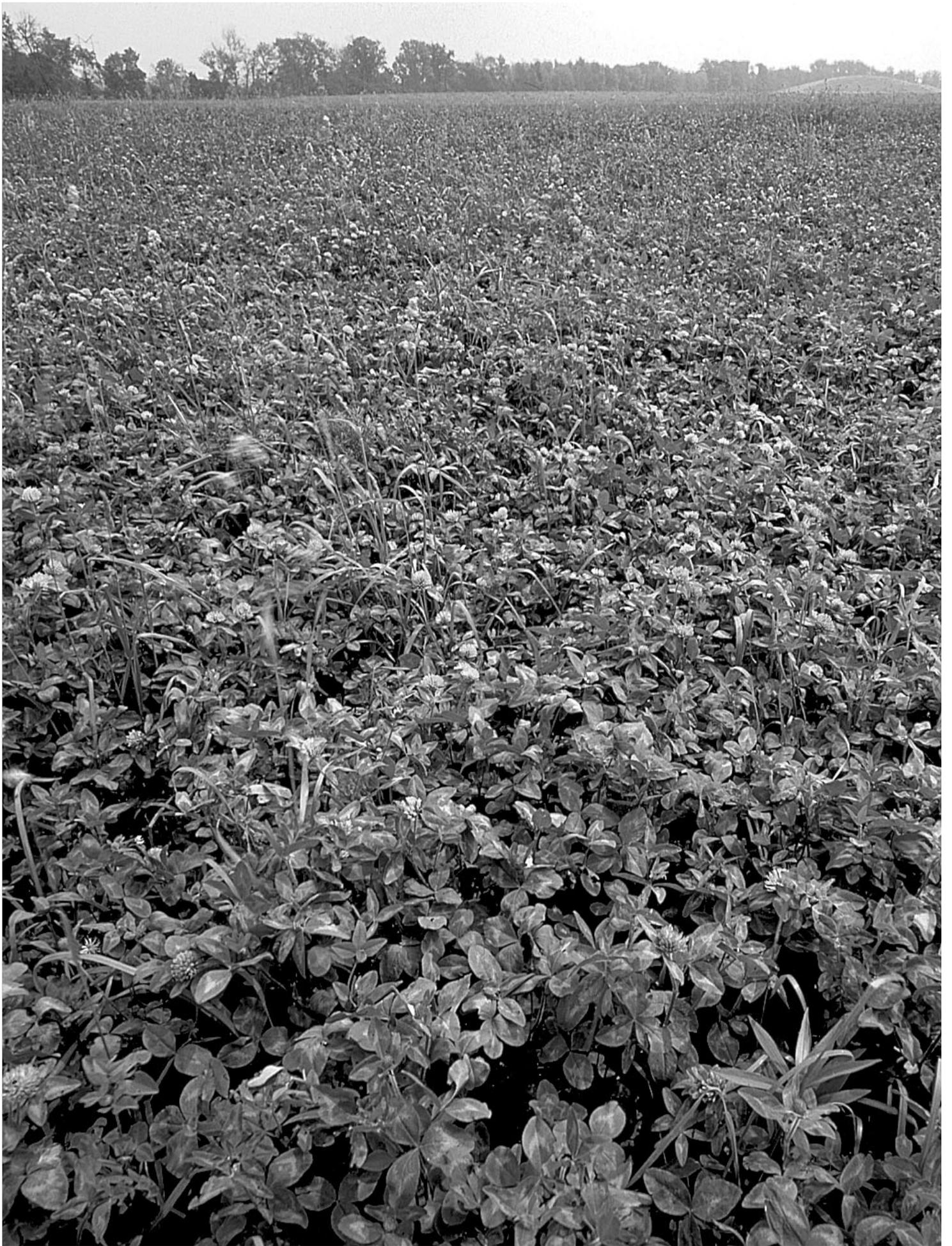
Evaluation of Technical Assistance Performance

The 2002 performance goal was to attain a 92 percent customer satisfaction rating in technical assistance and technology transfer activities. Preliminary results from a customer survey gave a 100 percent satisfaction rating for technical assistance and 98.7 percent satisfaction rating for technology transfer. This rating compares favorably with 2001, rising from 99.6 percent to 100 percent for technical assistance and 98.7 and 96.8 percent to 98.7 percent for technology transfer. The goal was exceeded based on 41 responses received from 46 surveys sent for technical assistance (89.1 percent response

rate) and on 195 responses received from 242 surveys for technology transfer activities (80.5 percent response rate). For 2003 the goal will be to attain a 94 percent customer satisfaction rating based on the surveys. Different measures of performance will also be employed as a result of the new cost accounting system and new output measures.

For many years the trees used for the National Christmas Pageant of Peace tree-lighting ceremony on The Ellipse in Washington, D.C. were grown on tree farms located on reclaimed mine land. One year they came from this Christmas tree farm in Garrett County, Maryland that was previously a reclaimed coal mine. Following the month-long pageant, the balled-and-burlaped trees were transported to permanent locations at parks throughout the Washington, D.C. area. The scotch pine in the center of this photo was used for the holidays and is now a large tree growing next to the Office of Surface Mining Headquarters in Washington, D.C.





FINANCIAL MANAGEMENT AND ADMINISTRATION

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

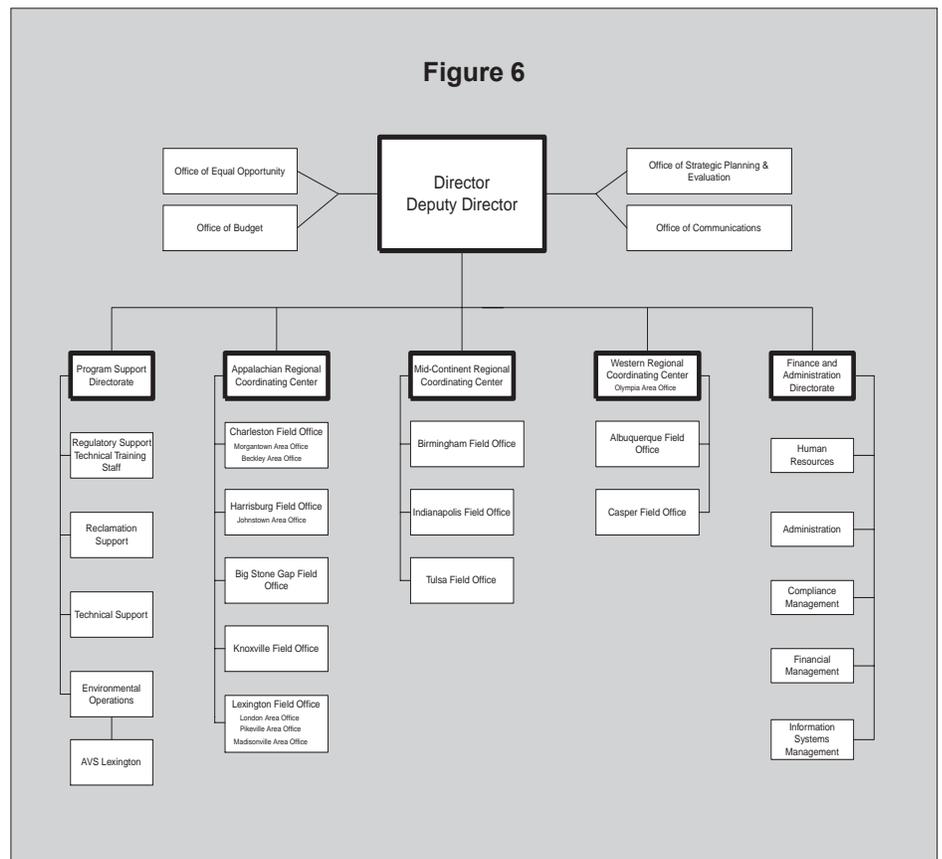
Since 1977, protecting the environment during coal mining and making sure the land is reclaimed after the coal is removed have been required by the Surface Mining Law. Making sure those requirements are met is the responsibility of the Office of Surface Mining. Functionally, the agency is organized around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

Organization

The Office of Surface Mining is field-oriented, with headquarters in Washington, D.C. Three regional coordinating centers, in Pittsburgh, Pennsylvania, Alton, Illinois, and Denver, Colorado, provide technical assistance to the field

offices, states, and tribes. Ten field offices, states, and tribes. Ten field offices, and seven area offices located where coal mining is most active, are responsible for the on-the-ground regulation and oversight (see figure 6). The Office of Surface Mining also maintains a financial management office in Denver, Colorado, and an audit investigation office in Lexington, Kentucky.

On reclaimed surface mines, topsoil is essential for reestablishing native vegetation and crop, forage, and timber production. The removal and replacement of all topsoil is required by the Surface Mining Law unless it is demonstrated that selected subsoil or spoil is better suited for growing plants. At this reclaimed Ohio mine site (left) the topsoil replacement was greater than the 12-inch requirement and high-yielding crops have been continuously grown on the reclaimed land.

