



Abandoned Mine Reclamation

One of America's most successful environmental programs

Office of Surface Mining

2004 Annual Report

The Office of Surface Mining¹ is a bureau of the U.S. Department of the Interior with responsibility, in cooperation with states and Indian Tribes, to protect citizens and the environment during coal mining and reclamation, and to reclaim mines abandoned before 1977.

Who we are

The Office of Surface Mining is a small bureau (about 600 employees nationwide) operating under authority of the Surface Mining Law². The Office of Surface Mining is organized around two 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), eight field offices, and 11 area offices.

The current annual operating budget is approximately \$300 million. That amount 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.

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

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This year's report

The 2004 Annual Report contains updated descriptions and statistical information about the Office of Surface Mining programs that implement the Surface Mining Law.

This year's report emphasizes abandoned mine land reclamation achievements under the Surface Mining Law. The captioned photos in the portfolio at the end of the Abandoned Mine Land chapter and those used throughout this report show a wide range of reclamation completed across the country over the past 27 years. These photos show a snapshot of reclamation success and foresight that the architects of the Law envisioned in 1977.



This report describes the operations of the Interior Department's Office of Surface Mining for the period October 1, 2003 through September 30, 2004 (Fiscal Year 2004)³. To meet the Interior Department's 2004 reporting schedule, some state program performance information was collected for the 12-month period of July 1, 2003 - June 30, 2004⁴. All state program statistics reported for the July-June period are clearly identified and footnoted.

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 Surface Mining 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 Program⁵ which is administered by the Secretary of Agriculture.

To allow comparison of statistics from year to year, this report contains updated tabular data corresponding to that found in annual reports prepared since 1988. Also, it is organized in sections that correspond to the two principal activities performed by the Office of Surface

Cover: Abandoned mine land sites frequently contain a variety of environmental problems. At this 45-acre West Virginia site adjacent to a small town, 11 abandoned underground mine openings were discharging acid water, mountains of exposed coal refuse from an abandoned coal cleaning plant covered the valley floor, and 6,500 linear feet of dangerous highwalls from an abandoned pre-Law surface mine were present. After reclamation, it is difficult to find any traces of past mining or the associated abandoned mine problems. Here, as specified in the Surface Mining Law, use of abandoned mine land funds has resulted in permanently removing mining-related health and safety hazards, leaving the land essentially as it was before mining took place. Since 1977 more than three million linear feet of dangerous highwalls and 16,000 acres of dangerous refuse piles and embankments have been reclaimed.

Mining in implementing the Surface Mining Law, abandoned mine land reclamation and regulation of active coal mines, and two supporting activities, technology development and transfer, and financial management and administration.

Principal distribution of this report is in electronic format. It is available on the Office of Surface Mining web site at (www.osmre.gov/annualreport.htm) and CD-ROM. The CD contains all Office of Surface Mining Annual Reports (1978-2004), and two short video presentations showing 2004 active and abandoned mine award winning reclamation. In addition, active web links to more detailed information are available when using the electronic version of the report. Printed copies of this Annual Report are also available and will be distributed to the public upon request.

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

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1. The Office of Surface Mining Reclamation and Enforcement (OSMRE).
2. Public Law 95-87, Surface Mining Control and Reclamation Act of 1977 (SMCRA).
3. Throughout this document "2004" refers to Fiscal Year 2004 (10/1/03 - 9/30/04) unless otherwise noted.
4. Statistics for the fourth quarter (July 1, 2003 - September 30, 2003) are included in state program data reported in both the 2003 and 2004 Office of Surface Mining Annual Reports.
5. Administered by the Natural Resources Conservation Service (formerly the Soil Conservation Service) under the U.S. Department of Agriculture. The Rural Abandoned Mine Program is primarily aimed at addressing health, safety, and environmental problems posed by surface mining operations in rural areas. A total of \$196 million has been appropriated from the Abandoned Mine Land Fund for this program; however, no funds have been appropriated since 1995.

Introduction



A message from

Office of Surface Mining Director Jeffrey Jarrett reports on accomplishments achieved during 2004 and sets out future directions for abandoned mine land reclamation

It has been 27 years since passage of the Surface Mining Law. Land reclamation and environmental protection have become a routine part of the coal mining process. In addition, a large number of mine sites abandoned prior to the passage of the Surface Mining Law have been reclaimed, protecting the lives and health of millions of Americans living and working in the coal fields.

Accomplishments over the past 27 years include reclamation of more than 190,000 acres of abandoned coal mine sites and over 5.5 million acres of land were permitted and mined in compliance with the environmental protection standards of federal and state law. The mining industry has produced more than 25.2 billion tons of coal during that time providing half of our nation's electricity and helping fuel our nation's leadership of the global economy.

This annual report provides an opportunity to review the Office of Surface Mining's key issues and achievements in 2004. While we have faced critical challenges this year, we are proud to report on the significant strides forward we have made.

Clearly our greatest challenge in 2004 has been the looming expiration of the Office of Surface Mining's authority to collect the abandoned mine land reclamation fee. For nearly two years, we have been working with stakeholders not just on reauthorizing the abandoned mine land reclamation fee collection authority, but on making the Abandoned Mine Land Program more effective and efficient. Through this effort, we have approached reauthorization with four

simple goals: 1) to extend authorization for collection of fees on coal production to fund the reclamation of lands and water damaged by past coal mining practices; 2) to revise the Abandoned Mine Land Reclamation Program to focus on coal-related sites that present a danger to public health or safety; 3) to honor commitments made to states, tribes and the unassigned beneficiaries of the United Mine Workers Combined Benefit Fund; and 4) to provide for enhancements, efficiencies and the effective use of abandoned mine land funds.

Reauthorization

In February of 2004, I was proud to stand with Secretary Norton and unveil the Administration's proposal to accomplish these goals. The Administration's bill, sponsored by Sen. Arlen Specter (Pennsylvania) and Rep. John Peterson (Pennsylvania), would allow us to complete the job of reclaiming high-priority health and safety-related abandoned coal sites, and complete them sooner, getting more people in the coalfields out of danger in less time. The bill calls for providing additional funding for health care benefits for unassigned beneficiaries in the United Mine Workers Combined Benefit Fund (the 17,000 beneficiaries covered under the Combined Benefit Fund that were the responsibility of companies that no longer exist). The bill honors the commitments made in the past and returns 50 percent of the fees collected to date to the states and tribes. The bill also provides for other efficiencies and for a more effective Abandoned Mine Land Program. Finally, the bill would accomplish these feats at a cost savings of \$3.2 billion.

The Administration did more than just talk about a plan, it backed it up with a budget. To support this legislation, the President requested a record increase of \$53 million for the Abandoned Mine Land Program in his 2005 budget proposal - the largest funding increase since states established their abandoned mine land programs.

Photo to left: An Illinois mining company assumed reclamation and water treatment responsibility for past mining problems when it purchased this 8,000-acre mine in 1967. This abandoned mine was often referred to as the nation's worst example of pre-Surface Mining Law acid soil and water problems associated with surface coal mining. To meet Environmental Protection Agency discharge standards, a plant was constructed to treat 3.5 million gallons of acid mine drainage each day. However, without reclamation to eliminate the sources of acid runoff, costly treatment would be a continuing problem. In the early 1980's reclamation of this abandoned mine began as the nation's largest mined-land wetland reclamation effort. Today, the result is often described as the nation's best example of wetland and wildlife development on surface-mined land.

the Director

While the Administration bill provides an effective and cost-efficient solution to the issues, several other bills have been introduced which encompass the Administration's fundamental goals while differing in the methods to achieve these goals. Those bills have been the subject of various Congressional hearings and countless discussions. Nevertheless, the scheduled deadline of September 30 came upon us without a resolution.

To insure that benefits were not cut off to retired miners and their families that are beneficiaries of the United Mine Workers of America Combined Benefit Fund, we took the steps of establishing new fee rates to become effective upon the expiration of the current reclamation based abandoned mine land fees. Under the Surface Mining Law, once the Office of Surface Mining's authority to levy a fee for reclamation ceases, the authority to establish a fee that would continue the transfer of funds to the Combined Benefit Fund goes into effect. With the deadline approaching, the new fee rate was published in the form of a final rule to avoid any lapse in benefits. However, we also published a companion proposed rule to solicit comment from the public on the new fee structure.

In the final hours, discussions emerged in both the Senate and the House to extend the Abandoned Mine Land fee collection authority. As of the date of this writing, a proposed nine month extension of the current abandoned mine land fee authority is pending before the Senate as part of the Department of the Interior's appropriation bill and a similar provision is anticipated to be taken up in the House of Representatives. However, since the Interior Department's appropriations have not been passed, a continuing resolution is in effect to continue to fund governmental operations. A specific extension of the abandoned mine land fee collection authority was made part of the continuing resolution, keeping the current authority and fee rates in place through the expiration of the continuing resolution. As a result of this action, the new Combined Benefit Fund-based fee rate will be held in abeyance pending formal action on the Abandoned Mine Land Program to reauthorize or extend the current abandoned mine land fee collection authority.

The continuing resolution demonstrates that Congress recognizes the importance of the Abandoned Mine Land Program and the work that remains to be completed. I am hopeful that this spotlight placed on the Abandoned Mine Land Program will serve as a catalyst for more intense discussions on reasonable

and equitable steps forward in addressing these problems and protecting the health and safety of those at risk by putting money where the problems are and finishing the job.

While working toward abandoned mine land reauthorization required a significant effort on the part of this agency, we did not lose focus on other important elements of our program.

Innovation and Applied Science

The Office of Surface Mining has demonstrated its commitment to protecting the health, safety, and environment for the people who live and work in coalfield communities. 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. This year saw the emergence of our National Technical Transfer Team as well as widely attended and praised national and regional workshops and forums on beneficial geographic information systems applications, coal combustion by-products, and the protection of bats.

Regulatory Stability

This year we continued to take steps to protect the environment while ensuring an affordable, reliable energy supply by working towards regulatory stability. A stable regulatory program provides certainty so that coal companies know what is expected of them and citizens know what is intended and how they can participate. Our new approach to rulemaking relies heavily on nationwide rulemaking teams composed of subject matter experts. The lead for each rulemaking is located in the region where the issue being dealt with is most prominent. This year we proposed regulations to address areas of concern that have arisen during the course of implementing the Office of Surface Mining's regulatory program. The regulations which are currently under development will increase administrative efficiency and promote practices which minimize or mitigate environmental damage while maintaining coal production.

Achieving stability also requires defending past actions when they are appropriate. This year, an important Office of Surface Mining regulatory rule remained intact following a U.S. Supreme Court decision not to review a lower court's decision to uphold the

Secretary's rule interpreting subsidence from underground mining not as falling within the scope of the term "surface coal mining operations" as defined in section 701(28) of the Surface Mining Law (*Citizens Coal Council v. Norton*, No. 02-5136 (D.C. Cir.).

Oversight

In 2003, the Office of Surface Mining stepped in to takeover partial control of Missouri's regulatory program because the state was unable to meet the standards of the Surface Mining Law. On May 25, 2004, the Office of Surface Mining notified the Missouri Regulatory Authority that based on its proposed financial and organizational plan, the current federal substitution plan would continue for another year (July 1, 2004 through June 30, 2005).

The Office of Surface Mining, in conjunction with state regulatory authorities, successfully ensured that cleanup will be addressed at about 425 coal mine sites in five states despite the bankruptcy of Horizon Natural Resources Company, reportedly the largest coal bankruptcy in U.S. history.

A bankruptcy is never good news and there are a lot of unresolved issues surrounding this one that may negatively impact people's jobs, health benefits, and lives, but I am pleased that the Office of Surface Mining was able to successfully ensure that reclamation will occur. These mines will be restored to use and not become an additional negative impact on people's lives. Without this settlement, many of these mines would have presented lingering hazards to people's health and safety.

Good Neighbor Awards

This year we presented our second annual "Good Neighbor Awards" to recognize coal operators for their outstanding cooperative efforts in working with their communities. This well received program builds upon our long standing and highly coveted national reclamation awards and honors coal operators for exemplary interaction, communication, and involvement with the surrounding land owners and local community. Establishment of good working relations and interaction with mine neighbors is an important element of the Surface Mining Law that mine operators are achieving in many different ways.

Supporting Organization of the Year

Communicating, cooperating, and consulting all in the service of conservation continues to guide activities at the Office of Surface Mining. This year we were proud to have been named "Supporting Organization of the Year" for 2003 by the National Association of Resource Conservation and Development Councils. The award is the highest recognition given by the Association and recognizes the leadership role the Office of Surface Mining has taken in its work with the Resource and Conservation Districts community, specifically the Black Diamond Resource and Conservation District Council, which coordinates community improvement projects across six counties in the coal country of southwestern Virginia. Resource and Conservation Districts are nonprofit organizations supported by the U.S. Department of Agriculture. The Office of Surface Mining won the Virginia state award last year after being nominated by Black Diamond Resource and Conservation District. Black Diamond recognized the Office of Surface Mining "for its innovation and spirit, its outreach and team building, and its commitment to local partnerships."

Reforestation Initiative

A state/federal team led by the state regulatory authorities and the Office of Surface Mining is working to get more high-value hardwood trees planted on reclaimed coal mined lands in Appalachia. The Appalachian Regional Reforestation Initiative will make use of partnerships between the Office of Surface Mining, state regulatory authorities, academia, other government agencies, private groups, coal industry, and land owners to reduce barriers to reforestation and provide assistance and encouragement to get more quality trees planted correctly on mined lands.

Since its creation, the Office of Surface Mining has played a vital role in achieving important developments to protect the health and safety of our citizens and shepherd America's coal production in a consistent, fair and environmentally sound manner. The dedicated employees of the Office of Surface Mining family remain committed to fulfilling our mission, improving the lives of Americans who live in and around coal fields as well as protecting the benefits every American enjoys from this vital resource.

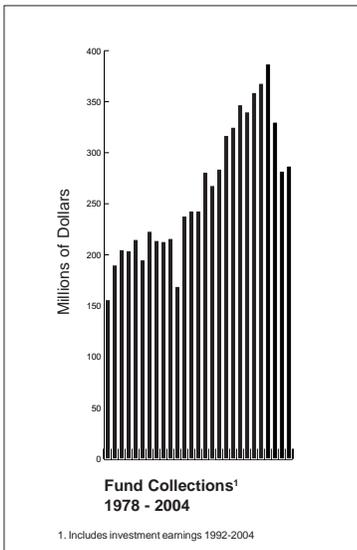


Abandoned mine land

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 establishes the Abandoned Mine Land Reclamation Program, which provides for the restoration of lands mined and abandoned or left inadequately restored before August 3, 1977. The program is implemented through an emergency program (for sudden problems presenting a high probability of substantial harm to the health, safety or general welfare of people before the danger can be abated under the normal program operating procedures) and a non-emergency program. States and tribes with approved programs carry out these responsibilities using grants administered by the Office of Surface Mining

Abandoned Mine Reclamation Fund



The program is funded from the collection of fees from active mining operations. Since 1978, fees have been assessed at the rate of 35 cents per ton of surface mined coal, 15 cents per ton for coal mined underground, and 10 cents per ton for lignite coal. The fees are deposited in the Abandoned Mine Reclamation Fund,

which is used to pay the costs of abandoned mine land reclamation projects. From January 30, 1978, when the first fees were paid, through September 30, 2004, the

Photo to left: Reclamation of this West Virginia abandoned mine site eliminated 6,000 linear feet of highwall and sealed four mine openings. To prevent future damage, an underdrain 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. Since 1977 more than 16,000 underground mine portals have been closed.

fee collections totaled \$7,085,103,212. For the same period, appropriations from the Fund totaled \$5,493,809,291.

Under the provisions of the Surface Mining Law, the authority to collect abandoned mine land fees was limited in time. This authority has been extended by law on three separate occasions to date, including the most recent extension by way of a continuing resolution. As of the date of this writing, the fee collection authority is slated to expire on November 20, 2004.

Unfortunately, despite remarkable achievements in the past 27 years, the job of remediating abandoned mine land-related hazards and problems is far from complete. More than \$3 billion worth of health and safety coal-related abandoned sites remain in the Office of Surface Mining's inventory of hazardous sites, as well as another \$3.6 billion worth of identified high-priority coal problems affecting the general welfare of individuals in the coalfields and numerous environmental coal-related problems. These are not "ugly landscapes" that need to be made more attractive; they are serious, life-threatening, high-priority coal mine hazards that originate from mines abandoned before passage of the Surface Mining Law in 1977. A 2003 study completed by the Office of Surface Mining estimated that 3.5 million Americans live less than one mile from health and safety hazards created by abandoned coal mines. It is clear that fee collections for the purpose of abandoned mine land reclamation must be reauthorized to abate the hazards and eliminate these historic problems from the Nation's coalfields.

Reauthorization

The Bush Administration has been working diligently on taking the steps necessary to finish the job Congress gave the Office of Surface Mining in 1977. In his 2004 budget, President Bush called for reauthorization of the Office of Surface Mining's authority to collect the fees

reclamation

that make up the Abandoned Mine Reclamation Fund. As a result, the Office of Surface Mining established a dialogue with many of the people that have an interest in how the abandoned mine land fee is reauthorized. The goal of these discussions was to get stakeholders thinking about what has changed since the program was started more than 27 years ago and how to revise and or enhance the program to help finish the job more efficiently and effectively.

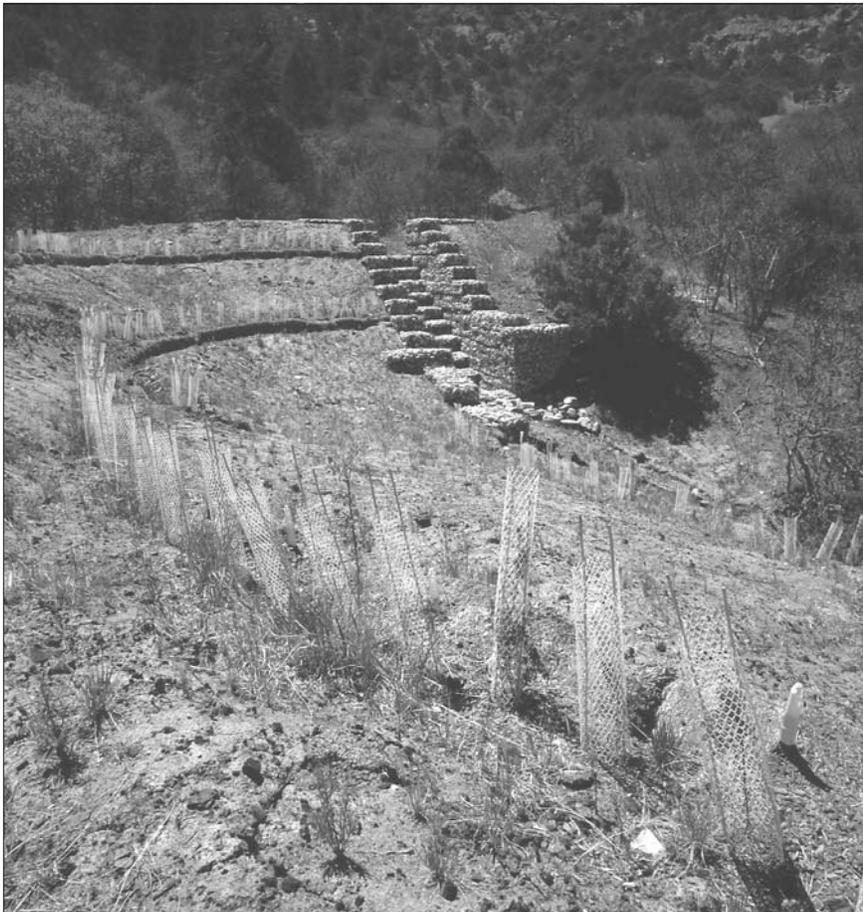
Through review and analysis of the Abandoned Mine Land Program as well as discussions with government officials, members of Congress, industry representatives and citizen advocates, the Office of Surface Mining came to the conclusion that, while significant achievements have been made in reclaiming mine sites abandoned prior to the enactment of the Surface Mining Law, various factors have changed considerably since 1977, creating a fundamental imbalance in the way funds for the Abandoned Mine Land Program are allocated. It became clear that the ability of the

Abandoned Mine Land Program to meet its primary objective of abating abandoned mine land problems on a priority basis is being hindered by a statutory allocation formula that results in a progressive distribution of resources away from the most serious abandoned mine land problems.

The Surface Mining Law allocates abandoned mine land fee revenues into several accounts within the Abandoned Mine Reclamation Fund. Expenditures from these accounts are subject to Congressional appropriation. Fifty percent of the fees collected from current coal production in each state is allocated to an account established for that state. Likewise, 50 percent of the fees collected from current coal production on Indian lands is allocated to an account established for the tribe having jurisdiction over those lands. The funds in these individual "state share" and "tribal share" accounts can only be used to provide abandoned mine land grants to the state or tribe for which the account is established. The state or tribe

must generally follow the priorities established by the Surface Mining Law in making spending decisions, concentrating first on abandoned mine land sites that pose a significant risk to human health, safety, or the general welfare, then on environmental problems. Once a state or tribe certifies that it has completed remediation of all coal-related sites, it is free to spend its state share money on other authorized projects such as public facilities for areas adversely affected by coal mining practices. Table 1 shows 2004 collections and funding by states.

Twenty percent of the total Abandoned Mine Reclamation Fund income is allocated to the "historical production" account. Funds in this account must be used to provide abandoned mine land grants to the states and tribes. Each eligible state and tribe is entitled to a percentage of the annual outlays from this account in an amount equal to its percentage of the nation's total historical coal production--that is, coal produced prior to 1977. Thus, the proportional



Located in the Sugarite Canyon of New Mexico, this abandoned mine land 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. This 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.