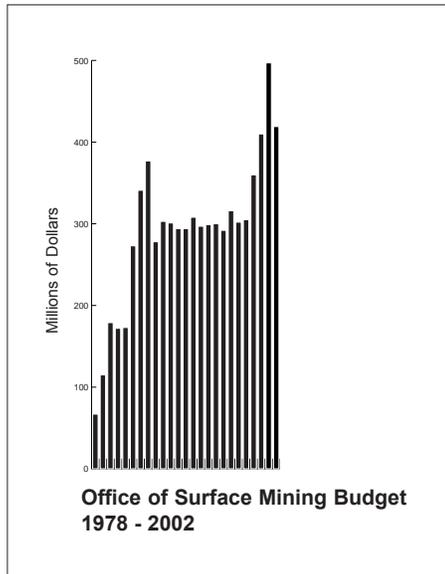


FINANCIAL MANAGEMENT AND ADMINISTRATION



Prior to 1977, when the Surface Mining Law was passed, it was common practice to remove the topsoil and overburden in one operation. This resulted in loss of valuable topsoil that was essential to reestablishing productive agricultural land uses. The reclaimed land where this corn crop is growing has consistently been above required yields and is producing better crops than the surrounding unmined area.

Budget and Appropriations



The Department of the Interior and Related Agencies Appropriations Act of 2002 (Public Law 107-63) appropriated \$102,800,000 from the General Fund for the Office of Surface Mining's regulation and technology activities (\$1,999,000 more than 2001). In addition, \$203,455,000 was made available for obligation from the Abandoned Mine Reclamation Fund (\$11,583,000 less than 2001). Public Law 107-206 reduced \$41,000 and \$18,000 from the Regulation and Technology and

TABLE 13: APPROPRIATIONS¹

	2002	2001
Regulation & Technology		
Environmental Restoration	\$157,400	\$156,654
Environmental Protection	77,743,965	76,458,863
<i>Regulatory Grants</i>	<i>(56,575,000)</i>	<i>(55,574,467)</i>
Technology Dev. & Transfer	12,549,616	11,984,244
Financial Management	445,037	535,819
Executive Dir. & Admin	11,862,982	11,443,053
<i>Executive Direction</i>	<i>(2,346,529)</i>	<i>(2,349,343)</i>
<i>Administrative Support</i>	<i>(3,995,441)</i>	<i>(4,087,234)</i>
<i>General Services</i>	<i>(5,521,012)</i>	<i>(5,006,476)</i>
Subtotal	102,759,000	100,578,633
Abandoned Mine Reclamation Fund		
Environmental Restoration	186,697,000	199,604,000
<i>Reclamation Grants</i>	<i>(159,585,000)</i>	<i>(172,065,000)</i>
Environmental Protection	0	0
Technology Dev. & Transfer	4,118,000	3,774,849
Financial Management	6,070,000	5,414,000
Executive Dir. & Admin	6,552,000	6,245,151
<i>Executive Direction</i>	<i>(1,269,100)</i>	<i>(1,260,710)</i>
<i>Administrative Support</i>	<i>(2,160,900)</i>	<i>(2,193,290)</i>
<i>General Services</i>	<i>(3,122,000)</i>	<i>(2,791,151)</i>
Subtotal	203,437,000	215,038,000
Legislated Office of Surface Mining Budget	306,196,000	315,616,633
Legislated Transfer to United Mine Workers Fund	113,681,198	181,844,948
Total	\$419,877,198	\$497,461,581

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

the Abandoned Mine Land appropriations respectively for the purpose of a "government-wide" reduction. However, the Abandoned Mine Land reduction was only temporary for 2002; those funds will be available without further appropriation in 2003. And, as authorized, \$113,681,198 of interest (\$68,163,750 less than 2001) was transferred to the United Mine Workers of America Combined Benefit Fund. The 2002 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 2002, two

performance bond forfeitures resulted in revenue collections of \$2,390.

- 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 2002, \$34,894 in civil penalties was collected. Of that amount, \$34,311 (base penalty and interest) was deposited into the Civil Penalty Fund for reclamation purposes and \$583 (penalties and administrative charges) was transferred to the U.S. Treasury. During 2002, \$90,858 from this fund was obligated for post-Surface Mining Law reclamation projects.

TABLE 14: COLLECTIONS MANAGEMENT

Category	Amount Collected	Balance Owed
Abandoned Mine Land Fees ¹	\$287,066,346	\$2,851,759
Civil Penalties	\$34,894	\$161,709
Total	\$287,101,240	\$3,013,468

1. Abandoned Mine Land Fees & Audits

■ State regulatory program grants were funded at \$56,575,000 which was \$1,000,000 more than 2001. These grants are used to fund state regulatory program payroll and other operational costs.

The Abandoned Mine Land appropriation included the following provisions:

■ State reclamation grants were funded at \$159,585,000 which was \$12,480,000 less than in 2001.

■ 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 2001.

■ 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

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

Fee Compliance

Fee Compliance covers the collection, accounting, audit, investment of Abandoned Mine Land Reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee issues.

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 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.

When the permit for this mine site near Hazard, Kentucky, was obtained in 1981, the land was heavily impacted by pre-1977 abandoned mine problems. Landslides were common, rain on exposed high-sulfur coal pits produced acid drainage, and unsightly exposed highwalls were a safety hazard. The flat terrain that resulted from a mountaintop removal operation was prized in this mountainous area, and in 1983 the reclaimed site was selected for the new Eastern Kentucky Regional Airport. A terminal building and a 3,500-foot runway, constructed by the mining company, have made the airport an outstanding example of a unique and practical post mining land use.



FINANCIAL MANAGEMENT AND ADMINISTRATION



Prior to passage of the Surface Mining Law coal mining often left a barren, unreclaimed landscape that contributed to environmental and safety problems for many years. This scene, typical of the Midwest countryside was recently an active mine site. Immediately after mining, the land was returned to active farming and today it is difficult to distinguish from the surrounding unmined areas. In 2002, this is typical coal mine reclamation under the Surface Mining Law and sites like this can be found in the coal fields throughout the country.

The current amount owed by coal companies is \$3,013,468. The Office of Surface Mining has referred \$916,187 of this amount to the Office of the Solicitor for legal action, \$132,649 to the Treasury Department for collection, and the remaining \$1,964,632 is going through the appeal process, payment plans, or initial debt collection procedures. Table 14 summarizes collections management. Although the Office of Surface Mining is working to eliminate this financial noncompliance, some amount will probably always occur as a result of company errors and financial difficulties.

Office of Surface Mining program costs in 2002 were approximately 2 percent of the collections.

Grants Management

Grants management includes the accounting, disbursement, and reporting on grants awarded to states and tribes for Abandoned Mine Land and regulatory grants. In June 1998, the Chief Financial Officers Council agreed to standardize the use of grant payment systems across the federal government by offering two automated systems. The Office of Surface Mining chose the Automated Standard Application for Payments and will begin implementation in October 2002.

Revenue Management

Revenue management involves managing a variety of non-fee revenues and receivables that come from Office of

Surface Mining's operations. These include the accounting and collection of revenue for civil penalties issued for mining violations, bond forfeitures by federally permitted mining companies, and fees for mine permit reviews and blaster certification training. During 2002, \$34,894 was collected in civil penalties. The collection rate on civil penalty debts issued in 2002 was 12 percent for dollars and 40 percent for numbers of debts. On December 31, 2001, the General Accounting Office issued a report of its review of the Office of Surface Mining's management and collection processes for civil penalty debt. The report confirmed that the primary reason for low collection rates and significant write-offs is the poor financial condition of the debtors, such as bankrupt companies. Companies that are in good financial condition fix their violations and incur relatively small penalties. Companies that are in poor financial condition do not fix their violations and incur large dollar civil penalties.

Administrative Accounting

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

Audited Financial Statements

Since 1990, the Office of Surface Mining has prepared an annual financial statement, as required by the Chief Financial Officers Act of 1990 (Public Law 101-576). In 2002, KPMG LLP audited the financial statements included in this Financial Accountability Report and gave the Office of Surface Mining its 12th consecutive "clean" audit opinion. This means that Office of Surface Mining financial results are fairly stated and conform with generally accepted accounting principles for federal agencies.

Cost accounting

The Office of Surface Mining continued to enhance its cost accounting in 2002, by providing: fiscal year comparative data for each program, graphical representation of costs for all programs, supporting data depicting direct charges, overhead and allocation, and summary level program activities to facilitate cost comparison between offices and regions. In 2003, the activity/output dictionary will be further enhanced and activities and outputs will be redefined to enable more effective management of the programs.

Electronic Funds Transfer

The Office of Surface Mining continued to emphasize compliance with the Electronic Funds Transfer provisions of the Debt Collection Improvement Act of 1996. The Office of Surface Mining transmitted 98.4 percent of vendor payments and 99.98 percent of miscellaneous payments electronically in 2002, for a total of 99.99 percent of all dollars paid.

Integrated Charge Card

During 2002 use of the Integrated Charge Card included 28,812 transactions and \$4,644,184 spent, 19 percent of all vendor dollars disbursed.