Table 1: Abandoned Mine Lands Fee Collections and Funding¹

State/Tribe	AML Collections	State Share Distribution ²	Federal Share Distribution ²	Emergency Distribution ²	Clean Streams Distribution ^{2 and 3}	Total Distribution ²
Alabama	\$3,981,358	\$1,289,499	\$1,638,480	\$400,000	\$286,733	\$3,614,712
Alaska	443,812	147,206	1,352,794	25,000	0	1,525,000
Arkansas	7,167	517	1,499,483	15,000	0	1,515,000
Colorado	7,581,382	1,771,619	798,511	0	0	2,570,130
Illinois	5,815,770	2,202,250	6,069,988	800,000	724,163	9,796,401
Indiana	10,620,707	3,061,012	1,976,198	350,000	320,069	5,707,279
Iowa	0	2,728	1,497,272	60,000	172,359	1,732,359
Kansas	28,861	31,966	1,468,034	465,000	0	1,965,000
Kentucky	26,383,324	9,370,452	5,948,973	0	712,218	16,031,643
Louisiana	385,776	100,955	0	0	0	100,955
Maryland	1,085,650	251,201	1,248,799	0	163,052	1,663,052
Mississippi	359,685	0	0	0	0	0
Missouri	208,841	70,917	1,429,083	50,000	171,356	1,721,356
Montana	11,024,151	3,435,934	0	125,000	0	3,560,934
New Mexico	3,605,738	1,585,359	194,129	0	0	1,779,488
North Dakota	3,077,944	898,834	601,166	100,000	0	1,600,000
Ohio	4,928,254	1,812,823	3,720,981	2,300,000	492,295	8,326,099
Oklahoma	523,733	157,870	1,342,130	100,000	152,613	1,752,613
Pennsylvania	11,908,673	4,368,150	19,621,212	0	2,061,792	26,051,154
Tennessee	795,026	0	0	0	0	0
Texas	4,701,054	1,488,290	0	0	0	1,488,290
Utah	3,378,554	1,080,832	462,200	0	0	1,543,032
Virginia	6,434,806	1,998,459	1,825,926	1,850,000	305,236	5,979,621
Washington	2,123,418	0	0	0	0	0
West Virginia	31,089,321	9,515,372	11,276,717	3,000,000	1,238,114	25,030,203
Wyoming	135,322,196	30,320,649	0	0	0	30,320,649
Crow Tribe	2,263,755	544,738	0	0	0	544,738
Hopi Tribe	1,252,660	403,997	0	0	0	403,997
Navajo Nation	7,691,784	2,276,464	0	0	0	2,276,464
Total	\$287,023,400	\$78,188,093	\$63,972,076	\$9,640,000	\$6,800,000	\$158,600,169

1. The Abandoned Mine Land fee collections reported in Table 1 are accounted for using a "Cash Basis" criteria or the recognition of revenue when it is received. Abandoned Mine Land revenue reported in the financial statements may include other amounts.
 2. The term "Distribution" is now used instead of "Allocation". Allocation refers to the "pooling" of monies collected for the Abandoned Mine Land Fund. State and federal share distribution amounts are based on formulas and parameters provided annually by the Assistant Director, Program Support. The emergency program distribution amounts are based on estimates provided by the states and approved by the Deputy Director.
 3. Includes only Supplemental State Grants, not Watershed Cooperative Agreements.

entitlement for each state or tribe from this account is fixed. As is the case with state share money, each state or tribe must follow the priorities established in the Surface Mining Law in making spending decisions using money from the historical production account. However, unlike the allocation of state share money, once the state or tribe certifies that all eligible coal-related reclamation has been completed, it is no longer entitled to further allocations from the historical production account. For the most part, the Office of Surface Mining finds a direct correlation between the severity of abandoned mine land problems in a state and the amount of coal that was removed before the enactment of the Surface Mining Law. Thus, by

distributing funds according to historical coal production, we are getting more funds to those states that have the most high-priority problems.

Ten percent of the total Abandoned Mine Reclamation Fund income is allocated to an account for use by the Department of Agriculture for administration and operation of its Rural Abandoned Mine Program. The remaining 20 percent of the total Abandoned Mine Land Reclamation Fund income is allocated to cover federal operations including the federal Emergency Program, the federal High-Priority Program, the Clean Streams Program, the Fee Compliance Program, the Small Operator Assistance Program, and overall program administrative costs.

In the early years of the Abandoned Mine Land Program, fee income was generally aligned with the magnitude of abandoned mine Land problems--75 percent of the income came from the East, where 94 percent of the abandoned mine land problems existed, and 25 percent of the income came from the West, where 6 percent of the abandoned mine land problems existed. Correspondingly, the state share portion of the grants was generally, but coincidentally being distributed in amounts roughly proportional to the abandoned mine land problem, much like the historical production portion of the grants is intentionally distributed. Significant proportions of abandoned mine land coal reclamation was accomplished during those early years of the program. Over the past 27 years, coal production and fee collections have shifted away from areas with high historical production and into the areas where there are fewer or no remaining abandoned mine land problems. Because 71 percent of the total grant dollars is based on current production, there has been a corresponding shift of abandoned

mine land resources away from the areas with the most significant problems.

From the program's inception in 1977 through 1993, about 99 percent of the state grant dollars were used to reclaim abandoned coal mine sites. Ninety five percent of that money was used for high-priority abandoned mine land reclamation. From 1994 through 2002, as current production shifted to regions with fewer abandoned mine land problems, only 71 percent of the state grant dollars were used to reclaim abandoned coal mine sites, and only 64 percent was used for high-priority abandoned mine land reclamation. This trend will continue as more states, which are entitled to 71 percent of the total grant dollars, complete their high priority abandoned mine land reclamation work and then continue working on low priority sites and other authorized projects while other states are still decades away from completing reclamation of the most critical high-priority sites. This means that even though an extension of the fee is

necessary if the Office of Surface Mining and the states have any hope of completing the job, a change in the allocation formula is necessary if the job is to be completed in an efficient and effective manner.

Thus, through reauthorization, the Office of Surface Mining is attempting to accomplish the following goals:

- to extend authorization for collection of fees on coal production to fund the reclamation of lands and water damaged by past coal mining practices;
- to revise the abandoned mine reclamation program to focus on coal-related sites that present a danger to public health or safety;
- to honor commitments made to states, tribes and the unassigned beneficiaries of the United Mine Workers Combined Benefit Fund; and
- to provide for enhancements, efficiencies and the effective use of abandoned mine land funds.



In Pennsylvania, not far from the home of the famous goundhog, Punxsutawney Phil, the Adrian Southeast Reclamation Project was located in the backyards of homes in the village of Adrian. A 1960s surface coal mining operation left an unreclaimed site that posed a danger to local residents and had damaged the near by streams. Over 6,000 feet of dangerous highwalls were eliminated, and three deep mine openings sealed. During reclamation, great care was taken to protect the natural state of a stream flowing next to the site. With reclamation complete, the abandoned mine hazards are removed and the area is once again integrated with the adjacent topography. When looking at the site today it's difficult to imagine the abandoned mine land problems that existed before the site was reclaimed. On September 30, 2004, there were over 1,000,000 feet of dangerous highwalls that needed reclamation in Pennsylvania.

With this in mind, the Office of Surface Mining prepared legislation to accomplish these goals. The legislation was introduced on behalf of the Administration in the House of Representatives by Representative John Peterson as H. R. 3778. The same legislation was introduced in the Senate by Senator Arlen Specter as S. 2049. The legislation would make it possible to finish this job in 25 years instead of the 60-100 years it would take under the current system. It would also make it possible to remove an average of 142,000 Americans from risk every year. To support this legislation, the President requested a record increase of \$53 million for the Abandoned Mine Land Program in his 2005 budget proposal--the largest funding increase since states established their abandoned mine land programs almost 20 years ago. In summary, this bill would:

- extend authorization for collection of fees on coal production to fund the reclamation of lands and water damaged by past coal mining practices to September 30, 2018;

- revise the Abandoned Mine Land Program to focus on those coal-related sites that present a danger to public health or safety by changing the statutory formula used to allocate collections;

- provide to the states and tribes that have certified completion of their coal problems their unappropriated state share balances over a ten year period;

- establish revenue neutral program funding by reducing fees 20 percent over the life of the extension;

- provide for additional funding for health care benefits for unassigned beneficiaries under the United Mine Workers of America Combined Benefit Fund;

- promote re-mining as a cost-effective way of achieving reclamation of abandoned mine lands; and

- provide for more efficient collection and audit of taxes and fees on coal production.

The Administration's bill would allow the Office of Surface Mining and the states to complete reclamation of high priority sites sooner, getting more people in the coalfields out of danger in less time. Additional funding for health care benefits for unassigned beneficiaries in the United Mine Workers Combined Benefit Fund can be provided. The commitments made in the past will be honored and 50 percent of the fees collected to date will be returned to the states and tribes. Finally, the Office of Surface Mining and the states can accomplish these feats at a cost \$3.2 billion less than the amount required under a simple extension of the fee in its current format.

While the Administration bill provides an effective and cost-efficient solution to the issues, several other bills have been introduced which encompass the Administration's fundamental goals while differing in



The Shirley Basin Project, located south of Casper, Wyoming, reclaimed five large abandoned open pit uranium mines. Mining operations that began in 1959 left about seven-and-a-half square miles of land containing large water-filled pits, and over 72 million cubic yards of mine waste, much of it contaminated with radioactive materials. Over three miles of the Little Medicine Bow River was rerouted, returning the river to its original drainage pattern. Almost six miles of highwall were eliminated and stabilized, 37 miles of erosion control diversions were constructed, and over eight miles of ephemeral stream channels were reconstructed. At a cost of \$30 million dollars, this was one of the largest reclamation projects in the country to be funded by the Abandoned Mine Reclamation Fund. Eight years of work have eliminated the hazards and created a valuable recreation area and wildlife habitat.



An early 1900s underground mine was discharging about 3.5 million gallons of highly acidic mine drainage per day before reclamation was completed at this site in Kempton, Maryland. Discharges from the ventilation air shaft and an 18" diameter borehole were responsible for eliminating aquatic habitat in over 35-miles of the Potomac River. A water powered dosing system was installed immediately adjacent to the air shaft discharge. In addition, 160,000 cubic yards of coal refuse were removed from the Kempton Glades Wetland - designated a Wetland of Special State Concern because of its biologically unique environment. Today, aquatic habitat recovery has been achieved in the Potomac River and Lurel Run immediately below the discharge. And the Kempton Glades has been returned to its natural condition. On September 30, 2004, there were over 150 acres of dangerous piles and embankments that needed reclamation in Maryland.

the methods to achieve those goals. In the House, Representatives Barbara Cubin and Nick Rahall introduced H. R. 3796. In the Senate, Senator Craig Thomas introduced S. 2086, Senators Jay Rockefeller, Jim Bunning and Christopher Bond introduced S. 2008, and Senator Jay Rockefeller introduced S. 2211. Hearings on the various bills have been held in both the House and Senate but none of the bills have moved out of their respective committees.

As of the date of this writing, a proposed nine-month extension of the current abandoned mine land

authority is pending before the Senate as part of the Department of the Interior's appropriation bill and a similar provision is anticipated to be taken up in the House of Representatives. However, pending passage of an appropriation bill, a continuing resolution is in effect to continue to fund governmental operations. A specific extension of the abandoned mine land fee collection authority was made part of the continuing resolution, keeping the current authority and fee rates in place through November 20, 2004.

United Mine Workers of America Combined Benefit Fund

Beginning in 1996, as provided by Section 402(h) of the Surface Mining Law, the Office of Surface Mining has made an annual transfer of the estimated interest earnings of the Abandoned Mine Reclamation Fund to the United Mine Workers of America Combined Benefit Fund. This cash transfer is used to defray anticipated health care costs for unassigned beneficiaries, who are retired coal miners and their dependents for whom no operating coal company is responsible. The amount of the transfer is capped at \$70 million per year.

An adjustment, to reflect any difference between actual and estimated interest earnings, is made in the year following the transfer. One year after that, or two years after the payment, after most actual health care expenses are known, an adjustment is made to each transfer to reflect actual expenses. Adjustments are also made to this transfer based on court cases or bankruptcies that affect the number of unassigned beneficiaries. These adjustments are still being made, as far back as the initial 1996 payment.

In 2004, the annual transfer was \$49 million, reduced by adjustments to prior years of \$34 million mainly due to court cases, resulting in an actual cash disbursement of \$15 million. The 2003 annual payment was \$48 million, increased by prior year adjustments of \$8 million and an additional onetime payment of \$34 million based on the Omnibus Appropriations Act (Public Law 108-7). Table 2 summarizes the Fund account for the past two years.

The United Mine Workers of America Combined Benefit Fund provided medical benefits for 17,394 unassigned beneficiaries in 2004 living in 45 states. States with the

largest number of beneficiaries are Pennsylvania (4,935), West Virginia (3,957), Kentucky (2,507), Virginia (1,200) and Ohio (883).

The Energy Policy Act of 1992 amended the Surface Mining Law to extend collection of the reclamation fees through September 30, 2004, with an additional requirement that after that date the fee must be established at a rate sufficient to continue to provide for transfers to the Combined Benefit Fund with respect to unassigned beneficiaries. That is, the Law provides that even if the abandoned mine land fee expires, operators must continue to pay fees to fund annual transfers to the Combined Benefit Fund. Under the Surface Mining Law, transfers can take place only in years in which operators pay fees. Because collections would only replace funds transferred to the Combined Benefit Fund, the fees would be significantly lower than the current fees.

On September 17, 2004, the Office of Surface Mining promulgated new rules that implement this statutory provision should it be needed. The rules provide that the Office of Surface Mining will determine fee rates for coal produced after September 30, 2004, on an annual basis using a formula designed to ensure that fee collections for each year equal the amount transferred from the Abandoned Mine Reclamation Fund to the Combined Benefit Fund at the beginning of that year.

The new fee rates will be based upon estimates of the Combined Benefit Fund's needs for unassigned beneficiaries, the Abandoned Mine Reclamation Fund's estimated interest earnings, and projected coal production for which there is a reclamation fee payment obligation. The rates will be adjusted as necessary to reflect any differences between estimated and actual Combined Benefit Fund expenditures, Abandoned Mine Reclamation Fund interest earnings, and fee collections in prior years. Under the Surface Mining Law, total transfers each year may not exceed the amount of interest earned by the Abandoned Mine Reclamation Fund during that year, Combined Benefit Fund expenditures for health care benefits for unassigned beneficiaries during that year, or \$70 million, whichever is the smallest number.

The Office of Surface Mining will publish a *Federal Register* notice 30 days before the start of each fiscal year stating what the fees will be during that year. In addition, the Office of Surface Mining will also notify permittees individually via Payer Letters.

Table 2: Abandoned Mine Land Reclamation Fund Status

	Cash Basis	
	2004	2003
Balance, Start of Year	\$1,927,410,405	\$1,900,317,749
Fees, debts, and interest collected	287,023,400	282,554,597
Interest earned on investments	45,694,566	23,619,923
Total Earnings	332,717,966	\$306,174,520
Disbursements	202,081,325	189,223,581
Transfers to the United Mine Workers	14,966,929	89,858,283
Total Disbursements and Transfers	217,048,254	\$279,081,864
Balance, End of the Year	\$2,043,080,117	\$1,927,410,405



The Sunshine Mine Reclamation Project in Bicknell, Indiana eliminated a 25-acre abandoned mine site containing gob, slurry, acid mine drainage, and derelict buildings that travelers referred to as "the ugly old coal mine at the edge of town." The project included regrading the 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 is directed into a small wetland that improves site aesthetics, eliminates off-site sedimentation, and enhances water quality downstream. The water has gone from a pH of 2.7 to a high of 6.9. The site is no longer a hazard to the local residents and it once again has potential for productive use.

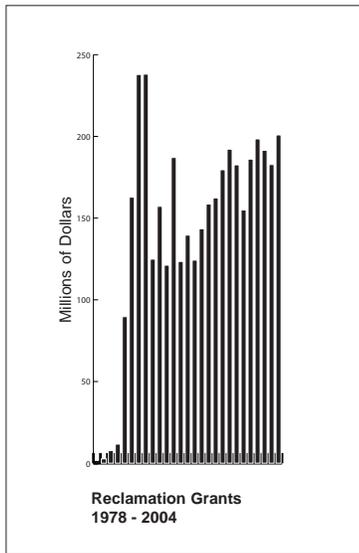
If Congress reauthorizes the abandoned mine land reclamation fee before it expires, the published rule will not be needed. However, if Congress does not act before the fee expires, the necessary rules will be in place to ensure that fee collection and transfers to the Combined Benefit Fund continue uninterrupted.

Fee Collection

The Office of Surface Mining collects fees from coal operators through voluntary reporting, audit, and debt collection. In 2004, the initial rate of those reporting and paying on time was 92.88 percent. Through follow-up and other work with the operators, the compliance rate was raised to 99.98 percent, resulting in total collections of \$287,023,400 for the Fund. Experience has shown that helping the industry achieve compli-

ance reduces the need for additional regulatory resources. To assist in compliance, the Office of Surface Mining provides preprinted forms to all active coal mining companies on the e-filing website or by mail and provides guidance by phone and mail. Because of factors beyond the Office of Surface Mining's control, such as company financial difficulties and errors, some nonpayment and non-reporting will probably always occur. 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 states⁶ except Mississippi have approved abandoned mine land reclamation programs. In addition, the Crow, Hopi, and Navajo Indian tribes have approved abandoned mine land programs. In

2004, the states and tribes received grants totaling \$200,905,692 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, \$3,579,356,901 has been distributed from the Fund. Grant obligations (the amount states use) for 2004 are shown in Table 3⁷.

During 2004, the Office of Surface Mining awarded 100 percent of the abandoned mine land grants to the states within 60 days of receiving the grant applications.

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 grant distribution is too small for the state to administer a program.

During 2004, Alaska, Arkansas, Iowa, Kansas, Maryland, Missouri, North Dakota, and Oklahoma were eligible for minimum-level program funding and received such grants during the year. Minimum-level program funding

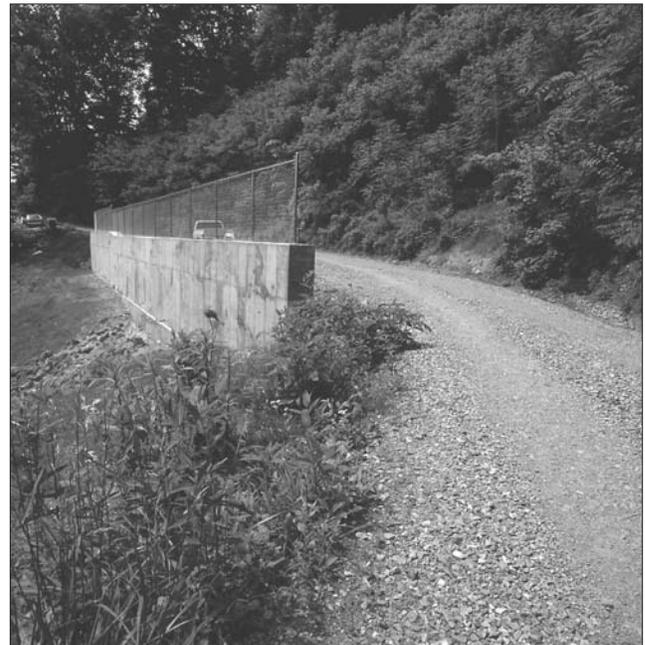
remained at \$1,500,000 for 2004. The eight eligible programs received a total of \$7,687,275 in 2004.

This funding supplements the formula-based grant and brings those eight states to the minimum-program level. Once minimum-program states or tribes complete their high priority projects listed in the National Abandoned Mine Land Inventory System, 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 is deposited into special trust funds and becomes available, along with interest earned, for use by the state for reclaiming future abandoned mine land problems.

In 1990, Public Law 101-508 created an acid mine drainage set-aside program. Under this program a state may set aside up to 10 percent of the state-share or historic coal funds received annually in acid mine drainage trust funds. Funds from an acid mine drainage fund may be expended to implement an approved acid mine drainage abatement and treatment plan.



Repairing roads damaged from landslides in steep-sloped Appalachia often involves construction of concrete retaining walls. In this example, water draining from an abandoned mine above the road has saturated the side of the hill below the road. The water acted as a lubricant, causing the hillside under the road to slide down the hill. Rerouting the drainage has prevented a recurrence of the problem.

6. Primacy states (Alabama, Alaska, Arkansas, Colorado, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maryland, Mississippi, Missouri, Montana, New Mexico, North Dakota, Ohio, Oklahoma, Pennsylvania, Texas, Utah, Virginia, West Virginia, and Wyoming) have approved regulatory programs and responsibility to implement the Surface Mining Law within their boundaries.
7. Larger total obligation (shown in Table 3) than total distribution (shown in Table 1), result from previous year carry over or funding from past years distribution that were not used until 2004.

Table 3: Abandoned Mine Land Grants

State/Tribe	Subsidence Insurance	10% Program Set-Aside ²	Administration ³	Project Costs ⁴	Emergency ⁵	2004 Total	2003 Total
Alabama	\$0	\$0	\$488,987	\$2,726,629	\$400,000	\$3,615,616	\$4,213,705
Alaska	0	0	303,512	1,196,488	25,000	1,525,000	1,525,000
Arkansas	0	0	386,975	1,113,025	15,000	1,515,000	1,538,868
Colorado	0	0	596,000	2,135,777	0	2,731,777	3,038,000
Illinois	0	827,224	1,762,745	6,406,432	800,000	9,796,401	9,873,103
Indiana	0	503,721	1,154,390	3,737,395	350,000	5,745,506	5,837,883
Iowa	0	0	177,000	1,523,749	60,000	1,760,749	1,759,957
Kansas	0	0	297,545	1,371,783	465,000	2,134,328	2,234,092
Kentucky	0	0	1,899,308	14,726,255	0	16,625,563	16,464,521
Louisiana	0	0	148,905	0	0	148,905	118,454
Maryland ¹	0	258,000	571,350	1,568,702	0	2,398,052	2,712,330
Missouri	0	0	155,000	353,162	180,000	688,162	286,773
Montana	0	0	511,910	3,044,539	125,000	3,681,449	3,855,391
New Mexico	0	177,949	1,035,829	3,480,468	0	4,694,246	1,814,300
North Dakota	0	118,302	179,221	1,231,697	100,000	1,629,220	1,643,013
Ohio ¹	0	559,573	1,671,325	5,116,772	2,300,000	9,647,670	8,963,948
Oklahoma	0	0	231,619	1,420,994	100,000	1,752,613	1,680,000
Pennsylvania ¹	0	2,398,936	3,049,876	38,282,891	0	43,731,703	26,191,170
Texas	0	0	226,337	2,780,108	0	3,006,445	3,383,160
Utah	0	0	390,626	1,836,155	0	2,226,781	2,173,966
Virginia	0	382,439	544,797	3,545,260	1,850,000	6,322,496	6,811,754
West Virginia ¹	0	1,039,604	4,714,729	23,586,567	4,000,000	33,340,900	39,343,844
Wyoming	282,992	3,032,065	1,191,306	32,865,098	0	37,371,461	32,982,649
Crow Tribe	0	0	94,503	476,621	0	571,124	464,419
Hopi Tribe	0	0	0	200,000	0	200,000	667,246
Navajo Tribe	0	0	2,311,002	1,733,522	0	4,044,524	3,202,765
Total	\$282,992	\$9,297,813	\$24,094,797	\$156,460,089	\$10,770,000	\$200,905,691	\$182,780,311

1. Funding for these grants is derived from the 2004 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 \$6,628,644 in funding for Appalachian Clean Streams Program projects.
5. This category contains emergency project, administrative, and indirect costs.