Budget Formulation Module

An automated budget formulation module was added to the Management Accounting and Performance System in 2002. Information for personnel costs; i.e. current salaries, benefits, step increases, are automatically entered into the budget module from the Federal Personnel Payroll System. Estimates for travel, equipment, and supplies are entered and individual office budgets are aggregated into a total Office of Surface Mining budget.

Electronic Improvements

The Office of Surface Mining is expanding and developing new electronic products that improve the service to a wide group of constituents. These new products are more efficient and improve reporting and payment requirements.



Because surface mines are usually located in remote locations, the potential for residential postmining land uses is limited. However, at a mine in Colstrip, Montana, the company reclaimed land near the town's center to facilitate home construction. Today, this reclaimed land contains a large number of the community's single-family houses (above).

At this Cutler, Illinois reclamation site almost nine miles of streams were restored after being temporarily diverted during the mining (left). In association with the stream restoration approximately 350,000 trees were planted to provide a diverse wetland, flood plain, and upland wildlife habitat.

■ Electronic-filing of quarterly Coal Reclamation Fee Reports (OSM-1 Forms). Beginning in April 2001 coal companies were provided with the option of reporting coal production statistics using the Internet. The E-filing system streamlines reporting, lowers costs, and reduces dependency on paper-based

processes. Currently approximately 15 percent of the companies file on-line, reporting 60 percent of the total reclamation fees.

■ Treasury Department's Pay.gov. Coal companies can now also pay their quarterly coal reclamation fees using the Internet. In April 2002, the Office of Surface Mining, the U.S. Department of Treasury, and three coal companies successfully conducted a pilot program to accept on-line reclamation fee payments of \$7.2 million and in June 2002, all companies began making internet

FINANCIAL MANAGEMENT AND ADMINISTRATION

payments. For the quarter ending June 30, 2002, 59 companies used Pay.gov to make payments of \$13.2 million.

■ **Single Source Coal Reporting.** During 2002, the Office of Surface Mining continued efforts for a redesign of Applicant/Violator System software. Based on customer feedback, it became apparent that the priority in the redesign should be a user-friendly, web-based, one-stop resource center for mining information. To meet this need, the Office of Surface Mining initiated MINE.gov, a future Internet portal to provide customers one-stop access to coal related data (i.e., Office of Surface Mining, other federal agencies, and state

computer systems). The Office of Surface Mining has established a partnership with other federal and state agencies, the coal industry, and citizens for MINE.gov development, guidance, and oversight.

The first step in MINE.gov is development of a pilot project that will allow industry to report tonnage and other production information on a single electronic form. Currently coal producers are required to report the amount of coal mined to several federal and state agencies on separate forms. With the leadership of the Interstate Mining Compact Commission, a working group was formed to gather all information required by the different agencies. The group's goal was

Wildlife may not usually come to mind when people think of the landscape that results from surface coal mining reclamation. However, wildlife habitat is actually one of the more common postmining land uses. Many mining operations use reclamation techniques to reestablish or even improve wildlife habitats. For example, in the prairie landscape of North Dakota, wetlands provide a critical waterfowl habitat and add diversity that is important for other wildlife. This mine operator carefully designed wetland areas at this site to maximize habitat with undulating wetland edges, diverse vegetation, and creation of both shallow and deep water zones.



Mining requires the use of explosives to break up rock layers in the overburden, or sometimes the coal itself. To prevent damage to nearby dwellings and other structures, blasting must be carefully planned and carried out by qualified blasters. The audible and ground vibratory effects of blasting on residences in the vicinity of active mines are carefully monitored by mining companies. Here the mine operator used a seismograph and recorder to ensure that blasting effects from its mine in Walker County, Alabama were within permissible levels.

to determine the feasibility of eliminating the multiple reporting requirement with a single data collection tool.

Under the President's Business Compliance One-Stop Initiative, led by the Small Business Administration, a demonstration project may be completed as early as October 2002. Several coal companies have agreed to assist the effort by participating when filing reports for the fourth quarter of 2002.

Information Technology

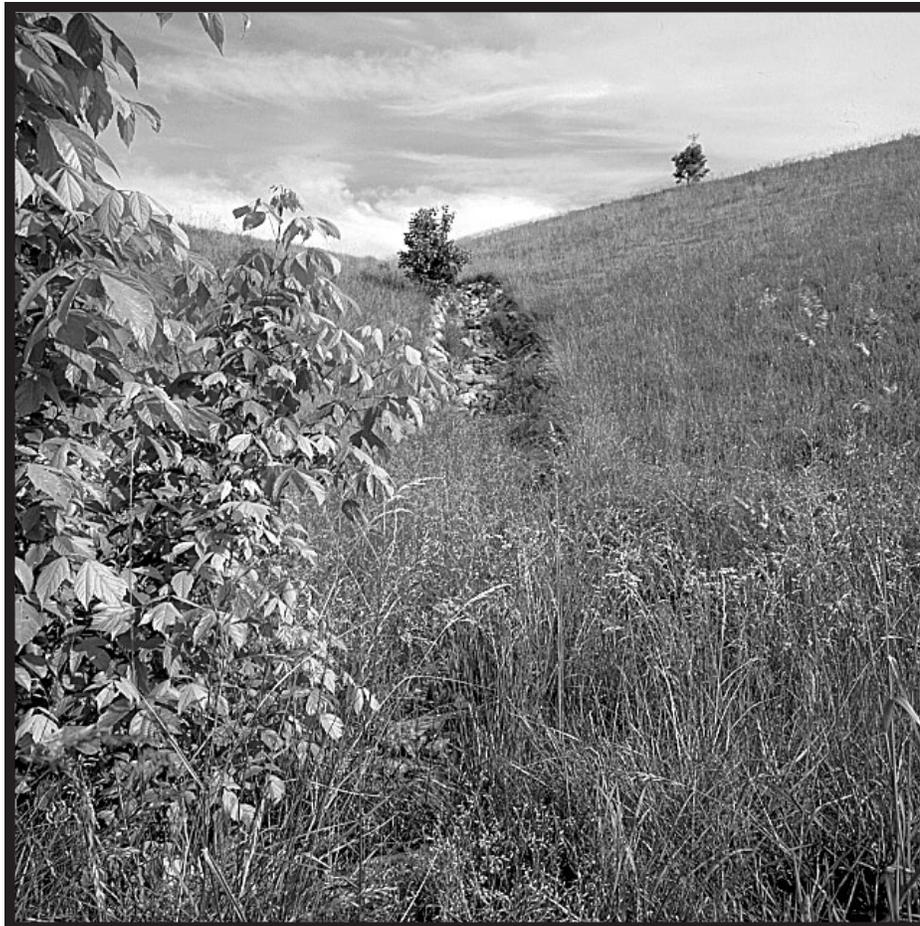
Information Technology in the Office of Surface Mining is used to improve efficiency and support program managers in carrying out the agency's mission. The Office of Surface Mining has greatly increased the security of its telecommunications network, which includes both the Wide and Local Area Networks.

On December 5, 2001, the entire Department of the Interior, including the Office of Surface Mining, was ordered to disconnect from the Internet due to security issues involving Individual Indian Trust Data. The Office of Surface Mining immediately began to improve the security of its electronic systems and was allowed

to reconnect to the Internet on January 22, 2002.

The Office of Surface Mining has continued to improve the security of automated systems to reduce security threats and to improve the integrity of automated information and better protect agency assets. Some of these improvements include the installation of a new Firewall and Intrusion Detection System, moving to a common Enterprise Software Environment, and the reconfiguration of its systems security to be compliant with new government perimeter security requirements. The Office of Surface Mining is continuing to review and make modifications to its existing security procedures in order to provide increased protection to its automated systems.

The thick vegetation and rock-lined waterways on this Eastern Kentucky reclaimed mine site have eliminated erosion and sedimentation. This is a very dramatic difference from the picture in Appalachia before the Surface Mining Law.



Human Resources Management

During 2002, the QuickHire Automated Recruitment, Rating and Ranking System (SMART), continued to be a significant tool for the Division of Human Resources. In 30 months of use the Office of Surface Mining has attracted over 10,000 applicants to its jobs. Using this system and a contract with Career Builder/Headhunter more diverse candidates are being attracted. Currently, more than 40 percent are minority candidates and over 50 percent are women.

The Office of Surface Mining continues to extend outreach to the minority community to gain a more diverse applicant pool and greater interest in working for the Office of Surface Mining. Staff attended various minority based conferences and colleges and met with members of the minority community and minority business. Efforts were continued with the Interior Department to encourage a unified approach to attract more candidates and save the individual bureaus travel costs. This effort will be continued in 2003 in support of the Office of Surface Mining succession planning and commitment to a diverse work force.

As part of the Succession Planning process that was started two years ago, staff contributed to a number of Interior Department projects and documents dealing with Human Capital and Workforce Planning. As a result of Fair Act requirements, the Office of Surface Mining contracted for private sector employees to do processing work. And, during 2002, two specialist positions were eliminated. Staff continued to analyze and create the data necessary to automate the classification process using the QuickClassification. In 2002, human resources staff reviewed and updated position descriptions, developed the necessary factors and relationships to create position descriptions for the Information Technology, Auditor, Miscellaneous Clerical, Human Resources, Reclamation Specialist, and Applicant Violator Systems Inspections Series. Currently under review and development are the Engineering Series: Mining, Civil, and General. Through Quickhire, on-line official personnel folders, the use of EmployeeExpress, and TSP.gov, the human resources program is closer and more responsive to its customers, both Office of Surface Mining employees and outside applicants. The Quick-Classification program should provide a clear picture of duties and responsibilities that are being performed, then using managers input, projections of future

duties can be made. As the QuickClassification program evolves and matures, it will be linked to the QuickHire recruitment program thus directly tying the needs of the office with the competencies of the applicants.

Retirement calculations and counseling sessions continued as the workforce gathered information for planning purposes. Retirements in 2002 were more than double the number in 2001 (19 and 9 respectively). During 2002, Federal Employees Retirement System seminars along with Social Security presentations were given in Pittsburgh and Harrisburg, Pennsylvania. Seminars on Diabetes and Tax Preparation were presented in Washington, D.C.

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



Monitoring Potential Conflicts of Interest

Sections 201(f) and 517(g) of the Surface Mining Law prohibits any federal or state employee "performing any function or duty under this Act" from having "direct or indirect financial interests in underground or surface coal mining operations." The Office of Surface Mining monitors compliance to prevent conflicts with an employee's official duties. In 2001⁹, 630 Office of Surface Mining, 697 other federal, and 2,381 state employees filed financial disclosure statements. Four violations were identified and resolved by the head of the state regulatory authority. In addition, 423 Office of Surface Mining employees received annual ethics training.

Labor Management Partnership

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

Equal Opportunity

On June 4, 2002, the Office of Surface Mining issued a new Affirmative Employment Program Plan for Minorities and Women. This plan allows the Bureau to take proactive steps to promote Equal Employment Opportunity and to examine and respond to potential barriers and problems before they develop into discrimination complaints. The plan consists of a comprehensive program

9. Data for 2001 are reported here because 2002 federal statistics will not be available until January 2003 and state statistics until May 2003.

When handling prime farmland soils special handling methods are needed to meet productivity standards. At this mine, excavators and trucks are used to remove all soil. The spoil is regraded and the subsoil and topsoil replaced. This method makes use of low compaction machinery and minimal equipment is driven on the land (below). The dozer spreading topsoil at this site is a heavy piece of equipment; however, its wide track distributes this weight over a large area and produces very little soil compaction. The results of this special care can be seen when the crop yields are continually higher than the non-mined standard.



analysis of the eight affirmative employment program elements (organization & resources, workforce analysis, discrimination complaints, recruitment and hiring, employee development, promotions, separations, and program evaluation), problem and barrier identification, and objectives and action items.

Although the Office of Surface Mining experienced a decline in its total workforce during 2002, there were a few small gains in the representation of women and Hispanics. The Office of Surface Mining hired 22 new employees, which included 13 women and seven minorities. Additionally, two of the new minorities hired were Hispanic -- the most under-represented group. One woman at the Senior Executive pay level was hired. These hiring gains can be attributed to targeted recruitment by senior management, equal opportunity, and human resources staffs. During this period of limited hiring improving the representation of minorities and women through internal actions became more significant. Of the 83 promotions in 2002, women received 39 and minorities received 19.

The large number of persons leaving the Office of Surface Mining has affected the overall representation of minorities and women. Although there were 22 new hires, there was a loss of 31 employees in fiscal 2002. As a result, an exit interview form is being used to assess employees' reasons for leaving.

Alternative Dispute Resolution continues to be a major focus. During 2002, more than 100 employees were trained in Alternative Dispute Resolution techniques and conflict resolution. In addition, it is significant to note that some employees are participating in these techniques during the formal stage of the complaints process. In the past, most requests came during the informal stage of the complaint. This is a positive change, and it will continue to be encouraged and supported. During 2002, eight complaints of discrimination were filed by four individuals.

Although, this represents an increase of three complaints over the previous year; a review of discrimination complaints filed over the past five years shows a continuous decrease in the number of formal complaints. The continuous decrease can be attributed to training in the area of conflict resolution, successful resolutions during the informal stage of the complaints process, and the efforts by managers to resolve disputes during the earliest stages of the process. At the end of 2002, 31 percent of the complaints were resolved through Alternative Dispute Resolution and the total case load reduced by 71 percent.



As overburden and coal are removed highwalls are formed. Highwalls can be more than 100 feet high and extend thousands of feet. One of the most widespread and dramatically visual problems prior to the Surface Mining Law was highwalls that were left exposed when a mining operation was completed. This regraded and mulched slope at a mining operation in Pike County, Kentucky (above) has been blended with the surrounding terrain and is typical of reclamation under the Surface Mining Law.

The return of a wide variety of wildlife to a reclaimed mine site can be a good indicator of its success. At this reclaimed Iowa mine site green tree frogs were found on the reclaimed land.





PERFORMANCE GOALS AND RESULTS

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

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

In accordance with the Government Performance and Results Act of 1993 and associated Office of Management and Budget guidance, the Office of Surface Mining prepared an annual performance plan for 2002. The Surface Mining plan focuses on on-the-ground program accomplishments to be achieved in each of our core mission goal areas.

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

Secretary Norton's Citizen-Centered Governance Plan implements the President's agenda within the Department of the Interior based upon the Secretary's vision of how the Department is to conduct business using the four Cs -- Communication, Cooperation, and Consultation in the service of Conservation. In carrying out the mandates of the Surface Mining Law, the Office of Surface Mining continues to seek input from state and tribal partners, stakeholders, industry, citizens, and citizen groups. The development of the current suite of goals and measures was completed after extensive consultations with these partners and stakeholders in the mid-1990s. In the summer of 2002, meetings were held with states and tribes to again look at Office of Surface Mining's performance goals and measures.

In 2002, United States coal production was over one billion tons and more than half was used by electric utilities to generate power. In one year at this Missouri power plant (left), 2.5 million tons of coal were used to generate over 5 billion kilowatt hours of electricity. This is enough electricity to supply about a million consumers for one year.

PERFORMANCE GOALS AND RESULTS

Figure 7

Mission

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

Vision

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

Although the core mission has not changed in the 25 years since the passage of the Surface Mining Law, the coal industry itself has evolved and changed. New mining methods are being used to extract coal creating different environmental problems; a large amount of the coal production has shifted to the west; and the industry has become consolidated with large mining corporations instead of the small 'mom and pop' coal operations that were so common in the 1960's and 70's. In addition, the day-to-day on-the-ground accomplishments are primarily due to program performance results achieved by the states and tribes, while the Office of Surface Mining's role has become more oversight and technical assistance.

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

Environmental Restoration: Abandoned Mine Land Reclamation

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

The Abandoned Mine Land program eliminates health and safety hazards resulting from coal mine operations prior to 1977. These sites often pose potential harm to people and property. Operators pay a fee per ton of coal produced into the Abandoned Mine Land Special fund. Appropriations from the fund are provided to the states and tribes in the form of grants to cover the cost of reclamation work. The Office of Surface Mining maintains a nationwide inventory of abandoned mine hazardous sites to track progress toward program accomplishment.

In order to report on program accomplishment toward the final desired outcome (i.e. results) -- restore a safe and clean environment in order to protect people and property -- the Office of Surface Mining developed intermediate measures as indicators of program success. The primary measure is the number of 'acres reclaimed'. For

reporting consistency, reclamation results for each of the hazard types (e.g., number of open shafts, miles of stream, feet of highwall) listed in the inventory are converted to acres. It is estimated that over 1.5 million acres of land have been disturbed and 11,500 miles of streams polluted by coal mining. Since 1977, over 180,000 acres of health and safety coal related problems such as underground fires, subsidence, landslides, open shafts, and highwalls have been reclaimed and over 493 miles of streams have been reclaimed.

Performance Results

In 2002, the Office of Surface Mining, along with the states and tribes, achieved the following results. Acres Reclaimed -- the Office of Surface Mining's goal for 2002 was to reclaim 8,200 acres and 8,019 acres were reclaimed. This is below the 2002 target goal; however, there is a delay in reporting projects completed by the states and it is anticipated that the goal will be attained when all on-the-ground reclamation is reported. In addition, these performance results represent cumulative acres reclaimed. The acres reported reclaimed by states and tribes are usually between two and four years following initial grant funding. Completion of projects varies due to the availability of funds, project size, environmental hazards that exist on the site, and weather conditions.

In 1994, the Appalachian Clean Streams Initiative was begun to address water pollution caused by mining operations. This initiative has evolved into the Appalachian Clean Streams Program that is now a subset of the Abandoned Mine Land program. In the annual appropriations, funding is specifically targeted for water cleanup projects and the measure of performance is the number of newly funded Clean Streams projects. The goal for 2002 was 46 projects and 33 were funded. This is below the target goal because states have started concentrating their efforts on larger projects, thus reducing the overall number of new projects. This trend began several years ago and is reflected in the 2003 and 2004 goal of 28 new projects.