In 2004, 10 states set aside \$9,297,813. The Office of Surface Mining has granted a total of \$74,226,973 through 2004 to 16 states and three tribes for their set aside trust funds.

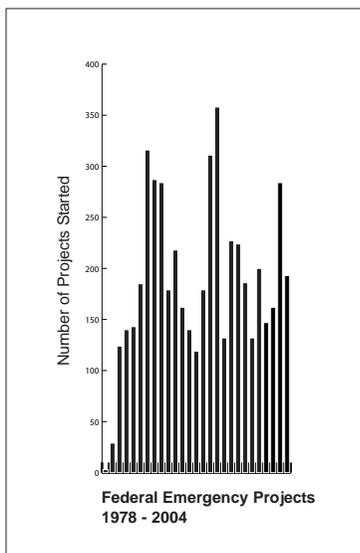
Subsidence Insurance

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

In 2004, one subsidence insurance grant was issued to the state of Wyoming for \$31,348. Through 2004, the Office of Surface Mining has granted a total of \$11,886,006 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 that 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 administration of emergency programs. In 2004, the following states were implementing emergency programs: Alabama, Alaska, Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri, Montana, North Dakota, Ohio, Oklahoma, Virginia, and West Virginia. The Office of Surface Mining funds the states with emergency programs using federal share funds (in addition to formula-based allocations) to complete the projects. The Office of Surface Mining is responsible for emergency projects in California, Colorado, Georgia, Kentucky, Louisiana, Maryland, Michigan, Mississippi, New Mexico, Pennsylvania, Rhode Island, Tennessee, Texas, Utah, Washington, and Wyoming, as well as on all tribal lands.

Investigations of potential emergency problems (called "complaint" investigations) are undertaken by state reclamation agencies or by the Office of Surface Mining. Potential emergency problems are referred to the states or the Office of Surface Mining from affected citizens, municipalities, emergency response agencies, and other state agencies. Information on how to report emergency problems can be found at www.osmre.gov/amlemerg.htm. Following identification of a potential emergency problem, a technical investigation is performed, usually within 48 hours, and an emergency determination made. Of the 983 potential emergencies referred to the states and Office of Surface Mining in 2004, 363 were determined to be emergencies, 501 were determined to be not of an emergency nature or not related to coal mining, and 119 were still under investigation on September 30, 2004.

Problems which are not emergencies; but, are otherwise eligible for reclamation, are considered for funding as high priority projects.

During 2004, states obligated \$10.8 million (see Table 3) and the Office of Surface Mining obligated \$8.6 million on emergency reclamation projects (see Table 5). No state expenditures exceeded the Congressionally-imposed "cap" of \$4.5 million on expenditures in any state within a single year. In 2004, the states and the Office of Surface Mining started 347 abandoned mine land emergency projects in 19 States (see Table 4). As usual, most emergencies occurred in Pennsylvania and Kentucky.

Non-Emergency Program

Under Sections 402 and 407 of the Surface Mining Law, the Secretary of the Interior is authorized to expend Abandoned Mine Reclamation Fund monies for non-emergency reclamation of high priority problems that present an extreme danger to the public. A non-emergency is defined as an abandoned mine land reclamation problem that meets one of the priorities of Section 403(a) or 411(c) or (f) in the Surface Mining Law. Until 1980, when states and Indian tribes began to receive approval for their abandoned mine land programs, the Office of Surface Mining administered all non-emergency reclamation. However, since that time, state and tribal programs have assumed responsibility for correcting abandoned mine land problems and currently use 99 percent of non-emergency reclamation funds. During 2004, the Office of Surface Mining initiated 13 non-emergency projects and the states and tribes initiated 329 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 2004.

Post-Surface Mining Law Reclamation

As authorized by the 2004 Appropriations Act, 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 2004, the

Table 4: Reclamation Projects Started

	Emergency		1978-2004			Non-Emergency	
	2004		1978-2004			2004	
	Federal	State	Federal	State ²	Total ²	Federal	State ³
Alabama	0	11	10	115	125	0	7
Alaska	0	0	0	1	1	0	2
Arkansas	0	1	1	20	21	0	3
California	0	0	5	0	5	1	0
Colorado	5	0	106	0	106	0	23
Crow	0	0	0	0	0	0	2
Georgia	0	0	0	0	0	0	0
Hopi	0	0	0	0	0	0	2
Illinois	0	7	51	263	314	0	13
Indiana	0	17	94	153	247	0	38
Iowa	0	1	22	1	23	0	1
Kansas	0	41	270	658	928	0	4
Kentucky	45	0	1,088	0	1,088	0	22
Louisiana	0	0	0	0	0	0	0
Maryland	1	0	19	0	19	0	3
Michigan	0	0	13	0	13	3	0
Mississippi	0	0	0	0	0	0	0
Missouri	0	1	6	5	11	0	5
Montana	0	1	7	14	21	0	10
Navajo	0	0	6	0	6	0	10
New Mexico	0	0	16	0	16	0	9
North Dakota	0	1	15	14	29	0	8
Northern Cheyenne	0	0	2	0	2	0	0
Ohio	0	22	190	305	495	0	49
Oklahoma	0	4	47	25	72	0	3
Pennsylvania	136	0	2,501	0	2,501	0	45
Rhode Island	0	0	3	0	3	0	0
Ute Reservation	0	0	1	0	1	0	0
Tennessee	2	0	19	0	19	3	0
Texas	0	0	6	0	6	0	1
Utah	0	0	0	0	0	0	3
Virginia	0	15	30	160	190	0	24
Washington	4	0	57	0	57	6	0
West Virginia	0	32	179	762	941	0	34
Wyoming	0	0	38	0	38	0	35
Total	193	154	4,802	2,496	7,298	13	356

Office of Surface Mining funded six civil penalty projects in Kansas, Kentucky, Oklahoma, Pennsylvania, and Virginia costing a total of \$255,000. An additional \$83,135 in unobligated funds will be carried over for use in 2005 reclamation projects.

Clean Streams Program

The Clean Streams Program began as the Appalachian Clean Streams Initiative in the fall of 1994. The Program supports local efforts to eliminate environmental and

economic impacts of acid mine drainage from abandoned coal mines. The mission is to facilitate the efforts of citizen groups; university researchers; the coal industry; corporations; the environmental community; and local, state, and federal government agencies in cleaning streams polluted by acid mine drainage. The program is carried out by state abandoned mine reclamation programs and nonprofit organizations.

Supplemental State Grants

Eligible state programs are funded by the Office of Surface Mining to address acid mine drainage problems. These grants act as "seed money" to encourage other organizations to contribute funding for the projects. During 2004, the Office of Surface Mining provided 12 states⁸ with \$6,628,644. Since 1994 when the supplemental state grants began, the Office of Surface Mining has provided \$43,830,886 for 117 projects, 93 have been completed (see Figure 1) and outside funding grew to over \$28 million on the projects.

One of the successful Clean Streams Program projects begun during 2004 was the Cherry Austin Acid Mine Drainage Reclamation Project located in Tuscaloosa County, Alabama. The site was reclaimed in November 1996, by the Alabama Department of Industrial Relations under the state Abandoned Mine Land Program, to eliminate a 1,200 linear-foot dangerous highwall. Reclaimed at the same time were 17 acres of unstable and eroding mine spoils, a small garbage dump, and a 0.1 acre coal slurry impoundment. Although three times as much acid-neutralizing material as should have been required was used at the site, there are still signs of acid mine drainage. The drainage from the site goes into Holt Lake (a drinking water source for the City of Tuscaloosa) a little over a mile downstream.

Alabama Abandoned Mine Land Program staff identified the acidic water draining into the creek as a priority project under the Clean Streams Program and requested assistance from the Office of Surface Mining to quantify the water quality problems. Samples taken showed pH values consistently at 3.3 to 3.4 and high metal content (total iron at 45.25 mg/l, aluminum at 4.5 mg/l; and manganese at 6.95 mg/l). The Office of Surface Mining also provided assistance to the state by developing water treatment options.

8. Missouri did not obligate any 2004 Clean Streams Funds in 2004.

**Figure 1
Clean Streams Program Projects**

	<i>Clean Streams Projects</i>		<i>Watershed Projects</i>	
	<i>Started in 2004</i>	<i>Completed Since 1994</i>	<i>Started in 2004</i>	<i>Completed Since 1999</i>
Alabama	2	6	0	1
Illinois	2	4	0	0
Indiana	1	20	0	2
Iowa	1	1	0	0
Kentucky	2	10	0	0
Maryland	0	5	1	8
Missouri	0	4	0	0
Ohio	3	10	2	6
Oklahoma	1	2	0	0
Pennsylvania	4	19	16	20
Tennessee	0	0	0	0
Virginia	0	2	1	1
West Virginia	3	10	3	8
Total	19	93	23	46

Work began on the project June 30, 2004. It included installation of an alkaline-addition pretreatment to raise alkalinity of the acid mine drainage before it entered a passive treatment system. The added alkalinity raises the pH of the drainage to over 5.0 and precipitates the aluminum into a collection pond before the water enters the passive treatment system. The Alabama program staff will continue water quality testing at the site to determine the success of the alkaline pretreatment before additional reclamation is done at the site.

A second Clean Streams Program project started in 2004, the Sugar Creek Abandoned Mine Land Reclamation Project, is located in the Allegheny River Watershed of western Pennsylvania. The mine drainage at this site flowed from the abandoned Snow Hill Mine which was operated from the early 1930s until about 1960. The project included restoration of a 15-acre hazardous coal refuse pile and the passive treatment of an abandoned mine discharge, both of which were severely impacting water quality in Sugar Creek. The reclamation has resulted in a dramatic improvement in water quality. Over three miles of Sugar Creek have been restored and indigenous aquatic life reestablished. Fish and macro-invertebrates have already begun to return to this once-polluted waterway.

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

Table 5: Federal Project Obligations

State or Tribe	Emergency	High Priority	1978-2004 ¹
Alabama	\$0	\$0	\$13,934,015
Alaska	0	0	194,638
Arkansas	0	0	84,904
California	0	73,936	2,626,403
Colorado	230,796	0	2,204,658
Georgia	0	155,831	4,112,330
Illinois	0	0	5,376,749
Indiana	0	0	4,032,023
Iowa	0	0	1,438,442
Kansas	0	0	5,094,172
Kentucky	4,703,376	0	118,173,597
Maryland	25,383	0	3,081,712
Michigan	0	271,049	3,648,382
Missouri	0	0	8,015,909
Montana	0	0	729,058
New Mexico	0	0	2,366,041
North Carolina	0	0	205,407
North Dakota	0	0	1,723,933
Ohio	0	0	18,295,299
Oklahoma	0	0	1,232,159
Oregon	0	25,000	67,275
Pennsylvania	2,945,796	0	113,373,430
Rhode Island	0	0	556,229
South Dakota	0	39,135	182,596
Tennessee	227,839	1,200,000	25,430,270
Texas	0	0	289,849
Utah	0	0	123,791
Virginia	0	0	10,139,469
Washington	368,141	416,826	8,254,677
West Virginia	0	0	29,023,226
Wyoming	0	0	1,067,101
Cheyenne Rive Sioux Tribe	0	0	2,803,165
Crow Tribe	0	0	1,097,895
Fort Berthold Tribe	0	0	69,972
Fort Peck Tribe	0	0	147,991
Hopi Tribe	0	0	1,263,409
Jacarillo Apache Tribe	0	0	59,998
Navajo Tribe	0	0	2,222,792
Northern Cheyenne Tribe	0	0	585,044
Southern Ute Tribe	0	0	94,206
Rocky Boy Tribe	0	0	60,188
Uintah/Ouray Tribe	0	0	138,738
Ute Mountain Tribe	0	0	14,300
White Mountain Apache Tribe	0	0	1,838
Wind River Tribe	0	0	73,267
Zuni Tribe	0	0	125,009
Undistributed	0	0	4,296
Total	\$8,501,331	\$2,181,777	\$393,839,852

1. Includes prior year contract deobligations and upward adjustments.

Table 6-a:
1978-2004 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 ⁵	Dangerous Slide ⁶	Dangerous Gas ⁷	Hazardous Equipment & Facilities ⁸	Hazardous Water Body ⁹	Industrial/Residential Waste ¹⁰	Portal ¹¹	Polluted Water: Agricultural & Industrial ¹²	Polluted Water: Human Consumption ¹³	Subsidence ¹⁴	Surface Burning ¹⁵	Underground Mine Fire ¹⁶	Vertical Opening ¹⁷
Alaska	0	0	11,190	4	6	0	0	1,420	2	4	26	0	0	0	21	0	36
Alabama	1	198	268,127	1	1,454	21	0	470	75	25	1,034	5	14	34	68	0	389
Arkansas	1	0	61,076	1	753	0	0	2	77	28	27	0	0	12	4	0	107
California	0	0	0	0	0	0	0	0	0	0	34	0	0	1	0	0	41
CERT Tribes*	0	0	7,170	0	475	0	0	6	30	9	73	0	0	35	0	0	18
Colorado	0	0	51,992	0	41	0	0	4	0	10	2,741	3	0	50	35	171	3,625
Crow Tribe	1	0	2,267	1	58	23	0	32	1	0	15	3	0	16	0	0	5
Georgia	0	0	11,050	3	3	0	0	0	0	0	112	1	0	0	0	0	11
Hopi Tribe	0	0	11,662	0	0	0	0	8	0	0	9	0	0	0	0	0	2
Iowa	8	657	59,290	3	829	0	0	5	23	12	1	13	2	2	0	0	20
Idaho	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Illinois	21	1,290	57,386	7	301	3	22	348	9	72	192	11	1	91	115	0	1,186
Indiana	14	176	121,418	6	623	4	3	97	7	32	68	15	7	188	15	1	344
Kansas	1	9	139,700	1	111	3	0	2	1	27	0	3	0	24	8	0	1,014
Kentucky	45	8,904	27,213	114	444	2,057	0	214	42	27	1,909	6	8,420	50	224	58	145
Maryland	5	63	43,130	2	224	66	0	25	20	35	41	83	44	15	1	0	6
Michigan	0	0	950	0	0	0	0	7	2	0	0	0	1	0	8	0	44
Missouri	11	1,514	72,002	6	502	0	0	28	11	71	35	34	15	4	19	7	161
Montana	10	93	22,460	3	174	1	1	246	1	391	1,100	17	12	494	302	69	622
Navajo Nation	0	1	106,613	4	658	7	0	5	0	5	795	19	0	12	3	0	380
North Carolina	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5
North Dakota	0	0	72,099	4	317	35	0	14	18	2	13	6	0	1,346	17	0	108
New Mexico	0	2	280	0	10	0	0	17	0	0	463	4	1	35	35	32	898
Ohio	38	5,403	60,504	7	96	405	4	52	10	34	342	53	213	127	94	3	235
Oklahoma	13	1	229,354	0	0	0	0	15	197	7	171	5	3	13	0	0	110
Oregon	0	0	0	0	0	0	0	3	0	0	12	0	0	0	0	0	3
Pennsylvania	103	140	824,482	47	567	45	0	321	122	20	278	24	203	2,455	123	1,015	528
Rhode Island	0	0	0	0	0	0	0	0	0	0	0	0	0	6	0	0	0
South Dakota	0	0	135	0	0	0	0	4	0	0	5	0	0	1	0	0	1
Tennessee	0	147	35,595	3	448	68	0	31	44	14	192	7	13	6	28	0	11
Texas	0	0	48,715	0	1,461	0	0	0	16	0	66	0	0	17	0	0	358
Utah	14	9	3,925	1	390	3	19	219	0	2	2,917	2	0	186	43	29	1,567
Virginia	74	848	30,050	27	261	272	0	220	2	2	965	0	1,795	12	51	0	105
Washington	0	0	0	0	3	0	0	7	0	0	30	0	0	7	15	0	84
West Virginia	51	167	198,122	613	4,565	532	5	577	7	37	2,294	63	10,989	362	455	20	147
Wyoming	114	1,634	510,136	138	1,962	25	0	181	371	29	514	3	0	1,150	12	41	565
Total	525	21,256	3,088,093	996	16,736	3,570	54	4,580	1,088	895	16,474	380	21,733	6,751	1,696	1,446	12,881

Table 6-b:
1978-2004 Abandoned Mine Land Reclamation Accomplishments
 Priority 3 (Environmental Restoration)⁷

	Bench ²	Industrial/Residential Waste ²	Equipment/Facility ⁴	Gob ²	Highwalls 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	16	8	282	32,455	2	50	0	9,683	8	11	379
Arkansas	0	0	0	0	0	0	0	0	86	0	0	0
CERT Tribes*	0	0	2	4	1,500	0	1	7	80	0	0	0
Colorado	3	6	7	162	2,028	0	18	131	829	0	0	1
Crow	6	0	0	35	2,245	12	2	32	27	0	4	0
Georgia	3	0	0	3	400	0	0	3	7	0	0	0
Hopi Tribe	0	0	0	25	51	15	0	10	10	0	0	0
Iowa	0	2	0	1	2,900	5	1	21	440	0	0	0
Illinois	1	6	160	2,550	10,880	210	66	623	1,895	1,112	1	2,896
Indiana	0	107	178	1,362	14,896	227	26	377	1,888	966	3	6,305,068
Kansas	0	0	1	89	3,200	0	0	23	316	10	0	0
Kentucky	599	0	53	225	2,000	0	69	4	832	66	5	60
Maryland	10	1	2	58	5,335	2	6	22	263	0	1	73
Michigan	0	0	1	27	0	1	0	1	10	0	11	0
Missouri	0	5	5	146	16,824	1	0	96	1,373	69	0	86
Montana	1	90	58	147	1,170	1	230	34	875	0	19	2,741
Navajo Nation	39	1	2	136	280	122	63	144	265	0	0	3
North Dakota	0	0	0	0	0	0	0	0	0	0	0	0
New Mexico	3	0	29	75	0	10	29	2	332	2	0	0
Ohio	0	0	3	162	9,620	0	19	18	418	0	0	100
Oklahoma	0	0	0	0	0	0	0	0	0	0	0	0
Oregon	0	0	0	0	0	0	1	0	0	0	0	0
Pennsylvania	0	0	25	126	9,299	0	22	75	2,492	1	195	91,872
Tennessee	76	0	15	67	230	8	3	85	359	0	4	360
Texas	0	0	0	8	0	0	0	0	466	0	0	0
Utah	4	7	64	255	550	5	0	8	55	1	16	20
Virginia	0	1	25	23	13,000	1	52	0	12	0	0	120
West Virginia	0	0	3	75	33,141	0	4	5	217	2	0	622
Wyoming	0	0	0	39	0	91	0	7,137	8,063	199	0	0
Total	768	242	641	6,089	162,004	713	662	8,858	31,340	2,445	270	6,404,401

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.

Watershed Cooperative Agreements

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

Since the program began in 1999, the Office of Surface Mining has awarded 116 cooperative agreements and amendments at a cost of \$10,330,061, and 46 projects have been completed. During 2004, 31 cooperative agreements and 12 amendments to existing agreements were awarded for a total of \$3,527,677 (see Figure 2). Agreements are normally limited to a maximum of \$100,000 and are used primarily for the construction phase of the projects; however, administrative costs associated with completion of a project are also allowable.

Significant on-the-ground improvement has been made by these watershed projects. For example, the Pine Creek/Babb Creek watershed in Tioga County, Pennsylvania, is known for heavily forested mountains, exceptional trout waters, beautiful scenery and numerous outdoor recreation opportunities, including biking, hiking, camping, hunting, fishing, and fall foliage tours. The Babb Creek portion of the watershed has been heavily impacted by contamination from coal mining activities beginning before the Civil War and continuing through World War II.