Cost to Reclaim an Acre

In accordance with the Statement of Federal Financial Accounting Standards Number 4 -- Managerial Cost Accounting "outputs produced by responsibility segments should be accumulated and, if practicable, measured in units (and) the full cost should be assigned to outputs...". The Office of Surface Mining has attempted to comply with this standard by computing the cost per acre reclaimed. For 2002, this cost was determined to be \$19,897, 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.

Environmental Protection: Regulation of Active Coal Mines

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

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

As with the Abandoned Mine Land program, intermediate measures of program success have been developed. On-the-ground results are measured by the percentage of coal operations that are free of offsite impacts and by acres released from phase III performance bonds. It is the ultimate goal of the Surface Mining Program to have 100 percent of mine sites free of offsite impacts. As part of each federal and state mine inspection, a determination is made as to whether any negative offsite impacts have occurred or are occurring at the mine site. The goal of the Office of Surface Mining and state partners is to minimize offsite impacts at all mines. The 2002 goal was to have 94 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 identified 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, water pollution or encroachment that would affect people, land, water, or structures outside the permitted area of the mining operations. In 2002, 92.8 percent of the mines were free of offsite impacts. The Office of Surface Mining strives to assure a high percentage of mine sites are free from offsite impacts; but, in 2002, failed to achieve the target by 1.2 percent. Overall on a state-by-state basis the percentage of sites free of offsite impacts remains high.

Program Assessment Rating Tool

Improving programs by focusing on results is an integral component of the President's budget and performance integration initiative. To achieve this end, the Program Assessment Rating Tool was developed and implemented by the Office of Management and Budget. The Program Assessment Rating Tool is a series of questions designed to provide a consistent approach to rating programs across the federal government. Programs are rated in four distinct areas: purpose and design, strategic planning, program management, and program results. The Office of Management and Budget identified approximately 20 percent of federal programs that were rated for 2004 utilizing the Program Assessment Rating Tool. Programs reviewed totaled \$480 billion, or over 24 percent of federal spending, and reflected a diverse mix of discretionary and mandatory programs. For the Office of Surface Mining, the Abandoned Mine Land Grants Program was selected for review under this review process. The Office of Management and Budget, along with the Interior Department and Office of Surface Mining staff conducted the review. Overall, the Program rated a score of 76 percent. The results of the Program Assessment Rating Tool review found the purpose and design, strategic planning, and program management are strengths in the Abandoned Mine Land Grants Program.

PERFORMANCE GOALS AND RESULTS

United Mine Workers Combined Benefit Fund Program

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

Performance Measures

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

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

As of September 30, 2002
(in thousands)

Year of Interest Collection	Interest Collection	1996 Transfer	1997 Transfer	1998 Transfer	1999 Transfer	2000 Transfer	2001 Transfer	2002 Transfer	Transfer To-Date	Interest Balance
1992	\$32,328	\$0	\$0	\$0	\$0	\$0	\$32,328	\$0	\$32,328	\$0
1993 - 1995	132,453	0	0	0	0	68,000	46,573	(23,253)	91,320	41,133
1996	69,384	47,184	0	(10,721)	9,554	(2,535)	3,413	4,687	51,582	17,802
1997	81,007		31,374	7,034	15,129	(4,240)	4,254	5,589	59,140	21,867
1998	67,031			36,249	9,495	7,961	3,896	5,049	62,650	4,381
1999	82,830				47,588	(2,708)	18,647	4,466	67,993	14,837
2000	94,369					42,482	5,231	21,317	69,030	25,339
2001	103,496						67,502	2,498	70,000	33,496
2002	43,278							70,000	70,000	(26,722)
Total	\$706,176	\$47,184	\$31,374	\$32,562	\$81,766	\$108,960	\$181,844	\$90,353	\$574,043	\$132,133

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

COMPLIANCE WITH LEGAL AND FINANCIAL REQUIREMENTS

The following provides information on OSM's compliance with:

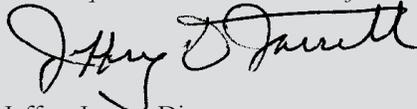
- Federal Managers' Financial Integrity Act (FMFIA);
- Federal Financial Management Improvement Act (FFMIA);
- Other key legal and regulatory requirements

Federal Managers' Financial Integrity Act (FMFIA)

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

Assurance Statement

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



Jeffrey Jarrett, Director

Management Control Review

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

For 2002, we conducted assessments of selected programs and administrative functions sufficient to ensure adequacy of controls in place. Areas for improvement were identified and corrective actions are being implemented. In general, we found our management controls adequate to safeguard our programs and systems against waste, fraud, abuse, and mismanagement. No material weaknesses were identified.

Review	Scope	2002 Management Control Reviews	Results
Acquisition Management	Included Performance Based Service Contracting training, compliance, and reporting; and OSM's purchase card and convenience check program.		Adjustments have been made in the number of cardholders with purchase authority and 36% of purchase cardholders are being moved to an option set with lower credit limits.
Personal Property Management	Included Reports of Survey (ROS) completed, dollars associated with surveys, overturned decisions on ROS, Internet sales of surplus, and exchange/sales of personal property reporting procedures.		No Findings
Improper Payments	In order to comply with statutory requirements and OMB Directives, the Office of Information Management (PIR) and the Office of Acquisition and Property Management (PAM) conducted a Departmental Functional Review of Improper Payments.		No Findings
Sensitive Automated Information System [General Support Systems]	To determine if adequate general support system controls for the HQ Local Area Network and HQ Wide Area Network are in place to prevent waste, fraud, abuse, and mismanagement of Federal funds; and to determine if they are being operated in an effective, efficient and secure manner.		Non-material weaknesses found and corrective action items identified.
Abandoned Mine Land Inventory System (AMLIS) [Mission Critical System]	Ensure adequate security and safeguards are contained in the AMLIS system.		Non-material weaknesses found and corrective action items identified.
Equal Employment Opportunity	Ensure that the EEO Program in the ARCC Regional Coordination Center and Knoxville Field Office were in compliance with EEO laws and regulations, and to assess the effectiveness of the EEO program in achieving EEO goals and objectives. It also provided a mechanism by which programmatic actions could be initiated to improve the quality and effectiveness of the EEO program.		Non-material weaknesses found and corrective action items identified.
Small Operators Assistance Program (SOAP)	Focus was on assessing the effects of recent changes on the management controls of the program, and determining whether any changes to the controls are needed.		Non-material weaknesses found and corrective action items identified.

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, no material weaknesses in the report on internal controls and were in 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 95 percent of purchase transactions were made with charge cards in FY 2002, and the agency continues to promote their increased use, and
- Electronic funds transfer (EFT) was used to make 98.4 percent of the agency's vendor payments covering 99.9 percent of the dollar amount paid.

Debt Collection Improvement Act

OSM collected over 99.8 percent of the Abandoned Mine Land Reclamation Fees due this year, for a total of \$287 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 \$3 million, comprised of \$2.8 million in AML Fees and Audit debt, and \$0.2 million in civil penalties. The \$3.0 million balance includes accounts that may not be collectible. After deducting a \$1.8 million estimate for uncollectible receivables, we estimate that \$1.2 million of this amount should be collectible.

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

CONSOLIDATED BALANCE SHEET

**Department of the Interior
Office of Surface Mining**

As of September 30, 2002 and 2001
(dollars in thousands)

	2002	2001
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Notes 2 and 20)	\$47,653	\$49,008
Investments, Net, Non-Marketable (Notes 3 and 20)	1,895,100	1,863,582
Accounts Receivable, Net (Note 4)	17	2
Total Intragovernmental Assets	1,942,770	1,912,592
Accounts and Interest Receivable, Net (Notes 5 and 20)	1,235	26,152
General Property, Plant and Equipment, Net (Note 6)	2,682	2,576
TOTAL ASSETS	\$1,946,687	\$1,941,320
LIABILITIES (Note 7)		
Intragovernmental Liabilities:		
Accounts Payable (Note 20)	\$220	\$50
Accrued Payroll and Benefits (Note 20)	570	490
Unfunded Payroll Costs	894	679
Other Liabilities (Note 8)	243	802
Total Intragovernmental Liabilities	1,927	2,021
Accounts Payable (Note 20)	8,023	11,158
Accrued Payroll and Benefits (Note 20)	2,694	2,405
Contingent Liabilities (Note 9)	25,049	80,100
Federal Employees Compensation Act Liability	3,460	4,929
Unfunded Payroll Costs	4,307	3,996
Benefits Due and Payable (Notes 10 and 20)	7,909	43,606
Deferred Credits and Other Liabilities (Note 8)	462	528
Total Liabilities	53,831	148,743
Commitments and Contingencies (Note 11)		
NET POSITION		
Unexpended Appropriations	36,038	40,319
Cumulative Results of Operations	1,856,818	1,752,258
Total Net Position (Note 20)	\$1,892,856	\$1,792,577
TOTAL LIABILITIES AND NET POSITION	\$1,946,687	\$1,941,320

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

CONSOLIDATED STATEMENT OF NET COST

**Department of the Interior
Office of Surface Mining**

For the years ended September 30, 2002 and 2001
(dollars in thousands)

	2002	2001
Environmental Restoration		
Gross Cost	\$194,401	\$162,399
Less: Earned Revenue	406	538
Net Cost (Note 20)	193,995	161,861
Environmental Protection		
Gross Cost	55,962	61,725
Less: Earned Revenue	947	1,636
Net Cost	55,015	60,089
United Mine Workers CBF		
Gross Cost	77,984	166,682
Less: Earned Revenue	0	0
Net Cost (Note 20)	77,984	166,682
Totals		
Gross Costs	328,347	390,806
Less: Earned Revenue	1,353	2,174
Net Cost (Note 12)	\$326,994	\$388,632

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

CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION

**Department of the Interior
Office of Surface Mining**

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

	Cumulative Results Of Operations	Unexpended Appropriations
Beginning Balances	\$1,752,258	\$40,319
Budgetary Financing Sources		
Appropriations Received, General Funds		102,800
Other Adjustments (rescissions, etc.)		(1,610)
Appropriations Used	105,471	(105,471)
Abandoned Mine Land Fees (Note 20)	285,580	
Other Non-Exchange Revenue (Note 20)	36,251	
Forfeitures of Cash	4	
Other Financing Sources		
Transfers In (Out) without Reimbursement	(37)	
Imputed Financing from Costs Absorbed by Others	4,285	
Total Financing Sources	431,554	(4,281)
Net Cost of Operations	(326,994)	
Ending Balance	\$1,856,818	\$36,038

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

COMBINED STATEMENT OF BUDGETARY RESOURCES

**Department of the Interior
Office of Surface Mining**

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

Budgetary Resources

Budget Authority -	
Appropriations Received (Note 13)	\$419,971
Unobligated Balance -	
Beginning of Fiscal Year, as Adjusted (Note 14)	54,265
Spending Authority From Offsetting Collections:	
Earned	
Collected	24,620
Receivable From Federal Sources	14
Change in Unfilled Customer Orders	
Without Advance From Federal Sources	(227)
Recoveries of Prior Year Obligations	34,711
Temporarily Not Available Pursuant to Public Law	(23,502)
Permanently Not Available	(1,628)
Total Budgetary Resources	\$508,224

Status of Budgetary Resources

Obligations Incurred (Note 15):	
Direct	
Reimbursable	1,160
Total Obligations Incurred	454,700
Unobligated Balance -	
Apportioned	50,337
Unobligated Balance not Available	3,187
Total Status of Budgetary Resources	\$508,224

Relationship of Obligations to Outlays

Obligations Incurred (Note 15)	\$454,700
Obligated Balance, Net, Beginning of Period, as Adjusted (Note 14)	352,355
Obligated Balance, Net, End of Period:	
Accounts Receivable	17
Unfilled Customer Orders From Federal Sources	254
Undelivered Orders	(342,733)
Accounts Payable	(11,500)
Less: Spending Authority Adjustments	(34,498)
Outlays:	
Disbursements	418,595
Collections	(24,620)
Net Outlays Before Offsetting Receipts	393,975
Less: Offsetting Receipts (Note 16)	(43,556)
Net Outlays	\$350,419

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

CONSOLIDATED STATEMENT OF FINANCING

**Department of the Interior
Office of Surface Mining**

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

Resources Used to Finance Activities

Budgetary Resources Obligated	
Obligations Incurred	\$454,700
Less: Spending Authority from Offsetting Collections and Recoveries	(59,118)
	<hr/>
Obligations Net of Offsetting Collections and Recoveries	395,582
Less: Offsetting Receipts (Note 16)	(43,556)
	<hr/>
Net Obligations	352,026
Other Resources	
Transfers In (Out) without Reimbursement	(37)
Imputed Financing From Costs Absorbed by Others	4,285
	<hr/>
Net Other Resources Used to Finance Activities	4,248
	<hr/>
Total Resources Used to Finance Activities	356,274

Resources Used to Finance Items not Part of the Net Cost

Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but not yet Provided	(4,253)
Resources that Fund Expenses Recognized in Prior Periods	(68,911)
Budgetary Offsetting Collections and Receipts that Do Not Affect the Net Cost	
Offsetting Receipts and Other	43,546
Resources that Finance the Acquisition of Assets	(637)
	<hr/>
Total Resources Used to Finance Items not Part of the Net Cost	(30,255)
	<hr/>
Total Resources Used to Finance the Net Cost	326,019

**Components of the Net Cost that will not Require
or Generate Resources in the Current Period**

Components Requiring or Generating Resources in Future Periods:	
Increase in Annual Leave Liability	311
Change in Unfunded Liabilities and Other	215
Total Components of the Net Cost that will require or Generate Resources in Future Periods (Note 17)	526
Components Not Requiring or Generating Resources:	
Depreciation and Amortization	531
Other, Reconciling Item (Note 18)	(82)
	<hr/>
Total Components of the Net Cost that will not Require or Generate Resource	449
	<hr/>
Total Components of the Net Cost that will not Require or Generate Resources in the Current Period	975

Net Cost of Operations	\$326,994
	<hr/> <hr/>

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

Note 1. Summary of Significant Accounting Policies:

A. Reporting Entity

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

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

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

The accounting structure of OSM is designed to reflect both accrual and budgetary accounting transactions. Under the accrual basis 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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

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 sometimes forfeit bonds and the money is used to reclaim the mine site.
- Investment Fund - Available Special Fund balances, in excess of current cash requirements, are regularly invested in non-marketable federal securities as authorized under Public Law 101-508.

Other - These are temporary holding accounts for resources pending distribution. These are 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 Fiscal Year 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

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 and 3 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. 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. However, the specific analysis method was used for one account because it represented 36% of the outstanding accounts receivable. 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 of 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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

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 \$1.5 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. Asset Classification

Assets can be classified as entity or non-entity and restricted or unrestricted. Entity assets are those that OSM has the authority to use in its operations. OSM's only non-entity assets include certain accounts and interest receivable that will be forwarded to the Treasury upon collection, see note 5 for additional information. In general, large trust funds that are outside the scope of bureau day-to-day operations are further classified by the Department of Interior as restricted. OSM does not hold any restricted assets.

K. 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 the Treasury. OSM reconciles its records with those of the Treasury on a monthly basis. Note 2 provides additional information on Fund Balances with the Treasury.

L. 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.

M. 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 twelve percent of their gross earnings to the plan. CSRS employees have the option of contributing to the thrift savings plan up to seven 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.

N. 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.

O. Use of Estimates

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

Note 2. 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.

The status of the fund balance may be classified as unobligated available, unobligated unavailable and obligated. 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.

(Dollars in thousands)

Fund Balance by Fund Type	2002	2001
General Funds	\$41,399	\$46,941
Special Funds	5,550	749
Other Fund Types	704	1,318
Total	\$47,653	\$49,008
Status of Fund Balance with Treasury		
Unobligated Balance:		
Available	\$1,815	\$1,590
Unavailable	3,891	4,988
Obligated Not Yet Disbursed	41,947	42,430
Total	\$47,653	\$49,008

Analysis of Status of Fund Balance with Treasury

	SBR	Invested	Allocation Accounts	Fund Balance without Budgetary Authority	Net
2002					
Unobligated Balance:					
Available	\$50,337	(\$48,685)	\$163	\$0	\$1,815
Unavailable	3,187	0	0	704	3,891
Obligated Not Yet Disbursed	353,962	(311,358)	(657)	0	41,947
Total	\$407,486	(\$360,043)	(\$494)	\$704	\$47,653
2001					
Unobligated Balance:					
Available	\$50,420	(\$48,830)	\$0	\$0	\$1,590
Unavailable	3,670	0	0	1,318	4,988
Obligated Not Yet Disbursed	351,915	(309,485)	0	0	42,430
Total	\$406,005	(\$358,315)	\$0	\$1,318	\$49,008

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

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, 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 amortization 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 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 recorded at cost, with amounts accrued for unamortized discounts.

(Dollars in thousands)

Security Type	Cost	Unamortized Discount	Investments, Net	Market Value Disclosure
2002				
Non-Marketable:				
Market Based	\$1,895,000	\$0	\$1,895,000	\$1,895,000
Accrued Interest	100		100	100
Totals	\$1,895,100	\$0	\$1,895,100	\$1,895,100
2001				
Non-Marketable:				
Market Based	\$1,866,451	(\$3,063)	\$1,863,388	\$1,863,388
Accrued Interest	194		194	194
Totals	\$1,866,645	(\$3,063)	\$1,863,582	\$1,863,582

At the end of FY 2002, OSM was fully invested in one-day certificates. At the end of FY 2001, OSM's investments included a mix of one-day certificates and bills.

Note 4. Intragovernmental Accounts Receivable, Net:

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

(Dollars in thousands)

	2002	2001
Unbilled Accounts Receivable	\$17	\$2

Note 5. Accounts and Interest Receivable, Net:

Accounts receivable with the public are recorded net of the allowance for doubtful accounts. These receivables represent uncollected Abandoned Mine Land, civil penalty and audit fees. The accounts receivable balance at September 30, 2001 included a refund receivable due from the United Mine Workers Combined Benefit Fund in the amount of \$23,328 thousand, which was accrued during FY 2001 and was collected in FY 2002. An aging of OSM's accounts receivable with the public is displayed below for both fiscal years.