In 1990, the Babb Creek Watershed Association and its partners began restoration of the watershed by installing several limestone diversion wells. The immediate success of these wells in raising the pH of Babb Creek and improving the downstream water quality led the association to undertake more ambitious projects. The Pennsylvania Department of Environmental Protection has dedicated significant technical and financial resources to assist the Watershed Association. With this support, the Association began planning, design and construction of several vertical flow ponds to treat mine drainage. They also addressed abandoned surface mines which were shown to be contributing to the degradation of Babb Creek

**Figure 2
Watershed Cooperative Agreements**

Project/Organization	Grant Amount
Maryland	
Rice AMD Remediation Project Western MD RC&D Council Inc.	\$100,000.00
Midlothian AMD	
Western Maryland RC&D	125,000.00
Crellin Tipple AML Project Garrett County Community Action Agency	100,000.00
Ohio	
West Misco Reclamation Project Clay Valley Foundation	113,000.00
Jobs Hollow Reclamation Project Rural Action Inc.	125,000.00
Pennsylvania	
Gallentine Phase II AMD Project ¹ Mountain Watershed Association, Inc.	25,500.00
Robbins Hollow Passive Treatment System Project Trout Unlimited Inc. ¹	50,000.00
Boggs Road Montour Run Watershed Association	54,000.00
Clinton Road Montour Run Watershed Association	73,000.00
Booker Discharge Remediation Project Kiskiminetas Watershed	42,000.00
North Branch Robbins Hollow Trout Unlimited	129,175.00
Rattler Mine A2-2 Babb Creek Watershed Association ¹	50,000.00
Hunters Drift Babb Creek Watershed Association ¹	50,000.00
Rattler Mine A2-3 and A2-4 Babb Creek Watershed Association ¹	25,000.00
Arthur Cardner Reclamation Project Tri-Area Joint Recreation Authority ¹	50,000.00
JB #1 Raccoon Creek Stream Restoration Inc.	150,000.00
Shade Creek Reitz No.1 Shade Creek Watershed Association	100,000.00
Wells Creek Restoration Project Southern Alleghenies Conservancy ¹	6,365.00
Hamilton Discharge Watershed Project Penns Corner Conservancy Charitable Trust ¹	29,000.00
Wells Creek Skeria Site Southern Alleghenies Conservancy ¹	6,965.00
Wells Creek Moore Site Southern Alleghenies Conservancy ¹	6,471.00
Cessna Run Discharge Penns Corner Conservancy Charitable Trust	100,000.00
Wilson Run Discharge Penns Corner Conservancy Charitable Trust	160,000.00
Permapress Discharge Mountain Watershed Association	8,000.00
East Branch Two Mile Run Discharge Headwaters RC&D Council	112,000.00
Little Toby Creek Blue Valley Discharge Toby Creek Watershed Association	150,000.00
Finleyville Shreves Run Southern Alleghenies Conservancy	50,000.00
Cessna Run Discharge ¹ Penns Corner Conservancy Charitable Trust	23,203.00
Kenrock Surface Mine Reclamation Southern Alleghenies Conservancy Charitable Trust	61983.00
Latrobe Foundation Project Loyalhanna Watershed Association	112,140.00
Babb Creek Mitchell Project Babb Creek Watershed Association	150,000.00
Camp Lutherlyn Stream Restoration Inc.	27,000.00
East Branch Two Mile Run Discharge ¹ Headwaters RC&D Council	10,000.00
Coal Pit Lower System Blacklick Creek Watershed Association	140,000.00
Test Multi Project Award ¹ National Fish and Wildlife Foundation	350,000.00
Virginia	
Upper Mason AMD Project Hands Across the Mountains	100,000.00
West Virginia	
Sovern Run Site 62 Friends of the Cheat	15,211.00
Slabcamp Run Friends of Deckers Creek	100,000.00
Upper Mainstem Morris Creek Watershed Assoc.	120,000.00
Lower Mainstem Morris Creek Watershed Assoc.	120,000.00
Opossum Hollow Morris Creek Watershed Assoc.	41,881.50
Pringle Run - Pace Acid Mine Drainage Friends of the Cheat	69,096.00
Upper Muddy Creek Friends of the Cheat	96,687.00
Total	\$3,527,677.50

1. Amendments to existing agreements.

In 1999, the Department of Environmental Protection removed five miles of Pine Creek below its confluence with Babb Creek from the state's list of impaired waters, crediting the work in Babb Creek for the action. In 2002, the Office of Surface Mining recognized Signor Brothers Enterprises with a national Excellence in Surface Mining Reclamation Award for a re-mining permit adjacent to Babb Creek in which a half-mile of coal refuse deposited under an abandoned railroad grade was removed. The land was replanted and significant streambank improvements were made. In 2001, Pennsylvania awarded the Association 2.2 million dollars in *Growing Greener* funds in the largest single award made up to that date. Those funds were used to construct passive treatment systems for six underground mine discharges. Completed in early 2004, these systems are bringing to substantial

completion one of the most comprehensive and successful coal mine drainage watershed restoration programs in Pennsylvania. Many miles of streams have been significantly improved, with the restoration of aquatic habitat and trout fisheries where there were none for decades.

The Office of Surface Mining, through its Watershed Cooperative Agreement Program, and the Appalachian Clean Streams Program is proud to be a partner in this effort, having contributed over \$500,000 in direct financial assistance to the Watershed Association for mine drainage treatment projects. Combined with funding from other sources, over 5.4 million dollars have been expended in restoration of the water quality of Babb Creek.



Prior to reclamation, Babb Creek had washed into a late 1800s coal refuse pile and was eroding refuse downstream and causing acid mine drainage. A local mine operator designed refuse removal and stream bank protection methods that eliminated 22,000 tons of refuse without harming the creek and completing the work using money from the sale of the coal. An 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 and a five-mile stream segment of Babb Creek was removed from the Pennsylvania Department of Environmental Protection's list of impaired streams. On September 30, 2004, there were over 30 miles of clogged streams caused by abandoned mines that needed reclamation in Pennsylvania

Summer Watershed Internship Program

The Office of Surface Mining and the Environmental Protection Agency initiated the Summer Watershed Internship program in 1999, and in 2004, funded 33 interns in seven states. Since the program began, 145 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 2004, 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.

In 2004, the Office of Surface Mining/VISTA watershed development team is thirty watersheds strong, serving volunteer groups in seven states from Pennsylvania to Alabama. These full-time positions (and the dedicated individuals that fill those positions) are building critical capacity in the volunteer group they serve -- bringing new awareness and expertise to address acid mine drainage; building strong partnerships with state agencies, other federal agencies, and nonprofit foundations; creating a base of community volunteer support within their watersheds for environmental improvement; and raising the money needed to support this good work. In the last 18 months, the team enlisted 2,784 volunteers who worked 32,727 hours. In that same 18 months, these volunteers built collaborative partnerships that created over one million dollars in documented in-kind donations and raised over half a million dollars in cash grants. The watershed development team is creating a solid base of environmental stewardship in watersheds across the seven states that are part of the Office of Surface Mining Clean Streams Program, thus building a future for environmental conservation and improvement across the region.

In 2004, the Office of Surface Mining VISTA Watershed Development Team received the Interior Department's Environmental Achievement Award, one of 11 projects selected nationally.

**Figure 3
Number of Interns**

State	2004	2003	2002	2001	2000	1999
Alabama	1	1	1	0	3	0
Kentucky	0	0	0	1	2	0
Maryland	2	1	2	2	1	0
Ohio	1	5	4	3	2	1
Pennsylvania	7	9	8	12	5	3
Tennessee	3	1	3	1	3	1
Virginia	1	3	3	2	1	0
West Virginia	8	6	9	11	6	4
Indiana	0	0	1	1	0	1
Total	23	26	31	33	23	10

Inventory of Abandoned Mine Land Problems

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

The Office of Surface Mining maintains its inventory on a computer system, which is accessible from the web at www.osmre.gov/aml/inven/zintroin.htm. The system creates reports on abandoned mine land accomplishments and problems that still require reclamation. This was the 10th year the states and Indian tribes managed their own data, entering it electronically into the Office of Surface Mining's inventory system. In 2004, this process resulted in 1,721 records added, 5,375 modified, and 455 deleted.

Office of Surface Mining/VISTA Initiative⁹

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

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

As of September 30, 2004, the system contained information for 18,257 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.)

The Abandoned Mine Land Reclamation Program is one of the Nation's most successful environmental restoration programs, with over \$1.6 billion worth of coal-related high priority problems reclaimed. However, 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 continued to arise as development expands into old coal mining areas and as subsidence and mine fires occur. As of September 30, 2004, the inventory system shows \$8.6 billion of unreclaimed problems (see Figure 4).

Also, during 2004, the Bureau of Land Management continued to store its federal lands abandoned mine

**Figure 4
Inventory Costs¹**

Completed	\$2.2 billion	20.2 percent
Funded	0.2 billion	2.2 percent
Unreclaimed	8.6 billion	77.6 percent
Total	\$11.0 billion	100 percent

1. Includes priority 1, 2, and 3 and coal and non-coal costs.

inventory in a specially modified version of the Office of Surface Mining inventory system.

Reclamation Awards

After more than 27 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



The town of Eckhart Mines, Maryland, takes its name from the coal mining that began in 1828. Unfortunately, coal waste removed between 1872 and the 1930s was deposited at the mine entrance located in the town. A drainage tunnel was supposed to carry stream flows through the site as coal refuse was dumped in the valley; but, the tunnel was failing. Any further blockage would have created an unstable coal refuse dam in a residential neighborhood. Over 140 thousand cubic yards of coal refuse was removed, and following excavation of the tunnel, stream channels were lined with rip-rap. The site was regraded to reduce erosion and stabilize the steep slopes, then revegetated with grasses, legumes, shrubs, and trees. This project eliminated a very dangerous potential abandoned mine land problem, improved the environmental quality of the stream, and removed a 50-year-old eyesore from the residential community of Eckhart Mines.

completion of the most outstanding reclamation. (See www.osmre.gov/amrules01.htm for a description of the awards program and the 2005 rules.) This year five awards were presented at the 2004 annual meeting of the National Association of Abandoned Mine Land Programs.

Appalachian Regional and National Awards

West Virginia Office of Abandoned Mine Lands & Reclamation

Neds Branch Impoundment - Gilbert, West Virginia

Following heavy winter rain, a 12-acre abandoned coal refuse dam located in southern West Virginia failed, releasing thousands of yards of slurry, coal refuse, and debris into the valley below. Declared an emergency, the two-phase work plan began by moving coal waste, slurry, and debris out of the hollow and roadway to reestablish access to nearby homes. Phase 2 included stabilizing the slurry embankment, establishing drainage control, and regrading the site.

When completed, more than one-half million cubic yards of refuse and rock had been excavated, 6,000 feet of drainage control channels and piping built, four deep mine portals sealed, and 43 acres revegetated.

Mid-Continent Regional Award

Indiana Division of Reclamation

Coles Creek Project - Scalesville, Indiana

Prior to reclamation, this Indiana abandoned mine site consisted of coal waste covered mine roads, acidic impoundments, acid drainage problems, and 95-acres of barren coal waste.

During reclamation all coal waste throughout the site was consolidated and encapsulated into one large area to eliminate its acid producing characteristics. Surface water was redirected through a series of shallow passive wetland treatment cells before leaving the site. These impoundments were planted with native vegetation and now provide water treatment and a diverse wildlife habitat.

Western Regional Award

New Mexico Abandoned Mine Land Bureau

Cerrillos South Mine Safeguard Project - Cerrillos, New Mexico

This abandoned mine reclamation project eliminated hazardous underground mine openings in the Cerrillos Hills Historic Park, a public open space located in an area containing over 1,300 years of mining history.

The project minimized abandoned mine hazards to the visiting public, added stability to the interpretative

trails system, and preserved the historic mining landscape. Work included closing shafts with high-tensile steel wire mesh, steel bat cupolas, and polyurethane foam plugs.

When completed the reclamation included eliminating the hazardous conditions at 67 open shafts, 17 pits, and one adit, all of which were dangerous to the people using the park.

Peoples Choice Award¹⁰

Wyoming Abandoned Mine Land Division

Snake River Gravel Pit Project - Flagg Ranch, Wyoming

Located between the Grand Teton National Park and the South Entrance to Yellowstone National Park, this abandoned gravel pit was reclaimed to be a self-sustaining wetland-riparian ecosystem.

Field experiment results were used to determine the project design and five distinct planting zones were constructed. More than 600 thousand native seed grown plants and 35 thousand willow cuttings were planted on the reclaimed land.

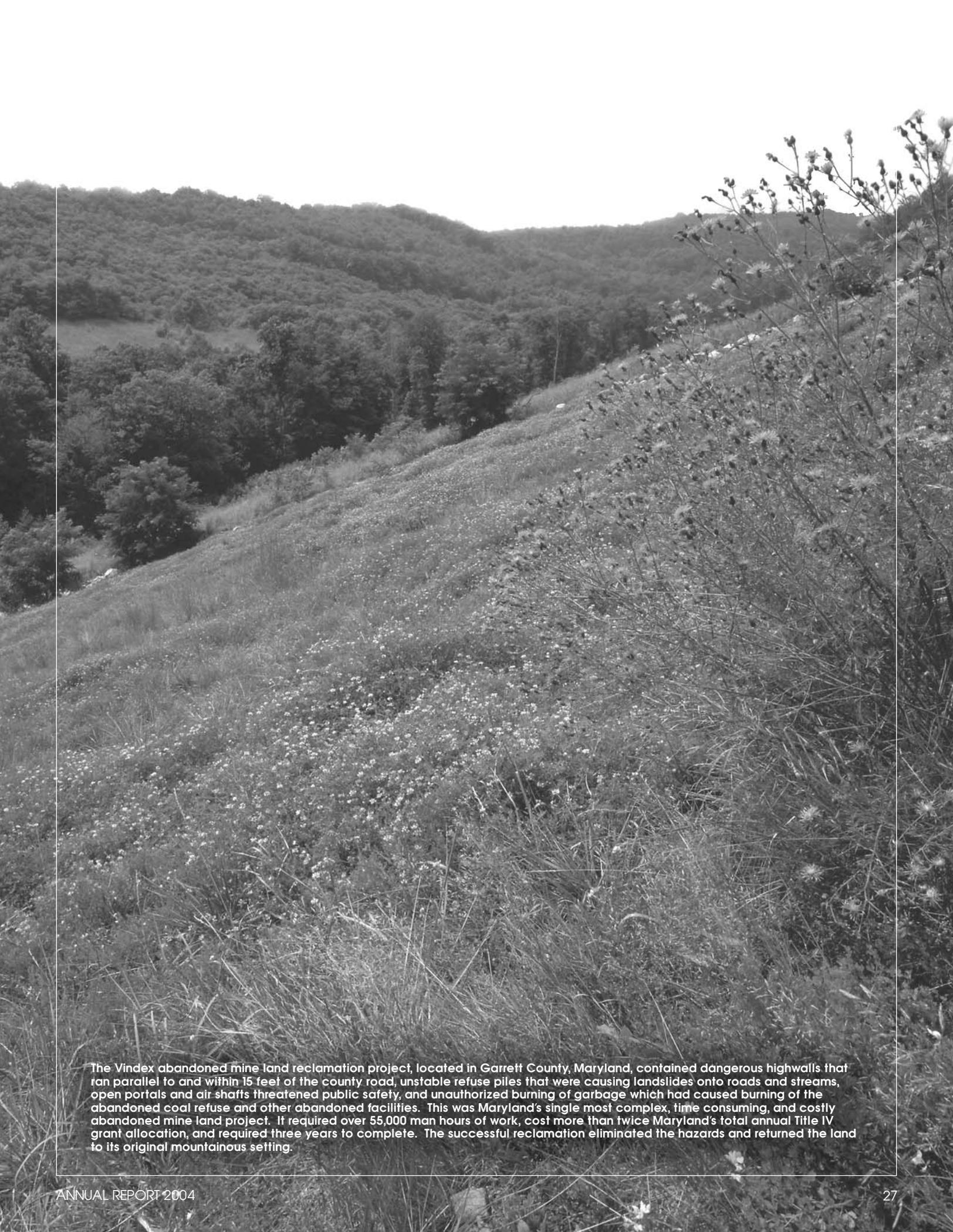
The success of this project shows that a damaged riparian habitat can be reclaimed to its original, pristine condition.

Portfolio of Abandoned Mine Land Reclamation

Since 1977, hundreds of active and abandoned mine sites have been visited and the reclamation work documented with photographs. This year, in an effort to better show successful abandoned mine reclamation -- a picture is worth a thousand words -- this section of the 2004 Annual Report presents a portfolio of on-the-ground results of abandoned mine land reclamation since the program began.

The photographs show no indication of the dangerous abandoned mine problems that existed before reclamation. Most show landscapes typical of rural areas throughout the country -- which is clear evidence of the successful reclamation completed by the Abandoned Mine Land Program. This portfolio is a picture of achievement under the Surface Mining Law that all Americans can take pride in, and should reassure everyone living in the coal fields that abandoned mine health and safety hazards can be eliminated.

10. Using the Office of Surface Mining web site, the public selects one reclamation project they think is best. This project received the most votes and became the 2004 winner of the People's Choice Award



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



Although not required by the Surface Mining Law, many abandoned mine sites are returned to more valuable new land uses. Regrading the land's surface can be a major part of the reclamation process and can be a substantial part of the total project cost. Because golf course construction also requires extensive surface grading, they are a logical use if the economic demand is great enough at the mine site location. This pastoral golf course, located just outside Pittsburgh, Pennsylvania was constructed on an abandoned coal mine. Reclamation included removing the highwalls, grading the topography to meet the golf course specifications, placing topsoil on the regraded land, and the planting the grass and trees. Today, it is a successful golf course without any indication of the abandoned coal mine that once existed at this location.



The Veca Pit was a Tennessee Valley Authority uranium mine abandoned in the 1970s. The site was especially hazardous because a road ran very close to the top of the highwall. The highwall was failing and the no-trespassing fence had actually fallen into the contaminated pit below. During reclamation the bottom of the pit was raised above the water level with clean material and the contaminated soil covered with a clay liner. This reclamation has eliminated the dangerous abandoned mine hazards and the site is now populated with deer, antelope, owls, rabbits and other small game.



The Oklahoma partnership approach to reclamation of abandoned mine land is a joint effort of the Oklahoma Abandoned Mine Land Reclamation Program and the Agriculture Department's Natural Resources Conservation Service. By sharing resources, both people and money, the two agencies reduced costs, eliminated duplication of services, and achieved outstanding abandoned mine reclamation. Here at this reclaimed site in Rogers County, the combined effort resulted in the elimination of three hazardous highwalls and a significant source of acid mine drainage that was flowing into the Claremore municipal water supply.



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



The first state abandoned mine land project to use a grant from the Abandoned Mine Reclamation Fund was approved in August 1981. This project included the closure of a dangerous abandoned underground mine opening located in a Benwood, West Virginia, city park. Although fenced, the opening was readily accessible to children playing in the park. Reclamation work included clearing the area around the mine opening, demolishing an old fence and metal steps leading into the mine, sealing the opening with concrete blocks, filling in the void with rock and soil, and revegetating the site. Today the site is free of abandoned mine land dangers and the only reminder of this problem is a marker located on the hillside behind the swing.



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 abandoned 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.

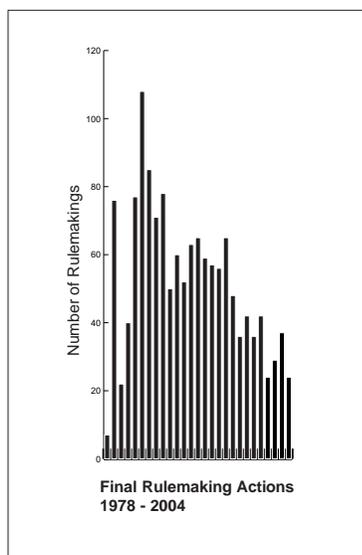


Regulation of active

The shared federal-state-Indian active surface and underground coal mining and reclamation program

Under the Surface Mining Law (www.osmre.gov/smcra.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 by obtaining a broad spectrum of viewpoints on rulemaking activities.

Rulemaking and State Program Amendments



The 2004 rulemaking process included discussions with coal industry representatives, citizen groups, and state regulators to obtain their input and suggestions.

During the year, the Office of Surface Mining published two final permanent program rules in the *Federal Register*, Enhancing

Abandoned Mine Land Reclamation (RIN 1029-AC07) and Coal Production Fee Allocations (RIN 1029-AC46), (see Table 7).

Photo to left: Many active mining operations have reclaimed abandoned mine hazards as part of their on-going coal extraction. Before reclamation, this 50-acre site, adjacent to an active Indiana surface mine, consisted of a large abandoned coal waste pile and a slurry pond. The site was the principal source of acid mine drainage that was polluting the local watershed. The site was graded and covered with approximately two feet of shale and unconsolidated subsoil materials, 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 reclamation funds. Since 1977 approximately 1,000 dangerous impoundments have been reclaimed.

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 any 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 2004, the Office of Surface Mining published 26 proposed and 24 final state program amendments in the *Federal Register*.

Significant Court Decisions

During 2004, there were four significant court decisions that influenced the implementation of the Surface Mining Law. The cases involved issues on valley fills, subsidence, abandoned mine land fees and takings (see Table 8).

Table 7: Final Rules Published

Enhancing Abandoned Mine Land Reclamation
30 CFR Part 707 11/20/03

This final rule was published in response to a decision by the United States Court of Appeals, District of Columbia Circuit, requiring further explanation as to the types of government expenses that will qualify as government financed construction under the Abandoned Mine Land Program.

Coal Production Fee Allocations
30 CFR Parts 870 and 872 9/17/04

This interim-final rule sets forth the criteria and methodology that will be used to establish fee rates for coal used, sold, or transferred after September 30, 2004, the date that the original rates established by the Surface Mining Law expire. Under the Law, fee rates for coal used, sold, or transferred after September 30, 2004, must be established at a rate that will continue to provide for transfers from the Abandoned Mine Reclamation Fund to the United Mine Workers of America Combined Benefit Fund to defray health care costs for certain beneficiaries for which no company is directly responsible.

coal mines

Table 8: Significant Court decisions

Ohio Valley Environmental Coalition, et al. v. Bulen, No. 3:03-2281 (S.D. W. Va.)

On July 8, 2004, a Federal district court ruled that Nationwide Permit 21 issued by the U.S. Army Corps of Engineers violates section 404(e) of the Clean Water Act. The court enjoined the Corps from issuing valley fill authorizations, often associated with the practice of mountaintop removal mining, pursuant to Nationwide Permit 21 in the Southern District of West Virginia and, with respect to the eleven specific mining sites challenged by the plaintiffs, ordered the Corps to suspend authorizations for valley fills and surface impoundments on which construction had not commenced as of the date of the decision. Although the Office of Surface Mining was not a party to this litigation, it is keenly interested in the ultimate outcome of the case because it relates to the permitting of valley fills associated with surface coal mining operations.

Citizens Coal Council v. Norton, No. 02-5136 (D.C. Cir.)

On February 23, 2004, the U.S. Supreme Court declined to review a June 3, 2003, decision of a Federal appeals court, which upheld the Secretary's rule interpreting subsidence from underground mining not to fall within the scope of the term "surface coal mining operations" as defined in section 701(28) of the Surface Mining Law. The rule provides that subsidence is not prohibited on lands protected by section 522(e) of Surface Mining Law. The appeals court decision concluded that Congress did not speak unambiguously on the issue in the Law, and, because the court found the Secretary's interpretation reasonable, the court deferred to the Secretary.

Consolidation Coal Co. v. United States; Rapoca Energy Co. v. United States, No. 03-5019 (Fed. Cir.)

At issue in these two cases and four other pending cases is whether the Abandoned Mine Land fee collected pursuant to section 402 of the Surface Mining Law, 30 U.S.C. section 1232, and 30 C.F.R. section 870.12 violates either the Export Clause or the Fifth Amendment Takings Clause of the U.S. Constitution. On August 14, 2002, a Federal trial court held that it lacked jurisdiction to hear these cases. In a December 11, 2003, decision, however, a three-judge panel of a Federal appeals court reversed, concluding that the trial court did have jurisdiction to hear the case. The case was returned to the trial court, where the merits are being litigated.

Appolo Fuels, Inc. v. United States, No. 03-5088 (Fed. Cir.)

On August 30, 2004, a Federal appeals court affirmed a Federal trial court's decision in favor of the United States in this regulatory takings case. Plaintiff alleged permanent and temporary takings of its coal leases based on the Office of Surface Mining's designation of certain lands as unsuitable for surface coal mining, as well as OSM's alleged delay in deciding the petition that requested the designation. The designated area includes portions of a lake that provides the sole drinking water supply for the city of Middlesboro, Kentucky. In affirming the trial court's decision, the appellate court first held that there had not been a categorical taking because the designation did not deprive plaintiff of all economically viable use of its coal leases. Next, the court held that there had not been a partial taking because plaintiff lacked reasonable investment-backed expectations to mine in the designated area and because the Office of Surface Mining was exercising the police power to protect public health and safety. Finally, the court ruled that there was not a temporary taking because the Office of Surface Mining did not engage in "extraordinary delay" in deciding the lands unsuitable petition.

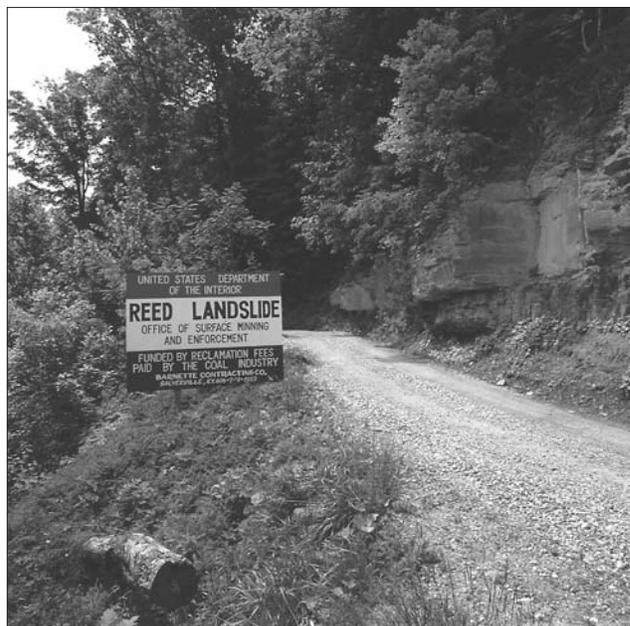
State Programs

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 a relationship that includes common goals and principles.

On June 19, 2003, the Director of the Missouri Regulatory Authority notified the Office of Surface Mining that funding and staffing for the Missouri Program had been severely cut by the Missouri Legislature. The Legislature appropriated funds for bond forfeiture reclamation; but, failed to provide adequate funding for the inspection, enforcement, permitting, and bonding portions of the Missouri program. The Office of Surface Mining substituted federal enforcement on August 22, 2003, for those portions of the Missouri program that the Missouri Legislature did not fund for 2004.

On April 15, 2004, the Office of Surface Mining clarified that its August 22, 2003, substitution of direct federal enforcement included those portions of the Missouri

program concerning training, examination, and certification of blasters; areas unsuitable for mining; and small operator assistance. The Office of Surface Mining also made findings on the status of the remedial actions that Missouri must complete in order to reassume full authority for the Missouri program. The Office of Surface Mining did not withdraw approval of Missouri's program based upon an indication by the state that it intends to resolve the funding and staffing deficiencies.



Signs are used by both the Office of Surface Mining and the states to identify abandoned mine land project sites and advise the public that the funds used for reclamation have been made available from fees paid by the coal industry.

On May 3, 2004, the Director of the Missouri Regulatory Authority notified the Office of Surface Mining that the Missouri Legislature did not fund the Missouri program for 2005. On May 6, 2004, Missouri submitted a financial and organizational plan for the state to reassume authority to implement its regulatory program in 2006. On May 25, 2004, the Office of Surface Mining notified the Missouri Regulatory Authority that, based on the proposed financial and organizational plan, the current federal substitution plan would continue for another year (July 1, 2004 - June 30, 2005).

Oversight of State Programs

Section 517(a) of the Surface Mining Law requires the Office of Surface Mining to make inspections as necessary to evaluate the administration of approved state programs. Most state programs were approved in the early 1980s, and the Office of Surface Mining's oversight of these programs focused on the implementation of the many procedural and process requirements such as permitting, inspection, enforcement, and penalties, each with numerous mandated requirements prescribed to achieve the environmental protection performance standards and the purposes of the Surface Mining Law.

The Office of Surface Mining now employs a results-oriented oversight strategy that was devised in consultation with the states and emphasizes cooperative problem-solving, tailors evaluations to



The Harrison County Road 51 project near Cadiz, Ohio, contained six separate abandoned mine land sites. Piles of highly acidic and erosive mine spoils were clogging streams and causing acid mine drainage. Existing impoundments were treated to raise the pH of the water from 2.4 to 7.5 before discharge. Following reclamation, offsite sedimentation and acid mine drainage has been eliminated, and the entire area has been revegetated. Today, the area has been returned to a natural wildlife habitat. On September 30, 2004, there were over 130 miles of clogged streams that needed reclamation in Ohio.

Table 9: Federal Oversight of State Programs

Violations Cited by the Office of Surface Mining¹

State	Site Visits	Notice of Violations	Failure-To-Abate Cessation Orders	Imminent Harm Cessation Orders
Alabama	84 ⁴	0	0	0
Alaska	4	0	0	0
Arkansas	7	0	0	0
Colorado	16	0	0	0
Illinois	105	2	1	0
Indiana	75	0	0	0
Iowa	0	0	0	0
Kansas	4	0	0	0
Kentucky	301	0	0	0
Louisiana	2	0	0	0
Maryland	25	0	0	0
Mississippi	3	0	0	0
Missouri	63 ²	0	0	0
Montana	4	0	0	0
New Mexico	4	0	0	0
North Dakota	9	0	0	0
Ohio	105 ⁴	0	0	0
Oklahoma	34	0	0	0
Pennsylvania	461	1	2	0
Texas	15	0	0	0
Utah	10	0	0	2
Virginia	132	1	0	0
West Virginia	186	4	1	0
Wyoming	20	0	0	0
Total	1,669⁵	8³	4³	2

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

2. Includes only Office of Surface Mining oversight inspections, see Table 10 for regulatory inspections.

3. Of the 8 Notice of Violations, 6 were for Abandoned Mine Land Fee related problems (Illinois 2, Pennsylvania 1, Virginia 1, and West Virginia 2) and of the 4 Cessation Orders, 4 were for Abandoned Mine Land Fee related problems (Illinois 1, Pennsylvania 2, and West Virginia 1)

4. Includes Notice of Intent inspections (Alabama 7, Ohio 1).

5. Includes 16 inspections related to Abandoned Mine Land Fee collection (Alabama 1, Illinois 3, Pennsylvania 3, Virginia 3, and West Virginia 6).

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 gauge how the Surface Mining Law is protecting citizens, public and private property, and the environment outside 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

Table 10: Regulatory Program Statistics

State/Indian Lands	Regulatory Staffing ¹	AML Staffing ¹	New Permits ²	New Acreage Permitted ²	Total Acreage Permitted ²	Inspectable Units ¹	Complete Inspections ²	Partial Inspections ²	Notice of Violations ²	Failure-To-Abate Cessation Orders ²	Imminent Harm Cessation Orders ²	Bond Forfeitures ²	Acreage of Phase I Bond Release ²	Acreage of Phase II Bond Release ²	Acreage of Phase III Bond Release ²
Alabama	26.00	17.05	10	2,569	85,328	225	2,480	282	157	0	0	8	1,610	1,251	3,285
Alaska	3.48	5.60	0	0	9,099	11	30	59	2	2	0	0	69	69	0
Arkansas	3.95	6.75	1	19	502	13	53	103	3	0	0	0	0	0	0
Colorado	24.00	13.80	0	0	162,900	51	195	319	10	2	0	0	980	10	1,868
Crow ⁵	1.00	3.70	0	62	5,496	1	2	8	0	0	0	0	2,151	1,280	0
Georgia ⁵	0.00	0.00	0	0	0	6	3	1	0	0	0	0	0	0	0
Hopi ⁵	3.00	5.40	0	0	6,137	2	8	4	0	0	0	0	0	0	0
Illinois	35.90	29.00	8	2,196	57,713	88	395	831	34	5	0	1	1,546	3,860	3,922
Indiana	49.00	22.00	6	959	267,600	121	673	1,343	40	3	0	0	5,275	4,710	5,775
Iowa	3.15	4.45	0	0	3,334	20	19	31	0	0	0	17	0	0	0
Kansas	3.25	10.75	1	260	4,478	12	48	89	0	0	0	0	0	0	0
Kentucky	315.00	83.00	86	32,815	1,705,900	1,992	7,858	14,680	721	183	32	10	10,952	3,736	11,122
Louisiana	2.65	0.60	0	0	41,215	2	8	16	0	0	0	0	0	0	989
Maryland	11.38	4.80	3	190	6,103	60	350	576	14	2	1	0	26	58	59
Mississippi	2.25	0.00	0	0	5,809	1	4	9	0	0	0	0	0	0	0
Missouri	2.40	7.10	1	344	18,610	47	107 ³	277 ³	0	0	0	0	748	391	569
Montana	16.70	8.85	0	0	62,687	15	94	106	8	0	0	0	2,571	991	18
Navajo ⁵	5.00	24.70	0	0	95,822	24	60	50	9	0	0	0	0	0	0
New Mexico	12.50	8.05	0	0	79,325	11	50	125	2	0	0	0	54	500	793
North Dakota	8.70	4.88	1	17,051	93,218	35	148	548	1	0	0	0	1,062	1,228	2,400
Ohio	21.00	41.30	60	12,233	102,074	356	1,385	2,218	191	3	7	5	2,278	2,519	5,121
Oklahoma	20.80	14.00	0	32	28,069	81	312	394	12	0	0	0	2,557	4,808	2,909
Pennsylvania	253.00	117.00	71	14,621	383,398	1,948	7,531	10,996	713	70	0	4	5,874	6,537	4,371
Tennessee ⁵	41.00	4.00	12	1,956	29,175	347	917 ⁴	932 ⁴	36	0	1	0	2,885	248	1,067
Texas	34.00	8.00	1	7,887	270,600	31	120	242	13	0	0	0	878	778	37
Utah	32.50	10.00	1	89	2,690	28	115	192	22	4	0	0	33	0	14
Ute Mountain Ute ⁵	0.00	0.00	0	0	175	3	3	8	0	0	0	0	0	0	0
Virginia	79.00	16.00	13	5,022	76,978	550	2,679	3,280	410	4	11	0	286	863	1,694
Washington ⁵	NA	0.00	0	0	14,930	2	9	17	3	0	0	0	0	5	5
West Virginia	290.00	54.60	67	18,500	317,521	2,414	6,830	12,462	1,218	117	26	19	4,049	3,763	4,066
Wyoming	28.89	13.80	0	0	345,570	35	142	251	7	0	0	0	6,550	0	0
Total	1,329.50	539.18	342	116,805	4,282,456	8,532	32,628	50,449	3,626	395	78	64	52,434	37,606	50,084

1. As of September 30, 2004.

2. State program statistics for the one year period, July 1, 2003 - June 30, 2004, except where noted (federal statistics for Crow, Georgia, Hopi, Navajo, Tennessee, and Washington, see footnote 5). Statistics for the fourth quarter (July 1, 2003 - September 30, 2003) are included in both the 2003 and 2004 Annual Report state program information.

3. As a result of the substitution of federal enforcement in Missouri on August 22, 2003, 87 of the 107 complete inspections and 180 of the 277 partial inspections were conducted by the Office of Surface Mining during the period October 1, 2003 - September 30, 2004, and the remainder (20 complete and 97 partial inspections) conducted by the state of Missouri Regulatory Authority during the period July 1, 2003 - June 30, 2004.

4. Includes 92 complete and 26 partial inspections of exploration and Notice of Intent sites.

5. Federal statistics for the one year period, October 1, 2003 - September 30, 2004.

NA. Statistics not available.

degree of these impacts. Success is expressed as a percent of inspectable units¹¹ that achieve the goal of having no offsite impacts and as the number of acres that meet the bond release requirements for the various phases of reclamation. During 2004, 93 percent¹² of the inspectable units were free of offsite impacts (compared to 92.3 percent in 2003) and does meet the goal of 93 percent of the sites free from offsite impacts.

Since 1996, the Office of Surface Mining has completed four reviews of the implementation of the oversight policy. Although there are a few exceptions, the reviews showed that the cooperative approach provides for better problem resolution with states. Also, this oversight strategy has resulted in improvements to state program implementation and in the resolution of some long-standing issues. (See www.osmre.gov/report04.htm for copies of 2004 Annual State Oversight Reports.)

Table 9 provides a summary of the Office of Surface Mining's oversight inspection and enforcement activities during 2004. Detailed monthly reports are available monthly at www.osmre.gov/ieindex.htm.

Federal Programs

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

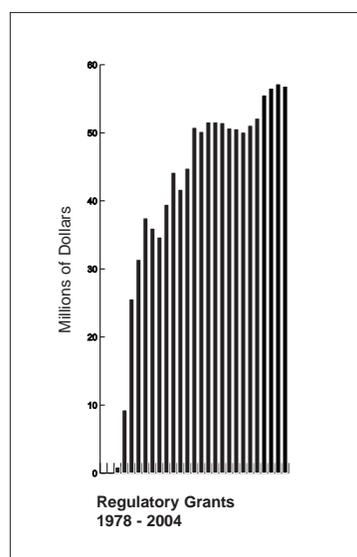
- the state's proposal for a permanent program has not been approved by the Secretary of the Interior;
- the state does not submit its own permanent regulatory program; or
- the state does not implement, enforce, or maintain its approved state program.

Although the Office of Surface Mining encourages and supports state primacy in the regulation of coal mining and reclamation operations, some states with coal reserves have elected not to submit or maintain

regulatory programs. Those states are called federal program states, and their coal mining and reclamation operations are regulated by the Office of Surface Mining. Federal programs are in effect in 12 states: Arizona, California, Georgia, Idaho, Massachusetts, Michigan, North Carolina, Oregon, Rhode Island, South Dakota, Tennessee, and Washington.

Of the federal program states, only Tennessee and Washington had active coal mining in 2004. Table 10 includes the regulatory activities in those two states during 2004.

Grants to States and Tribes



Section 705 of the Surface Mining Law authorizes the Office of Surface Mining to provide grants to states with approved regulatory programs in amounts not exceeding 50 percent of annual state program costs, matching state regulatory costs dollar for dollar. In addition, when a primacy 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 2004 to administer and enforce regulatory programs. During 2004, the Office of Surface Mining awarded 100 percent of the regulatory grants to the states within 60 days of receiving the grant application.

Regulation of 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 promulgated the current Federal Lands Program on February 16, 1983. The federal

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

12. Estimated statistics. States provided data for the period July 1, 2003 - June 30, 2004, to accommodate the 2004 accelerated reporting requirements. Estimates were made for the fiscal year time frame. Statistics for Tennessee and Washington are for the October 1, 2003 - September 30, 2004 period and were not estimated.

Table II: Regulatory Grant Obligations

State/Tribe	2004 Federal Funding	2003 Federal Funding	Cumulative Through 2004 Federal Funding ¹
Alabama	\$987,979	\$1,050,377	\$27,106,229
Alaska	188,518	184,220	\$5,908,968
Arkansas	149,352	147,512	\$3,708,041
Colorado	1,954,760	1,930,677	\$31,510,443
Illinois	2,439,511	2,984,915	\$57,383,071
Indiana	1,992,281	1,918,700	\$34,770,090
Iowa	128,736	127,150	\$2,822,210
Kansas	112,578	111,191	\$3,015,400
Kentucky	12,313,367	13,158,691	\$284,747,445
Louisiana	167,384	165,322	\$3,765,466
Maryland	667,922	561,704	\$12,452,905
Michigan	0	0	\$135,458
Mississippi	113,729	112,328	\$1,354,751
Missouri	84,633	84,633	\$8,547,018
Montana	1,030,822	1,018,122	\$18,385,222
New Mexico	737,526	728,439	\$13,666,999
North Dakota	501,824	486,543	\$12,013,016
Ohio	2,020,039	1,822,626	\$60,867,461
Oklahoma	940,477	899,535	\$19,468,131
Pennsylvania	10,665,756	10,534,351	\$228,092,373
Rhode Island	0	0	\$158,453
Tennessee	0	0	\$5,340,085
Texas	1,350,638	1,495,192	\$24,529,248
Utah	1,730,419	1,709,100	\$30,861,671
Virginia	3,259,433	3,197,057	\$71,570,907
Washington	0	0	\$4,893
West Virginia	10,520,169	10,056,687	\$135,546,379
Wyoming	2,120,036	2,038,607	\$36,339,541
Crow Tribe	62,832	62,102	\$1,153,901
Hopi Tribe	173,977	171,834	\$1,885,320
Navajo Tribe	448,675	443,147	\$4,702,211
N. Cheyenne Tribe	0	0	\$86,888
Total	\$56,863,373	\$57,200,762	\$1,141,900,194

1. Includes obligations for Applicant/Violator System, Technical Innovation and Professional Services, Kentucky Settlement, and other Title V cooperative agreements. Figures for 2004 do not include downward adjustments of prior-year awards. However, cumulative figures are net of all prior-year downward adjustments.

government owns significant amounts of land and coal reserves, primarily in the West. Of the 147 billion tons of recoverable coal reserves in the western United States, 60 percent is federally owned. The development of federal coal reserves is governed by the Federal Coal Management Program of the Department of the Interior's Bureau of Land Management.

Through cooperative agreements, the Secretary of the Interior may delegate most regulatory responsibilities for surface coal mining operations on federal lands to states with approved regulatory programs. Through

2004, the Secretary had entered into cooperative agreements with 14 states: 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 and a state have signed a cooperative agreement, the state regulatory authority assumes permitting, inspection, and enforcement responsibilities for coal mining and reclamation activities on federal lands in that state. The Office of Surface Mining maintains an oversight function to ensure that the state regulatory authority fully exercises its delegated responsibility under the cooperative agreement. In states without cooperative agreements, the required permitting, inspection, and enforcement activities are carried out by the Office of Surface Mining. In 2004, 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 for approval by the Secretary of the Interior. During 2004, two mining plan actions were prepared and approved for coal mines on federal land (North Dakota and Wyoming).

Pursuant to Section 701 of the Surface Mining Law, the Office of Surface Mining regulates coal mining and reclamation on Indian Lands. On September 30, 2004, there were 10 surface coal mining operations permitted on Indian reservations or Indian-owned lands as follows:

- Two active permanent program operations on the Navajo reservation (Mckinley and Navajo Mines);
- Two active operations on both the Navajo and Hopi reservations—one permanent and one initial program permit (Kayenta and Black Mesa Mines). An active preparation plant on the Navajo Reservation (Black Mesa Preparation Plant) has had a separate permit application submitted in accordance with the permanent Indian Lands Program, and is operating under administrative delay;

- Two Initial Program operations on the Navajo reservation that are being reclaimed (Amcoal and Burnham Mines). The Office of Surface Mining, in cooperation with the Bureau of Indian Affairs and the Navajo Nation, is overseeing the final reclamation at these sites;
- One active mine producing coal owned by the Crow tribe on the Crow Ceded Strip (Absaloka Mine);
- One portion of an underground mine on lands owned by the Ute Mountain Ute tribe (King Coal Mine);
- One permitted haul road on the Ute Mountain Ute reservation (La Plata Haul Road).

During 2003, one mine on the Navajo Reservation was granted final bond release under the Indian Lands Program, and the Office of Surface Mining terminated its jurisdiction in August 2003 (De-Na-Zin Mine).

The Office of Surface Mining awards 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



Located in the City of Boonville, Indiana, mining activity in the 1930s left this abandoned coal mine site unreclaimed. To eliminate the dangers to residents living in homes along the top of the highwall, the site was regraded and fill placed against the highwall to prevent continued erosion and sluffing. At the same time the stagnant pooled water next to the local hospital was eliminated. This removed the danger of children playing on the frozen water in the winter and the mosquito problems long associated with this abandoned mine site. In addition, a frequent flooding and runoff problem was eliminated by constructing a drainage system that included a small holding basin that catches storm water runoff and slowly releases the water over an 18-hour period. In hindsight this reclamation project was a showcase for community involvement. The hospital staff, local school board, City of Boonville officials, and the local residents all saw a common goal in getting these abandoned mine hazards eliminated and all participated in the planning and reclamation process. Today, with the abandoned mine hazards eliminated, the site has been turned into a useful and attractive resource for the community. On September 30, 2004, there were more than 7,000 feet of dangerous abandoned highwalls that needed reclamation in Indiana.

release); and education in the area of mining and mineral resources. Development grant funding for 2004 was \$685,484. Table 10 includes statistics on regulatory activities on Indian lands during 2004.

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.

In May 2003, the agencies released the draft environmental impact statement to the public for review and comment. The comment period closed in January 2004, and agencies received more than 83 thousand comments. The agencies are analyzing comments to determine what subsequent steps are needed to complete the process.

As provided in the settlement agreement, the Office of Surface Mining continued to cooperate with the West Virginia Department of Environmental Protection in the review of permit applications proposing to construct large fills as part of the mining operation. During 2004, the agencies decided to limit reviews of permits that require an individual Clean Water Act permit by the U.S.



In the Anthracite coal region of eastern Pennsylvania, coal seam fires are common. This fire, located under a community, burned to the surface, emitting smoke and noxious fumes. At this location the smoke and fumes had killed all vegetation and emergency action to remove the burning coal was required. If left in place, the burning coal fire could have spread and started a forest fire and further endangered the nearby residents. On September 30, 2004, there were over 1,200 acres of underground mine fires that needed reclamation in Pennsylvania.

Army Corps of Engineers. Three of five applications being reviewed under the cooperative effort were removed from the process by this decision. One of the two remaining permits was later terminated by the State and the other is still under review. On July 8, 2004, District Judge Joseph Goodwin of the Southern District of West Virginia enjoined the U.S. Army Corps of Engineers from issuing Nationwide Permit 21 Clean Water Act authorizations within the Southern District of West Virginia. The effect of the Court action on the Settlement Agreement creating the interagency permit evaluations is under consideration.

A complete listing of mountaintop mining information is available at www.osmre.gov/mtindex.htm.