(Dollars in thousands)

	Unbilled	Current	Past Due Accounts			Allowance for Doubtful Accounts	Net Receivables
			1-180 Days	181-365 Days	Over 1 Year		
2002							
Non-Entity	\$0	\$0	\$1	\$0	\$2	(\$3)	\$0
Entity	0	1,560	420	218	836	(1,799)	1,235
Total Receivables	\$0	\$1,560	\$421	\$218	\$838	(\$1,802)	\$1,235
2001							
Non-Entity	\$0	\$0	\$1	\$0	\$21	(\$19)	\$3
Entity	23,328	811	948	90	2,325	(1,353)	26,149
Total Receivables	\$23,328	\$811	\$949	\$90	\$2,346	(\$1,372)	\$26,152

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 the Treasury. An intragovernmental payable is established at the same time the receivable is established. An analysis of OSM's allowance for doubtful accounts is provided below.

(Dollars in thousands)

	Gross A/R	Allowance for Doubtful Accounts			Ending Balance	Net A/R
		Beginning Balance	Additions	Reductions/ Collections		
2002						
Total Receivables	\$3,037	\$1,372	\$2,762	(\$2,332)	\$1,802	\$1,235
2001						
Total Receivables	\$27,524	\$3,164	\$1,044	(\$2,836)	\$1,372	\$26,152

Note 6. 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)

Equipment Type	Service Life in Years	Acquisition Value	Accumulated Depreciation	Net Book Value
2002				
ADP	15	\$1,930	(\$1,402)	\$528
Office	11-20	974	(261)	713
Vehicles	6-10	2,987	(1,546)	1,441
Total		\$5,891	(\$3,209)	\$2,682
2001				
ADP	15	\$2,066	(\$1,506)	\$560
Office	11-20	898	(232)	666
Vehicles	6-10	2,758	(1,408)	1,350
Total		\$5,722	(\$3,146)	\$2,576

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

Note 7. Liabilities:

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

(Dollars in thousands)

2002	Liabilities Covered by Budgetary Resources		Liabilities Not Covered by Budgetary Resources		Total
	Current Liabilities	Non-Current Liabilities	Current Liabilities	Non-Current Liabilities	
Intragovernmental:					
Accounts Payable	\$220	\$0	\$0	\$0	\$220
Other:					
Accrued Payroll and Benefits	570				570
Unfunded Payroll Costs			290	604	894
Other Liabilities	243				243
Total Other	813	0	290	604	1,707
Total Intragovernmental Liabilities	1,033	0	290	604	1,927
Accounts Payable	8,023				8,023
Federal Employee Compensation Act Liability				3,460	3,460
Benefits Due and Payable			7,909		7,909
Other:					
Accrued Payroll and Benefits	2,694				2,694
Contingent Liabilities			25,049		25,049
Unfunded Payroll Costs				4,307	4,307
Deferred Credits and Other Liabilities			462		462
Total Other	2,694	0	25,511	4,307	32,512
Total	10,717	0	33,420	7,767	51,904
Total Liabilities	\$11,750	\$0	\$33,710	\$8,371	\$53,831

(Dollars in thousands)

2001	Liabilities Covered by Budgetary Resources		Liabilities Not Covered by Budgetary Resources		Total
	Current Liabilities	Non-Current Liabilities	Current Liabilities	Non-Current Liabilities	
Intragovernmental:					
Accounts Payable	\$50	\$0	\$0	\$0	\$50
Other:					
Accrued Payroll and Benefits	490				490
Unfunded Payroll Costs			272	407	679
Other Liabilities	790			12	802
Total Other	1,280	0	272	419	1,971
Total Intragovernmental Liabilities	1,330	0	272	419	2,021
Accounts Payable	11,158				11,158
Federal Employee Compensation Act Liability				4,929	4,929
Benefits Due and Payable			43,606		43,606
Other:					
Accrued Payroll and Benefits	2,405				2,405
Contingent Liabilities				80,100	80,100
Unfunded Payroll Costs				3,996	3,996
Deferred Credits and Other Liabilities			528		528
Total Other	2,405	0	528	84,096	87,029
Total	13,563	0	44,134	89,025	146,722
Total Liabilities	\$14,893	\$0	\$44,406	\$89,444	\$148,743

Note 8. Other Liabilities and Deferred Credits:

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

(Dollars in thousands)	2002	2001
Intragovernmental Other Liabilities:		
Advances from Others	\$243	\$790
Miscellaneous	0	12
Total Intragovernmental Other Liabilities	\$243	\$802
Deferred Credits and Other Liabilities:		
Deposit and Suspense Funds	\$462	\$528

Note 9. Contingent Liabilities:

Contingent Liabilities:

There have been claims filed against OSM with adjudications pending. As of September 30, 2002, a liability of \$25,049 thousand has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability is estimable. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements and the resultant outcomes should not materially affect OSM's future financial condition or operations. The related liability at September 30, 2001 was \$80,100 thousand.

In addition to the amounts disclosed above, OSM has adjudications pending where the likelihood of an unfavorable outcome is reasonably possible. An estimate of potential loss for pending adjudications in this category for FY 2002 ranges from \$560 to \$22,645 thousand and the FY 2001 amounts range from \$8,800 to \$31,614 thousand. However, no amounts have been accrued in the financial records for claims where the probability or amount of judgment is uncertain.

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.

Note 10. Benefits Due and Payable:

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

The financial statements include accrued benefits due and payable to the UMWA-CBF in the amounts of \$7,909 and \$43,606 thousand for September 30, 2002 and 2001, respectively. These amounts reflect adjustments to actual costs of previous years estimated amounts.

Note 11. Commitments and Contingencies:

OSM does not have any loss contingencies other than those disclosed in Note 9 related to pending litigation. Additionally, OSM does not have contractual arrangements, which may require future financial obligations.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

Note 12. Net Cost by Segment:

OSM's net cost is presented below by responsibility segment and program activity with intragovernmental and public disclosures. The Office of Surface Mining Operations segment accounts for those net costs required to operate OSM and its Federal programs that are not transferred to states and tribes in the form of grants. The negative net cost in the Operations segment and Environmental Protection program is attributable to a large downward re-estimate of a contingent legal liability, see Note 9 for additional information. Intragovernmental gross costs approximate intragovernmental revenues with the addition of a pro rata share of imputed costs.

2002 Supporting Schedule by Responsibility Segment
(Dollars in thousands)

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

2001 Supporting Schedule by Responsibility Segment
(Dollars in thousands)

	Environmental Restoration	Environmental Protection	UMWA CBF Transfer	2001 Total
Office of Surface Mining Operations				
Gross Costs with the Public	\$32,723	\$9,426	\$0	\$42,149
Less: Earned Revenue from the Public	300	91		391
Net Cost with the Public	32,423	9,335		41,758
Intragovernmental Gross Costs	240	1,608		1,848
Less: Intragovernmental Earned Revenue	238	1,545		1,783
Intragovernmental Net Costs	2	63		65
Total Net Cost	32,425	9,398		41,823
Grants to States and Tribes				
Gross Costs with the Public	129,436	50,691		180,127
Less: Earned Revenue from the Public	0	0		0
Net Cost with the Public	129,436	50,691		180,127
Authorized Special Payments				
Gross Costs with the Public			166,682	166,682
Less: Earned Revenue from the Public			0	0
Net Cost with the Public			166,682	166,682
Net Cost	\$161,861	\$60,089	\$166,682	\$388,632

Note 13. Appropriations Received:

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

Note 14. Change in Accounting Policy:

During FY 2002, OSM implemented the requirements of OMB Bulletin No. 01-09, Form and Content of Agency Financial statements, related to the reporting of allocation transfer amounts in the Statement of Budgetary Resources. Allocation transfers are used for the transfer of budget authority between other Department of the Interior bureaus or other agencies. The effect of this change in accounting policy requires an adjustment to the beginning FY 2002 unobligated and obligated balances in the amounts of \$175 and \$440 thousand, respectively.

Note 15. Obligations Incurred:

All of OSM's direct and reimbursable obligations are incurred against amounts apportioned under Category B, as determined in accordance with OMB Circular A-11. This amount agrees with the aggregate of the related information as reported on the year-end SF-133, Report on Budget Execution.

Note 16. Offsetting Receipts:

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

Note 17. Relationship Between Liabilities Not Covered by Budgetary Resources on the Balance Sheet and the Change in Components Requiring or Generating Resources in Future Periods:

Increases in unfunded liabilities that are not covered by budgetary resources (see Note 7) are displayed in this section of the statement.

(Dollars in thousands) Liability	2002	2001	Increase
Increase in Annual Leave Liability: Unfunded Payroll Costs	\$4,307	\$3,996	\$311
Change in Unfunded Liabilities: Unfunded Payroll Costs	894	679	215
Total	<u>\$5,201</u>	<u>\$4,675</u>	<u>\$526</u>

Note 18. Reconciling Item:

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

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

NOTES TO FINANCIAL STATEMENTS

FOR THE YEARS ENDED SEPTEMBER 30, 2002 AND 2001

Note 19. 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 2003 through FY 2007 and beyond below. For non-Federally owned property, an occupancy agreement is executed, and again OSM may normally cancel these agreements with 120 days notice. The estimated rent payments to GSA for both Federally-owned and publicly-owned buildings are presented in the table that follows. OSM does not have any capital or non-GSA equipment or other property leases. OSM's rental expense for 2002 and 2001 was \$2,905 and \$3,833 thousand, respectively.

(Dollars in thousands)

Fiscal Year	GSA Real Property
2003	\$2,487
2004	2,346
2005	1,227
2006	1,186
2007	1,211
After 5 Years	375
Total Future Lease Payments:	\$8,832

Note 20. Dedicated Collections, AML Fund:

Public Law 95-87 established the Office of Surface Mining (OSM) and authorized the collection of a fee from Coal Mine Operators. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to pay the cost of abandoned mine land reclamation projects. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each state or tribe with an approved reclamation program are to be allocated to that state or tribe. This 50 percent is designated as the state or tribal share of the fund. The remaining 50 percent (the federal share) is used by OSM to complete high priority and emergency projects, to fund the Small Operator Assistance Program, to fund additional projects directly through state reclamation programs, and to pay collection, audit, and administration costs.

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

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

The following table provides condensed information on the AML Fund:

(dollars in thousands)

	2002	2001
Fund Balance with Treasury	\$5,318	\$391
Investments, Net	1,895,100	1,863,582
Accounts and Interest Receivable, Net	1,214	2,703
Total Assets	\$1,901,632	\$1,866,676
Liabilities:		
Accounts Payable	\$6,644	\$8,130
Accrued Payroll and Benefits	925	856
Total Liabilities	\$7,569	\$8,986
Total Net Position	1,894,063	1,857,690
Total Liabilities and Net Position	\$1,901,632	\$1,866,676
Net Position, Beginning of Fiscal Year	\$1,857,690	\$1,827,250
Exchange Revenue - Services Provided and Other	356	320
Non-exchange Revenue:		
AML Fee Revenue	285,580	283,949
Investment Interest and Other	36,330	90,235
	(195,540)	(162,219)
	(90,353)	(181,845)
	\$1,894,063	\$1,857,690

Payments to the UMWA CBF are made in advance based on the number of beneficiaries and an estimate of their benefit costs. Under current practice, the estimate is then adjusted to actual costs as health benefits are paid in subsequent years. In addition to the amounts above, the financial statements include accrued unfunded benefits due and payable to the UMWA CBF in the amounts of \$7,909 and \$43,606 thousand as of September 30, 2002 and 2001, respectively. These amounts reflect adjustments to actual costs of previous years estimated amounts.

AML program expenses approximate the net cost for the Environmental Restoration GPRA program activity with the addition (+/-) of a pro rata share of allocated costs. Net costs for the UMWA CBF program may differ from actual payments by changes in amounts for accrued unfunded liabilities or refund receivables due to OSM.

SUPPLEMENTARY STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT

**Department of the Interior
Office of Surface Mining**

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

	Abandoned Mine Lands	Regulation and Technology	Total
Budgetary Resources			
Budget Authority:			
Appropriations Received	\$317,136	\$102,835	\$419,971
Unobligated Balance:			
Beginning of Fiscal Year	49,005	5,260	54,265
Spending Authority From Offsetting Collections:			
Earned			
Collected	23,678	942	24,620
Receivable From Federal Sources	6	8	14
Change in Unfilled Customer Orders			
Without Advance From Federal Sources	(169)	(58)	(227)
Recoveries of Prior Year Obligations	32,451	2,260	34,711
Temporarily Not Available Pursuant to Public Law	(23,502)	0	(23,502)
Permanently Not Available	(18)	(1,610)	(1,628)
Total Budgetary Resources	\$398,587	\$109,637	\$508,224
Status of Budgetary Resources			
Obligations Incurred			
Direct	\$349,662	\$103,878	\$453,540
Reimbursable	132	1,028	1,160
Total Obligations Incurred	349,794	104,906	454,700
Unobligated Balance:			
Apportioned	48,793	1,544	50,337
Unobligated Balance not Available	0	3,187	3,187
Total Status of Budgetary Resources	\$398,587	\$109,637	\$508,224
Relationship of Obligations to Outlays			
Obligations Incurred	\$349,794	\$104,906	\$454,700
Obligated Balance, Net, Beginning of Period	310,587	41,768	352,355
Obligated Balance, Net, End of Period:			
Accounts Receivable	9	8	17
Unfilled Customer Orders From Federal Sources	60	194	254
Undelivered Orders	(309,840)	(32,893)	(342,733)
Accounts Payable	(7,562)	(3,938)	(11,500)
Less: Spending Authority Adjustments	(32,288)	(2,210)	(34,498)
Outlays:			
Disbursements	310,760	107,835	418,595
Collections	(23,678)	(942)	(24,620)
Net Outlays Before Offsetting Receipts	287,082	106,893	393,975
Less: Offsetting Receipts	(43,556)	0	(43,556)
Net Outlays	\$243,526	\$106,893	\$350,419

KPMG LLP AUDIT OPINION

C-IN-OSM-0095-2002



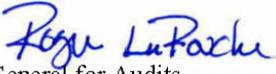
United States Department of the Interior

Office of Inspector General
Washington, D.C. 20240

February 28, 2003

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 2002 and 2001
(No. 2003-I- 0022)

We contracted with KPMG LLP (KPMG), an independent certified public accounting firm, to audit the Office of Surface Mining Reclamation and Enforcement's (OSM) financial statements as of September 30, 2002 and for the year then ended. The contract required that KPMG conduct its audit in accordance with the Comptroller General of the United States of America's *Government Auditing Standards*, the Office of Management and Budget's Bulletin 01-02 *Audit Requirements for Federal Financial Statements*, and the General Accounting Office/President's Council on Integrity and Efficiency's *Financial Audit Manual*.

In its Independent Auditor's Report dated November 15, 2002 (Attachment 1), KPMG issued an unqualified opinion on OSM's financial statements. KPMG did not note any reportable conditions 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 system did not substantially comply with the requirements of the *Federal Financial Management Improvement Act* (FFMIA).

In connection with the contract, we monitored the progress of the audit at key points, reviewed KPMG's report and selected related working papers, and inquired of its representatives. Our review, as differentiated from an audit in accordance with the *Government Audit Standards*, was not intended to enable us to express, and we do not express, an opinion on the OSM's financial statements, conclusions about the effectiveness of internal controls, conclusions on whether OSM's financial management systems substantially complied with the three requirements of FFMIA, or conclusions on compliance with laws and regulations. KPMG is responsible for the auditors' report and for the conclusions expressed in the report. Our review disclosed no instances where KPMG did not comply in all material respects with the *Government Auditing Standards*.

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

Attachment

KPMG LLP AUDIT OPINION

ATTACHMENT 1



Suite 2700
707 Seventeenth Street
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 sheets of the Office of Surface Mining Reclamation and Enforcement (OSM) as of September 30, 2002 and 2001, and the related consolidated statements of net cost for the years then ended, and the related consolidated statement of changes in net position, combined statement of budgetary resources, and consolidated statement of financing for the year ended September 30, 2002 (hereinafter referred to as the 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 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 disclosed no instances of noncompliance with laws and regulations that are required to be reported under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

The 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 sheets of the OSM as of September 30, 2002 and 2001, and the related consolidated statements of net cost for the years then ended, and the related

consolidated statement of changes in net position, combined statement of budgetary resources, and consolidated statement of financing for the year ended September 30, 2002.

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, 2002 and 2001, and its net costs for the years then ended, and its changes in net position, budgetary resources, and reconciliation of net cost to budgetary obligations for the year ended September 30, 2002, in conformity with accounting principles generally accepted in the United States of America.

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

INTERNAL CONTROL OVER FINANCIAL REPORTING

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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 that we have reported to the management of the OSM in a separate letter dated November 15, 2002.

COMPLIANCE WITH LAWS AND REGULATIONS

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

The results of our tests of FFMI A 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 Responsibilities

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

KPMG LLP AUDIT OPINION

Management is responsible for the financial statements, which includes:

- 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 preparation of the Management's Discussion and Analysis (including the performance measures) and required supplementary information; and
- Complying with laws and regulations, including FFMIA.

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

Auditors' Responsibilities

Our responsibility is to express an opinion on the financial statements of the OSM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

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

In planning and performing our fiscal year 2002 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 thereon.

As required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Management's Discussion and Analysis, we obtained an understanding of the design of significant internal 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 thereon.

As part of obtaining reasonable assurance about whether the OSM's fiscal year 2002 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 FFMA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws and regulations applicable to the OSM. Providing an opinion on compliance with laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

Under OMB Bulletin No. 01-02 and FFMA, 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 FFMA 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 the 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

November 15, 2002



OFFICE OF SURFACE MINING

**1951 CONSTITUTION AVE., N.W.
WASHINGTON, DC 20240
WWW.OSMRE.GOV
202-208-2719
GETINFO@OSMRE.GOV**