Pennsylvania Anthracite Program

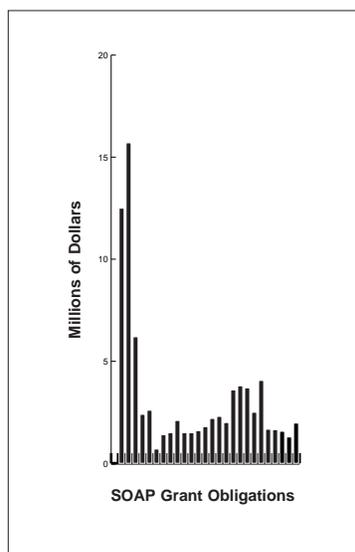
Section 529 of Surface Mining Law provides an exemption from federal performance standards for anthracite coal mining operations, provided the state law governing those operations was in effect on August 3, 1977. Pennsylvania is the only state with an established regulatory program qualifying for the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

In 2004, the anthracite mining industry produced approximately 1.7 million tons, approximately 1.5 million tons from surface mines and 0.2 million tons from underground mines. In addition, the reprocessing of anthracite coal waste banks continued throughout the Anthracite region and during 2004, and produced 2.5 million tons used to fuel approved cogeneration (waste burning) electric plants.

The Pennsylvania anthracite program currently includes 313¹³ inspectable units (52 underground, 15 preparation plants, four refuse disposal sites, 122 reprocessing operations, and 120 surface mines). Pennsylvania's Department of Environmental Protection conducted 3,090¹³ inspections (compared to 2,862 last year) and issued 165¹³ violations (compared to 147 last year) in the anthracite region. Pennsylvania's Department of Environmental Protection continues to successfully carry out the provisions of the anthracite regulatory program.

13. 12-month period, July 1, 2003 - June 30, 2004

Small Operator Assistance Program



Section 401 (c)(11) of the Surface Mining Law authorizes up to \$10 million annually of the fees collected for the Abandoned Mine Reclamation Fund to be used to help qualified small mine operators obtain technical data needed for permit applications. Qualifying operators produce no more than 300,000 tons of coal per year. The

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

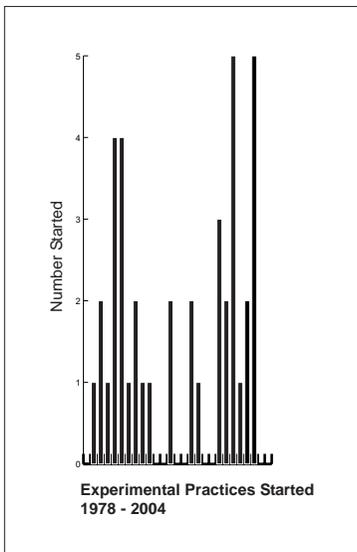
Table 12: Small Operator Assistance Program

Grant Amount ¹ State	2004	2003	Operators	Projects started
Alabama	\$39,049	\$35,000	1	1
Kentucky	883,844	403,631	26	17
Maryland	35,000	0	2	2
Ohio	0	57,884	2	2
Pennsylvania	966,617	729,200	27	27
West Virginia	49,584	64,929	1	0
Total	\$1,974,094	\$1,290,644	59	49

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

Administrative responsibility for the Small Operator Assistance Program resides with the state regulatory authority in primacy states and with the Office of Surface Mining in other states. In 2004, 59 small mine operators received assistance (compared to 56 in 2003 and 107 in 2002). Table 12 provides a summary of the Small Operator Assistance Program by state during 2004.

Experimental Practices



Section 711 of the Surface Mining Law allows variances from the performance standards of Sections 515 and 516 of the Surface Mining Law on an experimental basis. These variances are intended to encourage advances in mining technology or to allow innovative industrial, commercial,

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

Since the program began, 46 projects have been undertaken and 26 completed. Of the completed projects, 21 were determined to be successful and 5 unsuccessful. Two were terminated due to a regulation change. Currently there are 18 projects underway.

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 2005 rules, see www.osmre.gov/activerules01.htm.

The 2004 awards were presented September 27, 2004, at a luncheon hosted by the National Mining Association. The award winners were as follows:

Director's Award:

Each year, one coal mining operation in the country is selected to receive the Director's Award for outstanding achievement in a specific area of reclamation. This year, the award was presented to Arch of West Virginia for reclamation of abandoned mine land problems as part of active mining and reclamation at the Ruffner Mine.

Reclamation at the Ruffner mine eliminated 9.4 miles of dangerous abandoned highwalls, cleaned up numerous abandoned refuse disposal areas, and eliminated a large underground mine fire. This reclamation work was done as part of the active mining and required no cost to the state or federal government.

With the abandoned mine hazards eliminated and reclamation completed, the land has been returned to a productive hay and pasture land use.

National Awards

- Mining is only a temporary use at the Black Beauty Coal Company, Farmersburg Mine. Located in Vigo and Sullivan Counties of Indiana, the reclaimed land is producing above average crop yields.

The primary reasons for the success of this reclamation is the soil handling method used and more than double the amount of soil required by the regulations that is spread on the reclaimed land.

While waiting for final bond release, much of the reclaimed land has been leased to local farmers and it is difficult to identify where mining did or did not occur.



At this West Virginia abandoned mine reclamation site a concrete lined channel was used to prevent erosion. This quickly installed structure allowed drainage from the steep woodlands above the project to run down the reclaimed slope without causing damage. In a few years both woody and herbaceous vegetation will grow through holes in the concrete

■ Reclamation experts describe the grading techniques and water channel design used at the San Juan Coal Company, San Juan Mine in Waterflow, New Mexico “as the most innovative reclamation technology that has been developed for western coal mining during the past 25-years.”

Mining company employees have recreated the slopes with characteristics of the undisturbed lands.

Using a slope design process based on fluvial geomorphic principles, the reclaimed topography is more stable, diverse, and resistant to damage from flash flooding than traditional reclaimed land in this arid environment.

■ Overburden removal at the TXU Mining Company Tatum Lignite Coal Mine in Beckville, Texas provided a unique opportunity for the development of water features in the reclamation.

A pond-in-series design resulted in five wetland areas being developed. Native grasses and forbs were planted and more than 40 acres of hardwood species are now established. This wetland resource will serve the east Texas community with wildlife, fish, diverse aesthetics, sediment retention, and groundwater recharge for years to come.

■ Mining in a coal seam known for acid mine drainage problems, the Patriot Mining Company, Guston Run Mine near Pursglove, Pennsylvania incorporated coal ash from a local power plant to prevent acid problems.

The ash spread on the pit floor, mixed in the backfill, and on the final slopes prior to topsoil placement acted as a sealer and neutralizing agent.

Good reclamation practices and use of the ash has resulted in good water quality discharges and postmining land that should remain productive for years in the future.

■ With more than 30,000 permitted acres and the regulatory requirement to return the land to prior productivity, the Consolidation Coal Company worked to develop a successful reclamation method in prime



The pleasant View Mine site is located in Western Kentucky adjacent to the city of Madisonville. A 1930s coal mine, typical of that time, left spoil ridges and a large final pit which eventually impounded water. Mining activity resumed in the 1960s when millions of tons of acidic coal refuse from an underground mine was disposed of on the site. Once the site was abandoned it degraded and the coal refuse generated large amounts of acid drainage, polluting the water impounded in the final pit to such a degree that it was a deep red color and became known as “Ketchup Lake.” In 1997, with encouragement from local citizen groups, the state classified the site as a threat to public health and safety and the Appalachian Clean Streams Initiative funding became available and the reclamation began. The reclamation plan eliminated the impoundment and then covered the entire area with soil obtained from the ridges created by the original mining. During reclamation 2.5 million cubic yards of material were moved and 26,000 tons of agricultural limestone, 88 tons of fertilizer, 500 tons of straw mulch, and 10 tons of seed were used on the 250-acre site. With reclamation complete streams near the site, once little more than a conduit for acid mine drainage from Ketchup Lake, have been restored. Today the streams are healthy, aquatic life is returning, and the water is no longer polluting downstream wetlands. In addition, the knowledge gained about water treatment has been used in developing treatment methods at other sites. On September 30, 2004, there were more than 40 hazardous water bodies that needed reclamation in Kentucky.

farmland conditions on its Illinois surface mining operations.

Research results showed soil loosening was needed to eliminate compaction problems and a special plow was developed.

Capable of plowing to depths of 48 inches, the 17-inch lifting motion fractures compacted soils and creates soil conditions that can consistently meet performance standards.

■ Operating within sight of Morgantown, West Virginia, the Shafer Brothers Construction Company Payne Mine used coal ash from a power plant to minimize acid mine drainage from the acid-producing layer just below the coal.

Ash was primarily used to seal the pit floor by creating a dish that prevented water from getting into the potential acid-producing material.

This reclamation resulted in water discharges that meet all effluent standards without treatment and an excellent hay crop that is being harvested by the landowner.

■ Reclamation at the Jacobs Ranch Coal Company, Jacobs Ranch Mine in Wright, Wyoming included playa wetlands, which are a valuable vegetation and wildlife habitat resource in this western environment.

These intermittent wetlands are used by waterfowl as well as antelope, deer, and elk. This year-around habitat and seasonal water supply has been reestablished even though mitigation is not required by the U.S. Army Corp. of Engineers.

The establishment of these valuable features is a credit to the company and an example for others to follow.

■ In 2004, a special award was presented to Coal Loaders, Inc., in Unity Township, Pennsylvania for outstanding reclamation performed using Government Financed Reclamation Contracts administered by the Pennsylvania State Regulatory Authority.

A 1940s surface mine left abandoned highwalls, sinkholes, acid mine discharges, and piles of coal refuse. The coal remaining was not enough to justify permitting, so the project was completed as an abandoned mine project funded by the mine operator.

Through two contracts, Coal Loaders was able to mine the remaining coal, fully reclaim the site, and complete improvements to the property.

Good Neighbor Awards

Three Good Neighbor awards were presented for establishing good working relations and interaction with mine neighbors.

■ In Craig, Colorado, the Trapper Mining Company is part of the community and the company plays an important role in the economic, social, and environmental well-being of the area.

Examples of community involvement include building a fitness center, the only community health club in the county, and donating it to the community college; providing personnel, machinery, and funds to construct nine holes of the Yampa Valley Golf Course; and, working with the community leaders, providing labor, machinery, and funds to build an athletic complex.



Many abandoned mine projects have the goal of closing underground mine openings without preventing bats access to their nesting sites inside the old mines. Closing mine openings and controlling human access is the only sure solution to eliminating dangerous problems. However, abandoned underground mines are one of the homes for a significant bat population. Bats use the abandoned mines for maternity roosts, young bats are born and raised in the mine tunnels, and bats hibernate there during the winter. Projects like this eliminate the hazards to people while saving the bat habitat and are found throughout the country. Bat gates provide easy access for bats and a safety barricade for people.

■ At the Coal-Mac Phoenix Mine in Ragland, West Virginia, both the company and employees are part of the local community.

The company has initiated education programs and works with schools on environmental issues in the classroom and on-site at the mines.

Employees are career spokespersons and reading volunteers at the schools. The children in local schools were presented monetary education incentive awards established by Coal-Mac.

■ Working with county, state, and federal agencies as well as community leaders, and other groups, the Coteau Properties Company's, Freedom Mine near Beulah, North Dakota designed and developed the Harmony Lake Wildlife Management Area.

The 45-acre lake, and 637-acre wildlife area which was donated to the state of North Dakota, is a great long-term resource.

By working together, the mining company and community have developed a unique resource that is now an integral part of Hazen and Beulah, North Dakota.



The town of Huntington has a rich history in coal mining, and has the distinction of being the gateway to the most extensive unreclaimed surface and underground coal mine tract in Arkansas. This abandoned surface coal mine had typical dangerous mine-related features that fascinate the public; steep and unstable piles and embankments that were used by all-terrain enthusiasts, a dangerous vertical and unstable highwall with a road at the top edge, and treacherously deep acid water bodies that were used for swimming. Working together the Arkansas Department of Environmental Quality and the Agriculture Department's Natural Resources Conservation Service reclaimed the site and eliminated the health and safety hazards and the site is now an integral part of the Arkansas landscape. On September 30, 2004, there were over 140 acres of dangerous piles and embankments that needed reclamation in Arkansas.



Technology development

Improvement through technical assistance, transfer of technology, and training

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

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

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

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

Photo to left: The first Office of Surface Mining/state abandoned mine land 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. This photo taken 10 years after the reclamation was completed shows the area covered by a wide variety of vegetation and no traces of the burning coal refuse. Since 1977 approximately 1,700 acres of surface burning and 1,400 acres of underground mine fires have been extinguished and the land reclaimed

Technical Assistance

Computer Tools and Services

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

Currently, the assistance consists of Windows-based computers at state, tribal, and Office of Surface Mining offices with access to the licensed servers via the Internet and the Office of Surface Mining Wide Area Network. The 26 commercially available software applications cover a wide range of regulatory and abandoned mine land reclamation subjects. During 2004, on average, 122 customers used software provided by the Office of Surface Mining each workday. The customer base is comprised of over 700 desktop computers at 96 state, tribal, and Office of Surface Mining offices throughout the country. In 2004, two software updates were provided to each of the customer sites as part of a semiannual service to keep the software tools up to date.

Remote Sensing Technology

High resolution digital aerial photography and satellite imagery are increasingly being used by state and Office of Surface Mining offices throughout the country. In the western region, aerial and satellite imagery are an integral part of the regional geographic information system with quarterly updates acquired, processed, and provided to permitting and inspection staff. In 2004, the Office of Surface Mining provided imaging

and transfer

and mapping services for Alaska, and Indian and federal lands mines in the western U.S. The inspectors routinely use this imagery when planning field visits, during consultations with mine operators, and when preparing maps for inspection reports.

The Office of Surface Mining has acquired two thermal cameras (ThermaCAM™ E4) for use in locating acid materials and coal fires. The ThermaCAM is a hand held device that can also be used from aircraft. Thermal images and graphics are stored in the camera until downloaded to a personal computer where they can then be used as base layers in a Geographic Information System, or for inclusion in reports. Storage capacity is 50 digital images. The camera records temperatures in the range of -20°C to +250°C (-4°F to +482°F) with an accuracy of ± 2°C or ± 2% of absolute temperature in °C. Thermal imaging is best performed in the cool winter months when ambient air temperature is least likely to interfere with measurements.

The first training class in the use of the ThermaCAM occurred in November 2003 at the Western Regional Coordinating Center in Denver, Colorado. In 2004, the camera was used in the states of Colorado, Utah, and Washington to define underground coalbed fires. In December 2003, it was used to delineate burn zones at a coal stockpile in New Mexico. In April of 2004, the camera was used to locate a mine fire near Lonaconing, Maryland that was encroaching upon an underground natural gas pipeline. The camera was provided an accurate location of the fire so that the Maryland Bureau of Mines was able to construct a trench between the fire and the pipeline to put the fire out. In June it was used in Wilkes-Barre, Pennsylvania to successfully locate other underground mine fires for mitigation.

Mobile Computing

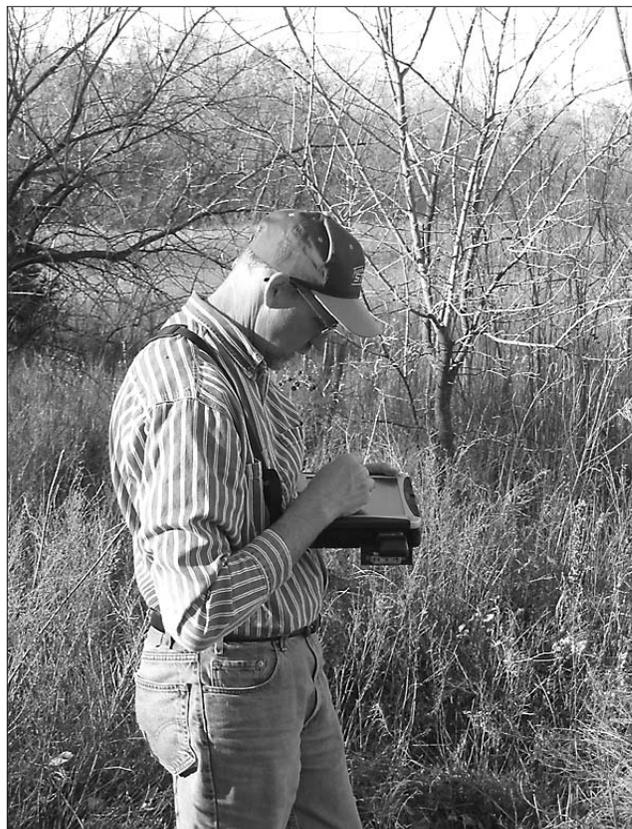
During 2004, Office of Surface Mining staff have used global positioning system-enabled tablet computers to conduct reconnaissance activities for bond release and bond forfeiture design. State reclamation experts are using mobile geographic information system technology in Alaska, Ohio, and Pennsylvania to map mine site features. Wyoming state inspectors and western Office of Surface Mining inspectors verify slope angle, topsoil depth, and placement of wildlife habitat features in the field through the use of company-supplied digital maps.

In the mid-continent, mapping efforts were initiated to aid in determining bond release areas and estimating

reclamation liability of multiple-permit bond forfeiture areas. Additional efforts were underway during 2004 in Alabama and Illinois to improve the quality and accuracy of water and soil data collection. During 2004, the Office of Surface Mining conducted a series of workshops, assistance efforts, and hands-on training sessions with state regulatory and abandoned mine reclamation programs to help introduce them to mobile geographic information systems and mobile computer-assisted drafting technologies. In 2005, Office of Surface Mining and state participants in the mobile computing effort will work with other Surface Mining Law programs to further perfect the technology applications.

Acid Drainage Technology Initiative

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



Using a tablet computer with built-in global positioning system and mobile geographic information system software, field personnel display existing contour maps over aerial photographs for mapping features that are important to abandoned mine land project design such as culvert locations, dangerous embankments, utility lines, and other features impacting the reclamation.



Underground coal mining during the early 1900s left over 900-acres of downtown Rock Springs, Wyoming with serious subsidence problems. Funding for this \$57 million project came from several sources. Mine subsidence abatement in Rock Springs was funded as an abandoned mine reclamation project. The water board paid for connecting utilities that were not damaged by subsidence. The city covered repair to gaps in deteriorated concrete not related to subsidence, plus other non-abandoned mine land eligible costs such as new street lights. Subsidence was stabilized by filling mine voids by injecting grout through more than 7,000 holes. With the project completed, over 1,600 homes and 50 businesses have been protected from mine subsidence. This project eliminated a long-term problem and helped bring economic stability to this Wyoming town.

producing states, and the National Mining Association represents the U.S. coal industry. The National Mine Land Reclamation Center at the West Virginia University serves as the central location for Acid Drainage Technology Initiative activities and related technology transfer. The Coal Mining Sector of the Initiative directs and coordinates activities of Initiative partners.

While the focus of the Initiative initially was on the coalfields of Appalachia, the scope was expanded when the Metal Mining Sector Work Group was formed in 1999 to include western and other hardrock mining.

The Office of Surface Mining has been funding this initiative at approximately \$200,000 per year. During 2004, this funding was used for field verification of acid mine drainage prediction; monitoring and follow-up evaluation of acid mine drainage passive treatment systems; the printing of additional copies of *Prediction of Water Quality at Surface Coal Mines*; continuation of work on standard Acid Drainage Technology Initiative kinetic testing protocols used in evaluating acid mine drainage potential; evaluating methods of identifying selenium in overburden materials; and evaluating methods to remove selenium from mine drainage water. A new project to assess the effects of changing precipitation amounts on the quality of water flow from underground mines and on the performance of passive treatment systems over time was initiated in 2004.

Slurry Impoundments

Since 1996, there have been four breakthroughs of coal slurry impoundments into underground mines. Slurry impoundments are created from the coal preparation process as coal is washed to remove impurities. A mixture of silt and sand-sized shale particles and water are pumped behind an embankment built of coarse coal waste to assure that offsite water pollution will not occur. The National Research Council of the National Academy of Science conducted a study on preventing coal waste impoundment failures and breakthroughs and released a report on that study in October 2001. The report included several recommendations for joint work by the Office of Surface Mining and the Labor Department's Mine Safety and Health Administration to minimize the potential for future breakthroughs. The Office of Surface Mining and Mine Safety and Health Administration established a joint technical committee to facilitate ongoing coordination. In addition, several ad hoc technical working groups were developed to prepare responses to the specific recommendations contained in the National Research Council report. These groups, which also involved representatives from state regulatory authorities, prepared a report to Congress, released on August 15, 2003 (See www.osmre.gov/pdf/coalwastereport081503.pdf for a copy of the report).

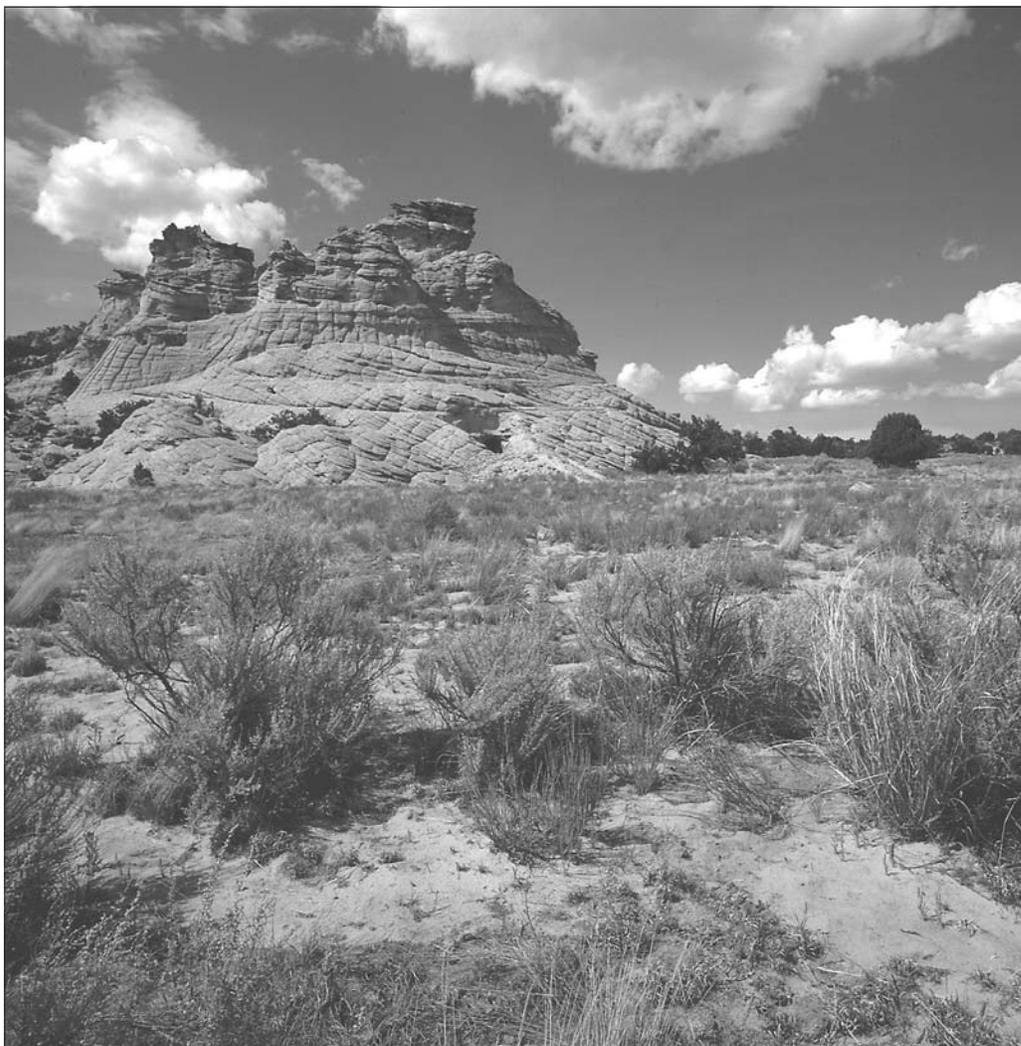
The report to Congress addresses a number of issues that warrant additional action. The Office of Surface Mining is currently analyzing the state regulatory authorities' impoundment review work load and staffing. The Mine Safety and Health Administration is also reviewing its work load and staffing, and is updating its *Engineering Design Manual for Coal Waste Disposal Facilities and Coal Mine Impoundment Inspection Procedures*. The Office of Surface Mining is currently conducting an oversight review of the state regulatory authorities' procedures for assessing breakthrough potential. This review includes an assessment of the reasonableness of states' decisions related to breakthrough potential. The Office of Surface Mining is also currently conducting a technical review of the flowability of slurry to determine its potential to flow into underground mines if an opening develops. The Office of Surface Mining and some states are in the process of scanning underground mine maps and making them available to the public. The Mine Safety and Health Administration and the states, under their regulations, are working together to improve underground mine mapping and have issued a contract for geophysical demonstration projects relating to the identification of unmapped underground mines. The

Department of Energy, the Commonwealth of Virginia, and the Office of Surface Mining conducted a test project on airborne and ground-based geophysical methods.

Revised Universal Soil Loss Equation

For the fourth consecutive year the Office of Surface Mining distributed compact disks with *Guidelines for the Use of the Revised Universal Soil Loss Equation (RUSLE) on Mined Lands, Construction Sites, and Reclaimed Lands*, for the public domain RUSLE Version 1.06, along with the upgraded software now operating in Windows 2000 and XP environments. Use of the guidelines maximizes the accuracy of soil-loss prediction estimates, recommending procedures for soil-loss estimate calculations that are generally reproducible, and by identifying critical areas for future research. In its outreach, the Office of Surface Mining has modified the guidelines to complement the new U.S. Department of Agriculture's RUSLE 1.06c software. In addition, two e-learning modules on the Revised Universal Loss Equation have been added to the compact disk and website information. Each module consists of a set of PowerPoint slides and a live narration. The first module provides information on creation of the Revised Universal Loss Equation model for mined lands, construction sites. The second module gives information on the use and misuse of the equation.

Located on Navajo land just east of the Grand Canyon, the Coppermine Abandoned Mine Project was completed by the in-house Navajo construction crew of the Tuba City, Arizona, Abandoned Mine Land Office. Historic mining left abandoned mine problems on 37 sites over 12-square miles including highwalls, vertical openings, and unstable portals. Today, with reclamation complete, sources of water pollution, soil erosion, and abandoned mine land hazards have been eliminated.



Coal Combustion By-Products

The Office of Surface Mining continues to be involved in coal combustion by-product related activities, including: technology transfer, rulemaking efforts by the Environmental Protection Agency, assistance to the Interstate Mining Compact Commission efforts to develop a state consensus of issues related to coal combustion by-product placement at mines, and research efforts by the Department of Energy - National Energy Technology Laboratory.

During 2004, the Office of Surface Mining conducted the fourth in a series of technical interactive forums, *State Regulation of CCB placement at Mine Sites* that evaluate the use and disposal of coal combustion by-products at mines in the United States. This forum focused on issues related to fluidized bed combustion materials in reclamation. State regulation of mines, environmental damage cases, and a response to public concerns about placement at mines. As a member of the combined American Coal Ash Association/

University of Kentucky national steering committee for the World of Coal Ash Conference in 2005, the Office of Surface Mining is planning a joint forum on *Regulation, Risk, and Reclamation with CCBs at Mines*.

In support of Environmental Protection Agency rulemaking efforts, the Office of Surface Mining participated in four open meetings to gather public opinion in Pennsylvania, Indiana, and Texas. The Office of Surface Mining participates on the advisory panels of the "C2P2" study that will evaluate the Texas coal combustion by-products program as a model for other states and on the recently funded study by the National Academy of Science to look into potential environmental impacts of coal combustion by-product placement at mines.

In support of coal combustion by-product research activities, the Office of Surface Mining is an active participant on the Department of Energy's Combustion By-Products Recycling Consortium National Steering Committee, which evaluates and makes recommendations for funding of the Energy Department's coal combustion by-product research. For additional information on coal combustion by-product placement at mine sites see www.mcrcc.osmre.gov/ccb.

Bat Conservation and Mining

The Office of Surface Mining has worked to protect the populations and habitats of bats associated with mining since 1998, when a Memorandum of Understanding was signed with Bat Conservation International. During 2004, the Office of Surface Mining began planning for its third technical forum, *Indiana Bat and Coal Mining*. The forum will focus on: Indiana Bat biology and life history, field techniques for biological assessment, the endangered species consultation process, case studies, and guidance development for mine permitting.

The Office of Surface Mining published its proceedings on *Bat Gate Design*, which is now being used by Bat Conservation International and other professional organizations as a model for the construction of devices to protect the entrances to underground bat habitats. The proceedings include 41 presentations on why bats and their habitats need protection, how to plan for a mine or cave closure project, how to design specific bat-friendly closures, how to manage the construction of a bat-friendly closure, and how to maintain a closure structure and monitor the effects of

that closure on bat populations. Additional information on bat conservation and abandoned mines is at www.osmre.gov/bats.htm.

Prime Farmland Reclamation

The Office of Surface Mining has partnered with the Indiana Regulatory Authority, the U.S. Department of Agriculture - Natural Resources Conservation Service, coal mining companies, consultants, and farming representatives to publicize the latest technology in reclamation of prime farmlands. The partnership has developed and distributed the popular brochure entitled *Citizen's Guide to Land Reclamation* (see www.mcrcc.osmre.gov/CitizenSoilsGuideWeb.pdf), and is currently developing a guidance brochure on management of reclaimed prime farmlands. In addition, the group sponsored a biannual tour of coal mines with exemplary prime farmland reclamation.

Reforestation

The Office of Surface Mining has been extensively involved with efforts to encourage reforestation of coal mined lands since 1998. During 2004, the Office of Surface Mining published the proceedings of the technical interactive forum "Market-Based Approaches to Reclamation and Reforestation of Mined Land." The proceedings include 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.

Established in 2004, the Appalachian Regional Reforestation Initiative is a cooperative effort among the states of Kentucky, Maryland, Ohio, Pennsylvania, Virginia, and West Virginia; the Office of Surface Mining, including the Tennessee federal program; their partners in industry; environmental organizations; academia; local, state, and federal government agencies; and local citizenry. The goals of the initiative are to plant more high-value hardwood trees on reclaimed coal mined lands in Appalachia and to increase the survival and growth rates of the planted trees. Forestry research has proven that these goals can be accomplished by reclaiming coal mines using the following 5-step forestry reclamation approach.

- Create a suitable rooting medium for good tree growth that is no less than four feet deep and is comprised of topsoil, weathered sandstone and/or the best available material;
- Loosely grade the topsoil or topsoil substitutes established in step one to create a non-compacted growth medium;
- Use native and noncompetitive ground covers that are compatible with growing trees;
- Plant two types of trees -- early succession species for wildlife and soil stability, and commercially valuable crop trees; and
- Use proper tree planting techniques.

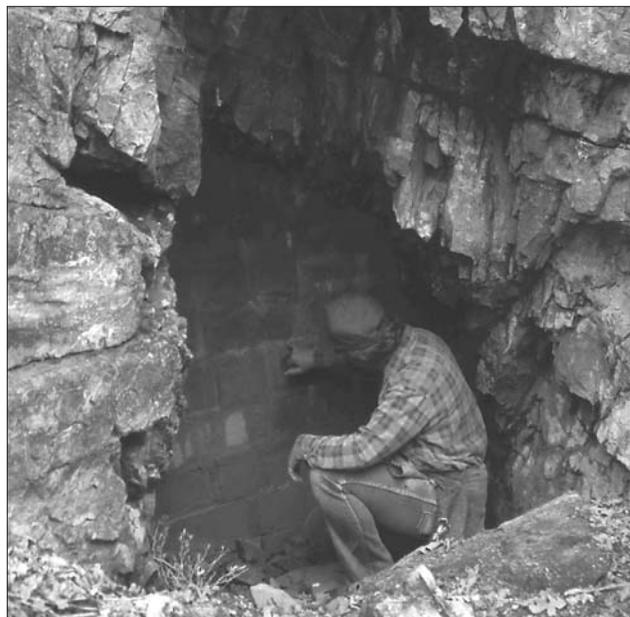
The 5-step technology is currently being used to promote reclamation of active and abandoned mine sites in the Appalachian Region. This ongoing initiative will promote reforestation through training, information sharing, and research.

For additional information on the Office of Surface Mining's Reforestation Initiatives, see www.mcrc.org/osmre.gov/tree.

International Activities

International technical assistance activities by the Office of Surface Mining and its state partners continued in 2004, by working with the Indonesian Ministry of Energy and Mineral Resources and expanding to include cooperation with the Indonesian agency responsible for environmental protection. Both agencies are in the process of decentralizing their activities to comply with the broad mandates for program decentralization that were established as part of Indonesia's transition to democratic governance.

The United States Agency for International Development continued to provide the Office of Surface Mining with one hundred percent funding for its activities in support of technical assistance in Indonesia. The model of cooperative federalism in the Surface Mining Law continues to be of interest to agencies in the Indonesian government. The principle of consultation and coordination among agencies of the central and local governments appears to mesh well with the broad movement to decentralization that is occurring in Indonesia. In its assistance, the Office of Surface Mining continues to rely on personnel from



Mining in Utah's American Fork Canyon during the 1870s left open shafts and portals throughout the area. Today, this spectacular scenic area has become an important regional recreation area. In Utah, bats represent 15 percent of the mammal species and the open portals and shafts are a critical winter habitat so steel grates were used to close openings where bat habitats were found. Portals contaminated with heavy metals were both backfilled and closed with concrete block walls. However, because the mountainous terrain and sensitive high-altitude vegetation prevented the use of mechanized equipment, most of this reclamation work was completed by hand. The result -- a natural area that's safe for both bats and people. On September 30, 2004, there were more than 1,000 open abandoned mine portals that need reclamation in Utah.

state regulatory authorities to provide personnel and technical capacity to train and otherwise assist Indonesian agency staffs in implementing their new responsibilities.

In October, 2003, the project was augmented by the establishment of a position of Senior Environmental Specialist in Jakarta that was filled by a professional staff member from the State of Colorado's Division of Geology and Minerals. The assignment was accomplished under the provisions of the Intergovernmental Personnel Act, which provides for temporary assignments of personnel from one level of government to another level. The presence of a state regulatory authority professional adds significantly to the project's capabilities in Indonesia.

Specific training activities undertaken by the Office of Surface Mining and its state partners during 2004 include:

- A workshop on Mineral Recovery and Environmental Protection for Small-Scale Mining for the provincial government of North Sulawesi and the county government of North Minahasa, the local government of Tatelu, and small-scale miners.

- A workshop on small-scale mining for members of the Ministry's technical training Staff.
- A workshop on Principles of Reclamation held for the provincial government of South Sumatra, county government of Muara Enim, and PT Bukit Asam, a state-managed coal company.
- An Office of Surface Mining instructor and a water quality specialist from the Pennsylvania Department of Environmental Quality traveled to Indonesia and conducted a series of seminars on the protection of water quality.
- An environmental assessment course for provincial and local governments. The course was developed by a joint team of Office of Surface Mining, State

Regulatory Authority and Indonesian officials from both the Ministry of Energy and Mineral Resources and the Indonesian Environmental Protection Agency. The course was team-taught and marked the first time that an environmental assessment course was taught by instructors from the Ministry of Energy and Mineral Resources and the Indonesian Environmental Protection Agency.

- A blasting and inspection class taught for the Jamaican government in Kingston, Jamaica. The class focused on blasting practices with minor emphasis on sediment and erosion control from quarries. The class was funded by the Agency for International Development as part of its Ridge to Reef Watershed Project.



Near the town of Eureka, Utah, the Tintic project closed 41 underground mine openings. Early 1900s hardrock mining in Utah left hundreds of abandoned mine openings. Shafts and portals were a safety hazard at the Tintic site due to its popularity with hikers and mountain bikers. Some of the openings were closed by backfilling; however, many were covered by steel grates. Due to limited fill, and the need of landowners to have future access to the mines, vandal-proof grates were designed. The grates used one-inch re-bar on 8-inch centers, with welded intersections. Reinforced concrete beams were poured around the opening to anchor the structure and complete the closure. The grates provide a low-cost method of protecting the public from very dangerous abandoned shafts that otherwise would be impossible to close. On September 30, 2004, there were more than 800 abandoned vertical shafts that needed reclamation in Utah.

The Office of Surface Mining and its state partners also hosted several delegations of visitors from countries that had regulatory programs for surface coal mining. These included delegations from the Ministry of Land and Resources of the People's Republic of China and the Republic of Vietnam.

Systems and Databases

Applicant/Violator System

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

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

Access to the system is available to the public, coalfield citizens, coal companies, and industry representatives through the use of customized communications software distributed free of charge. Upon request, the Office of Surface Mining provides system users with demonstrations and training, often tailored to meet the specific needs of the target audience, on how to access and interpret system information.

During 2004, the Office of Surface Mining responded with quality reviews for 3,655 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 or settled payments of civil penalties and reclamation fees in the amount of \$5,306,461 in part because of violation information in the system.

During 2004, the Office of Surface Mining also published a proposed rulemaking in the *Federal Register* in settlement of the lawsuit brought by the

National Mining Association concerning certain provisions adopted in the 2000 ownership and control rule.

During 2004, the Applicant/Violator System Office began what is anticipated to be a yearlong process to dramatically improve the usability of the Applicant/Violator System. The redesign involves not only the transformation of the current system to a more user-friendly, web-based system, but also a rewrite of the business processes and change in language allowing for ease in future development and modification.

The Office of Surface Mining began a joint project assisting the West Virginia Department of Environmental Protection, Division of Mining and Reclamation and Office of Legal Services in pursuing additional types of alternative enforcement actions in cases where primary enforcement has failed to achieve abatement or correction of a violation or complete reclamation. To date, the project has established alternative enforcement processes and procedures within the Division of Mining and Reclamation; determined that tracking these cases can be accomplished by using current systems with some enhancements, which are currently underway; and identified two candidates for individual civil penalties from the ten cases investigated by the Office of Surface Mining.

During 2004, the Applicant/Violator System Office received a customer satisfaction rating of 98 percent for services provided. This is the fifth consecutive year that the office has received extremely high customer satisfaction ratings. The combined average customer satisfaction rating for the past five years is 97 percent.

General information about the system, including access and user information can be found at www.av.s.osmre.gov.

Geographic Information Systems and Geologic Modeling

The Wyoming Geographic Information System for Bond Release Pilot Project, a cooperative effort between the Office of Surface Mining, the Wyoming Land Quality Division, and Powder River Coal Company, continued in 2004. The geodatabase bond tracking and verification geographic information system was developed for both the North Antelope/Rochelle and Caballo Mines.

Electronic data was received from both mines and processed into the system database. In addition, a global positioning component was developed, tested, and procedures for data verification were developed.

Enterprise Geographic Information Management Work group

Geographic Information System professionals from the Office of Surface Mining are part of the Interior

Department's Enterprise Geographic Information Management Work group. This is a group composed of experts from all bureaus with the purpose of providing leadership for geographic information systems in the Interior Department. Team members determine needs for standardization of geographic information systems and provide direction on policy, programs, initiatives, funding priorities, and organizational needs. On July 14-15, 2004, the work group hosted the Interior



A landslide above this Kentucky house required emergency work to prevent further damage. Surface and subsurface drains at the top of the hill divert water around the house. The concrete wall will provide a solid base at the bottom of the hill and prevent future sliding. The large pipe covered with gravel behind the wall will prevent water buildup and keep added pressure off the wall. As the last step in the reclamation process, the entire site will be graded and revegetated. On September 30, 2004, there were more than 1,500 acres of dangerous slides that needed reclamation in Kentucky.

Department's Executive Workshop on Enterprise Geospatial Systems at the Denver Federal Center. This workshop focused on developing an integrated, department-wide approach to the management of spatial information systems. Approximately 120 participants attended the workshop.

Internet Mapping Services Project

The Office of Surface Mining has formed an Internet Mapping Services Team to investigate the application of Internet mapping technology to coal mining operations. The purpose of the team is to find practical methods of implementing Internet mapping services technology for surface mining applications, share information with other team members in implementing this technology, provide technical support to team members when necessary, and to find a unified approach in delivering Internet mapping services to our customers. Internet Mapping Services use geospatial data sets to produce maps on a server which can be delivered through the Internet to a standard browser as an image for interactive use at a remote workstation. The user can view, pan, zoom, query, select themes, download, and print the interactive map. An internal prototype map service has been established and can be viewed by Office of Surface Mining staff. The Internet mapping services initiative is intended to meet the Interior Department's E-Government Strategy, Objective 5.6 (Geospatial Information Management) by sharing geospatial information inside and outside the department, modifying information technology systems to enable them to use geospatial data, and improving the capability to access geospatial information on-line.

Integrated Geographic Information Systems for Regulatory Programs

A cooperative project between the Office of Surface Mining, the Pennsylvania Geographic Information System Consortium, and Wilkes College is projecting use of several geospatial applications for regulatory (and bonding) oversight and management at an ongoing mining operation in western Pennsylvania. This project includes the integrated use of a geographic information system, carrier phase (real-time kinematic) Global Positioning System, and satellite imagery (e.g., Digital Globe's Quick Bird data at 2' pixel resolution) to provide geospatial and geophysical data/analysis needed for engineering mapping and operations monitoring consistent with existing management procedures of the Office of Surface Mining and Pennsylvania Department of Environmental Protection.

This geographic information system-based system tracks and verifies mining operations, related on-site reclamation, and bond release status to test the use of geographic information systems, global positioning systems, and remote sensing technologies. The project objective is to serve as a national model to support and enhance environmental and regulatory oversight of active mining operations and related site reclamation efforts. Training and technology transfer to the Pennsylvania Department of Environmental Protection staff are key components of this project.

Geologic Modeling for Forest Fire Ignited by a Colorado Underground Mine Fire

In the summer of 2002, the city of Glenwood Springs, Colorado was threatened by a forest fire ignited by an underground coal fire. The subsequent investigation by the state of Colorado is being assisted by the Office of Surface Mining in 2004 through construction of a



The Richmond Shafts Project, near Richmond, Virginia, closed abandoned mine shafts left from some of the nation's earliest coal mining. The project closed 10 shafts that were adjacent to a suburban neighborhood and to "Aetna Hill," an historic home built by the mine's original owner in the late eighteenth century. The procedure for sealing the mine shafts consisted of removing loose material and debris, then backfilling with coarse aggregate stone. However, there was still the potential that total back fill of the shaft was hindered by false bottoms. So concrete slabs were installed in shafts where false bottoms were expected. Approximately six feet of soil was placed over the concrete slab, compacted, and seeded. As a precautionary measure, vent pipes were installed to prevent any potential gas buildups. Today, local residents use the area for recreation without the dangers of falling into vertical underground mine shafts. On September 30, 2004, there were more than 700 abandoned vertical shafts that needed reclamation in Virginia

computer-generated three-dimensional model of the South Canyon underground coal fire. The model depicts the surface topography, geology, underground mine workings and fire zones. This model will allow the state to better understand the fire morphology, extent and depth, and will aid in designing future exploration and mitigation efforts.

Hydrologic and Biologic Impacts of Streams Overlying Longwall and other High-Extraction Mining Operations

The Office of Surface Mining has begun a partnering project with the West Virginia Department of

Environmental Protection to study the impacts of underground coal extraction on streams. The partnership project will focus on the hydrologic and biological impacts of various methods of underground mining techniques on the streams above mining operations. The project will include monitoring underground and surface waters, as well as biological sampling of the streams located above underground mines. Project findings should assist state regulatory agencies in making permitting decisions regarding underground mines and will aid in reducing and minimizing offsite impacts. In addition to West Virginia,



In the late 1800s lead mining left over 150 dangerous shafts, adits, prospects, and stope openings on Mine Hill near the southern New Mexico ghost town of Chance City. Closures included concrete caps, poly plugs, backfilling with rock, blasting, installation of steel bat grates with locking access doors, and cable nets. Because of the historical significance of the timber head frames, steel closures were constructed to fit around the timber posts. Today, people who visit the site to explore the ghost town and mine sites can do so without fear of falling into an open abandoned mine void. In addition, important bat habitat has been preserved and the reduction in disturbance by curious visitors should lead to an increase in the bat population inhabiting the mine workings. On September 30, 2004, there were more than 350 open portals that needed reclamation in New Mexico.

the study will include sites in Pennsylvania and Ohio. Those regulatory agencies will also participate in the study.

Technical Library Resource Center

In 2004 the Office of Surface Mining Technical Library expanded the website (www.wrcc.osmre.gov/glas) to include on-line access to recent acquisition lists in addition to the on-line library catalog. The library collection of books and reports, along with a growing electronic media library, on-line searches, research services, and interlibrary loans, enabled the librarian to respond to more than 600 requests from state regulatory agency staff, other Federal agency staff, citizens, coal industry, consultants, and academia, in addition to fulfilling more than 300 Office of Surface Mining requests for information. The technical library plays a large role in technology transfer in assisting with the dissemination of electronic information and publications to Office of Surface Mining's constituents.

Training, Consultations, Forums, and Conferences

National Technical Training Program

The Office of Surface Mining continued its emphasis on providing technical assistance to the states and tribes by enhancing the technical skills of regulatory and reclamation staff through the National Technical Training Program. In 2004, the program offered 55 sessions of 34 different courses. In addition to regularly scheduled courses, and in response to specific requests, a special session of the National Environmental Policy Act Procedures course focusing on public facility projects was held for the Navajo Nation and several sessions of the Effective Writing Course were held for the state of Montana and the Department of Justice. Blasting and Inspection courses were also offered internationally and for the U.S. Army Corps of Engineers.

A new course, Passive Treatment Systems for Acid Mine Drainage, was added to course offerings. The purpose of the course is to provide students with highly interactive information and exercises that can be used to evaluate the application of passive treatment in clean streams, abandoned mine lands, and active mining projects; estimation of treatment costs; development of actual treatment designs; and assessment of existing passive treatment projects. The audience for this course is permitting specialists, inspectors, and abandoned mine land reclamation specialists. Another recently developed course, Acid-

**Figure 5
Courses and Enrollment**

Course Name	Sessions	Students
Acid-forming Materials: Fundamentals & Applications	1	16
Acid-forming Materials: Planning & Prevention	1	15
Acid Forming Materials AML Workshop	1	10
Advanced Blasting: Investigations & Analysis	2	34
AML Design Workshop: Fires	1	12
AML Design Workshop: Landslides	1	13
AML Workshop: Subsidence	1	11
AML Reclamation Projects	1	13
Applied Engineering Principles	1	16
Basic Inspection Workbook		35 ¹
Blasting and Inspection	4	63
Bonding Workshop: Administrative & Legal Aspects	1	19
Bonding Workshop: Cost Estimation	1	20
Effective Writing	9	156
Enforcement Procedures	2	36
Enforcement Tools and Applications	1	16
Erosion and Sediment Control	2	35
Evidence Preparation and Testimony	1	16
Excess Spoil Handling	1	21
Expert Witness	1	7
Historic and Archeological Resources	2	39
Historic and Archeological Resources: Refresher	1	10
Instructor Training Course	1	18
NEPA Procedures	2	32
Passive Treatment	1	27
Permit Findings Workshop	1	9
Permitting Hydrology	1	15
Principles of Inspection	1	20
Quantitative Hydrology	1	14
Soils and Revegetation	2	32
SMCRA and the ESA:		
Implementation of the 1996 Biological...	2	42
Subsidence	2	45
Surface and Groundwater Hydrology	1	20
Underground Mining Technology	1	20
Wetlands Awareness	3	44
Total	55	916

1. Workbooks Distributed

Forming Materials Abandoned Mine Land Workshop, which is designed to assist in reclaiming problematic areas, was modified for offering in Eastern states. Plans were made for extensively revising the five Abandoned Mine Land Design Workshops to meet the needs of staff who are being newly trained or cross-trained in abandoned mine land reclamation project work. Significant progress was made on redesigning the Dangerous Openings class, and work is underway on



The town of Victor is one of Colorado's most significant historic gold-producing areas. However, the town has recently become a major tourist attraction because of its location next to Cripple Creek, a popular gambling town. The Independence Mine was both dangerous and historically significant, so eliminating the danger required sensitivity to the area's history. The head frame, which is one of the largest all-wooden 19th century hoisting structures left in the country, was protected with an iron fence that blends with the historic setting. The 600-foot-deep opening was protected with an open grill that allows visitors to look into the mine opening and understand turn-of-the-century mining techniques. This project matches the local community's goals of encouraging tourism and ensuring visitor safety. On September 30, 2004, there were more than 7,000 abandoned vertical openings that needed reclamation in Colorado.

Administration as a follow-up to the Que Creek and Martin County slurry impoundment incidents. A follow-up to the 2004 session will be held in early 2005. The

the other four workshops including Dangerous Highwalls, Subsidence, Fires, and Landslides.

The training program conducted three low-cost workshops at the National Association of Abandoned Mine Programs conference. Topics included Acid-Forming Materials in Arid Lands, Speaker Presentation Skills, and a mini-course on Drilling and Grouting. The Drilling and Grouting course will be expanded to a full-length offering in 2005. Preliminary planning work was also done on a site investigation and Abandoned Mine Land Inventory System class. Another new course piloted in 2004 is Quantitative Geo-Hydrology. This course provides participants with a hands-on review of underlying assumptions and theories of aquifer characterization and the practical utilization of hydrogeologic principles to understand and analyze groundwater movement. Additionally, significant revisions were made to the Surface and Groundwater course and to the Bonding Cost-Estimation Workshop. Modeling on the success of the highly successful state and tribal 2002 Probable Hydrologic Consequences/ Cumulative Hydrologic Impact Analysis benchmarking session, the training program worked with the Interstate Mining Compact Commission to offer a well-attended session on underground mine mapping. The session was offered in conjunction with Mine Safety and Health

benchmarking workshops provide the opportunity to share information about model state programs with the goal of adopting or adapting processes to more effectively delivering products and services (e.g., permitting) to customers.

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 cooperation, communication, and consultation, all in the service of conservation. In 2004, there were 171 instructors, 55 percent from 18 office of Surface Mining offices, 34 percent from 14 states, six percent from the Interior Department's Solicitor's Office, and five percent from other sources. The 55 sessions, attended by 916 students, were presented in 24 locations in 13 states. State agency students accounted for 74 percent of attendees; tribal students for three percent; Office of Surface Mining students for 13 percent, and 10 percent were other participants. The program exceeded its annual attendance goal of 900 students by training a total of 916 students. The customer effectiveness rating of 97 percent exceeded the goal of 92 percent by five percent. Training courses offered in 2004 are listed in Figure 5.

Scientific and Engineering Software Applications Training

Training of state, tribal, and Office of Surface Mining personnel in the practical application of analytical software is an integral part of the technical assistance function. Instructor-led courses incorporate the reclamation experience of its instructors and students to provide a unique shared-training experience. In 2004 there were 415 participants in 30 instructor-led classes, compared to 2003 levels of 393 participants in 32 instructor-led classes.

Thirteen instructor-led courses were held at customer sites with critical training needs for software use. In 2004 this training program employed 48 different instructors; 16 of these were state program experts. In 2004, the satisfaction rating for this training was 90 percent, broken down as follows: class satisfaction at 87 percent, facility at 87 percent, lead instructor at 93 percent, and co-instructor at 92 percent. New courses offered in 2004 included Mobile Geographical Information System Computing and Remote Sensing. Additional E-training courses offered to students in 2004 included 18 new one-hour Geographic Information System Workshops offered in individual sessions in addition to 15 on-line courses through a contract with the Environmental Systems Research Institute Virtual Campus for basic geographic information system training. During 2004, 58 students started new classes and 18 completed their courses by the year end.

New Technologies Implementation Workshops

In 2004, the Office of Surface Mining sponsored a series of three New Technologies Implementation Information Workshops, in which the seven Western primacy states defined the short- and long-term needs pertaining to records conversion, database design and mass storage, and progression to implementation of new technologies and geographic information systems and global positioning systems. The goal of these small regional meetings was to assist in making informed decisions on the different technologies available, gain a better understanding of and an appreciation for what is involved in implementing new technologies by providing hands-on opportunities, and seeing what individual states are accomplishing. The exchange of information and individual experiences, including both successes and failures, resulted in better-prepared staff and, more informed managers.

The New Mexico Energy, Minerals & Natural Resources Department co-hosted the first workshop that included New Mexico's geographic information systems initiatives, the integration of database systems for geographic information systems, and hardware and software needs for geographic information systems and electronic permitting.

The second workshop, co-hosted by the Colorado Division of Minerals and Geology, highlighted the Colorado permitting system and stepped the participants through Colorado's, massive document conversion into electronic format activity (more than 3 million text pages and 27,000 maps). The Office of Surface Mining demonstrated the Wyoming Bond Release Geographic Information System Pilot Project followed by a one-day Geographic Information System - Digital Imagery and Modeling Workshop.

The third workshop was co-hosted by the Utah Division of Oil, Gas and Mining. The workshop highlighted Utah's progress in the electronic permitting process, its Water Quality Database System, and electronic laboratory data exchange with mine operators.

Building on the success of these workshops, four additional New Technologies Implementation Workshops are scheduled to be held in 2005. They will



A 1960s underground mine operator left this Tennessee site unreclaimed, with acid mine drainage flowing from the abandoned mine openings. During reclamation the drainage from two portals was joined and diverted to a series of four constructed wetlands. These wetlands eliminate acid conditions during the warm season and reduce the amount of acid in the water when the air temperature drops below 70 degrees. After the site was graded, the wetland was constructed by placing clay, limestone, and highly organic loam in layers, then planting cattails and moss. This reclamation has eliminated the abandoned mine problems, restored the water quality to the nearby stream, and established an aquatic wildlife habitat.

be co-hosted with Montana, North Dakota, Wyoming, and Colorado.

Valley Fill Workshop

The Office of Surface Mining sponsored an interactive workshop on valley fill construction and regulation in Ft. Mitchell, Kentucky. The event featured presenters from State Regulatory Authorities, the Office of Surface Mining, and Industry representatives. The workshop addressed permitting and inspection requirements for valley fills focusing on durable rock underdrain construction, drainage control and engineering inspections and certifications. The valley Fill Workshop was attended by 46 mining and reclamation professionals from the Office of Surface Mining, the states, and industry. Case studies, permitting procedures, inspection requirements and analysis of transportation fills were addressed by the workshop.

Underground Mine Pool Workshop

In June, 2004, the Office of Surface Mining hosted a workshop on underground mine pools that addressed the growing concern over flooded mine pools and their potential to discharge. Interconnected flooded underground mines have long been a concern in the Appalachian Region. Over the past 100 years many underground operations have become flooded. Many of these mines are interconnected with active operations. Pumping at active operations maintains the pool elevation below drainage. However, if pumping should cease, toxic discharges are possible. The workshop contained mine pool modeling and monitoring technologies, including recent findings of various researchers and scientist. Perspectives from industry, the Environmental Protection Agency, state regulatory authorities, and academia were presented. Marketing of water captured in the mine pools was also addressed. Scientists from industry, state and federal agencies, academia, as well as managers charged with monitoring and preventing mining related environmental problems attended the workshop. Approximately 60 professionals from the Appalachian states, academia, industry, the Office of Surface Mining, and the Environmental Protection Agency participated in this workshop.

Appalachian Hydrologic Issues Workshop

This two-day workshop addressed regional hydrology issues associated with longwall mining, including water loss and stream replacement, evaluation of mine pools, and the major recommendations made at the National Benchmarking Workshop on Probable Hydrologic

Consequences/Cumulative Hydrologic Impact Assessments. The forum was interactive, with state regulatory authorities, the Office of Surface Mining, and industry representatives presenting current studies and application of technology to these hydrologic issues. Approximately 75 representatives from the state regulatory programs, industry, academia, the Office of Surface Mining, and other federal agencies attended.

Bonding Assistance

During 2004, the Office of Surface Mining contracted for on-site administrative bonding technical assistance by a bonding specialist who provided training to the states of Alaska, Colorado, Montana, New Mexico, Utah and Wyoming. The specialist provided updates and advice to all Western state bonding staff on the U.S. Treasury Department's Circular 570. Specific state assistance also was provided on the status of specific surety companies, bond forms for use with phased bonding, self-bonding evaluation, bond riders for permit renewals, and standby letters of credit to secure collateral bonds.

Technology Transfer

During 2004, the Office of Surface Mining/State National Technology Transfer Team continued to coordinate Office of Surface Mining technology transfer activities. The Team, formed in 2003, serves as the clearinghouse for technology transfer activities to assure that the Office of Surface Mining and the states make the most efficient use of technical resources, including both dollars and staff. Within each Office of Surface Mining region, there are technology transfer teams that actively solicit technology needs. When transfer activities are identified, they are reviewed to determine appropriateness for regional or multiple-regional transfer. During 2004, two technology transfer activities were expanded to include more than one region.

The Team has developed plans for reviewing applied science proposals and has worked closely with state mining and reclamation associations on technology transfer events. The Team also publishes a compendium of technology transfer activities related to coal mining and reclamation and sponsors technology transfer events that cross regional boundaries.



Financial management

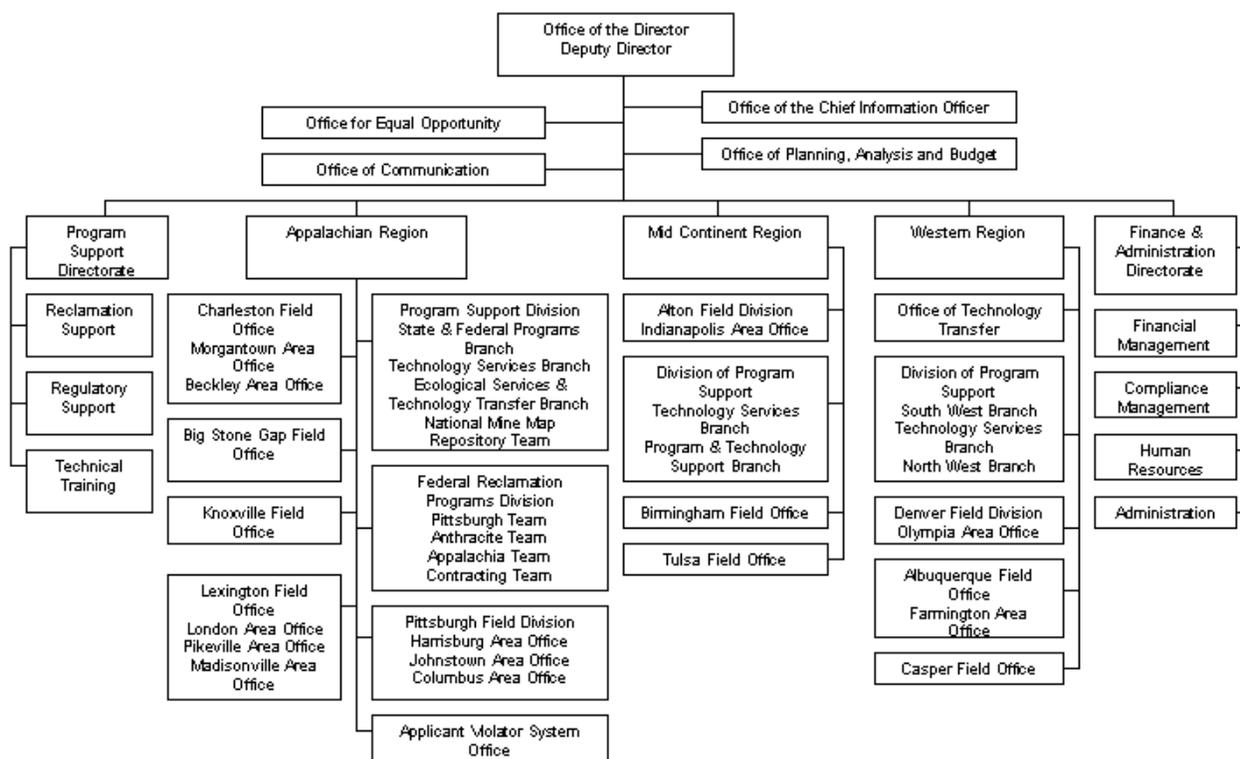
Budget, Management, and operations of the Office of Surface Mining

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 (Pittsburgh, Pennsylvania; Alton, Illinois; and Denver, Colorado) provide technical assistance to the field offices, states, and tribes. Eight field offices (Albuquerque, New Mexico; Big Stone Gap, Virginia;

**Figure 6
Office of Surface Mining Organization¹**



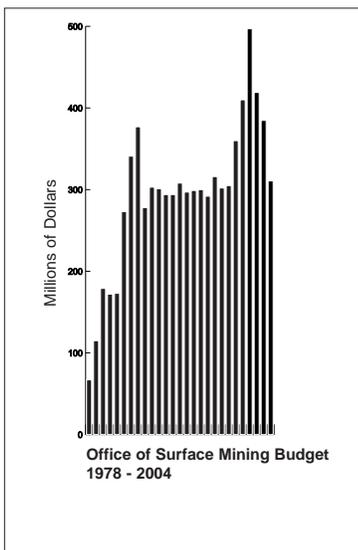
1. As of September 30 2004

Photo to left: The site of this abandoned mine land reclamation was the Ocean Underground Mine, which began operation about 1870. During World War I, approximately 90 percent of all steamship coal used by U.S. warships came from this mine. But, when mining was completed in the 1940's the unreclaimed site was abandoned leaving entrances to the mine open, refuse piles, and a large group of buildings. After reclamation all abandoned mine hazards were eliminated and the site is once again an asset to the nearby Maryland community. This view of the recently finished work shows the stream located on its original channel and free of sedimentation. Since 1977 more than 500 miles of clogged streams have been reclaimed.

and administration

Birmingham, Alabama; Casper, Wyoming; Charleston, West Virginia; Knoxville, Tennessee; Lexington, Kentucky; and Tulsa, Oklahoma), and 11 area offices (Beckley, West Virginia; Columbus, Ohio; Farmington, New Mexico; Harrisburg, Pennsylvania; Indianapolis, Indiana; Johnstown, Pennsylvania; London, Kentucky; Madisonville, Kentucky; Morgantown, West Virginia; Olympia, Washington; and Pikeville, Kentucky) located where coal mining is most active, are responsible for on-the-ground regulation and oversight (see figure 6). The Office of Surface Mining also maintains a financial management office in Denver, Colorado; an Anthracite Office in Wilkes-Barre, Pennsylvania; Appalachia Abandoned Mine Land Office in Ashland, Kentucky; and Oversight and Inspection Offices in Columbus, Ohio and Olympia, Washington.

Budget and Appropriations



The Department of the Interior and Related Agencies Appropriations Act of 2004 (Public Law 108-108) appropriated \$106,424,000 from the General Fund for the Office of Surface Mining’s regulation and technology activities (\$1,332,000 more than 2003). Also, \$192,969,000 was made available for obligation from the Abandoned Mine Reclamation Fund (\$1,224,000 more than 2003). That same public law reduced \$687,499 and \$1,246,580 from the Regulation and Technology and the Abandoned Mine Land

appropriations respectively for the purpose of a “government-wide” reduction. And, as authorized by Public Law 108-108, \$14,966,929 of interest was transferred to the United Mine Workers of America Combined Benefit Fund (see Table 13). Public Law 108-199 imposed an additional “government-wide” reduction of \$623,845 in the Regulation and Technology appropriation and \$1,131,162 in the Abandoned Mine Reclamation Fund.

The 2004 Regulation and Technology appropriation included:

- 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. There were no revenue collections from bond forfeitures in 2004.



Extensive mining in the Middle Fork Duck Creek Watershed near Caldwell, Ohio left over a thousand acres of abandoned mine problems, including widespread erosion and sedimentation of the Middle Fork and its tributaries. Flooding caused by sediment-laden streams frequently inundated large sections of State Route 564, creating a safety hazard for drivers. Reclamation of this area incorporated a watershed approach. It included 10 projects undertaken by both the Rural Abandoned Mine Program and the Ohio Abandoned Mine Reclamation Program. Because sedimentation was the primary problem, the reclamation focused on reducing the source, erosion of the abandoned landscape. In this case, areas of concentrated flow were stabilized with rock-lined waterways, wetlands were developed to stabilize grades, and barren spoil was revegetated. Results of the reclamation are significant. Soil loss has been reduced by 76,380 tons a year, flooding has been eliminated, and revegetation has provided a flourishing wild life habitat. This highly successful partnership has resulted in the restoration of the Middle Fork Duck Creek Watershed. On September 30, 2004, there were more than 13,000 acres of lands impacted by mine related clogged streams that needed reclamation in Ohio.

Table 13: Appropriations¹

	2004	2003
Regulation & Technology		
Environmental Restoration	\$160,992	\$160,947
Environmental Protection	22,028,299	21,443,704
Regulatory Grants	56,865,567	57,200,763
Technology Dev. & Transfer	12,386,908	12,511,146
Financial Management	484,950	481,847
Executive Dir. & Admin		
Executive Direction	2,404,032	2,401,289
Administrations Support	4,093,352	4,249,200
General Services	6,688,556	5,960,006
Subtotal:	105,112,656	104,408,902
Abandoned Mine Reclamation Fund		
Environmental Restoration	16,345,085	16,501,042
Reclamation Grants	158,606,290	158,547,698
Environmental Protection	0	0
Technology Dev. & Transfer	2,653,891	2,649,665
Financial Management	6,182,865	6,138,836
Executive Dir. & Admin		
Executive Direction	1,296,950	1,304,465
Administrations Support	2,208,320	2,173,778
General Services	3,297,857	3,183,174
Subtotal:	190,591,258	190,498,658
Legislated Office of Surface Mining Budget	295,703,914	294,907,560
Legislated Transfer to United Mine Workers Fund	14,966,929	89,858,283
Total	\$310,670,843	\$384,765,843

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

■ Federal civil penalties and related interest collected under Section 518 of Surface Mining Law can be used to reclaim coal mine lands abandoned after August 3, 1977. In 2004, \$77,621 in civil penalties was collected. Of that amount, \$74,201 (base penalty and interest) was deposited into the Civil Penalty Fund for reclamation purposes, while \$3,420 (penalties and administrative charges) was transferred to Treasury. During 2004, \$255,000 from this fund was obligated for post-Surface Mining Law reclamation projects.

■ State regulatory program grants were funded at \$56,865,567 which was \$335,196 less than 2003 due to government-wide reductions. These grants are used to fund state regulatory program payroll and other operational costs.

The Abandoned Mine Land appropriation included:

■ State reclamation grants were funded at \$158,606,290, which was \$58,592 more than the amount appropriated in 2003.

■ 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.

■ Grants to minimum program states were funded at \$1,500,000.



Abandoned surface and underground coal mines can pose very dangerous conditions to the unsuspecting visitor. The open underground mine portal (far left) is partially collapsed and; however, there was evidence of people crawling into the opening -- a very dangerous, or possible life threatening situation that is typical of many abandoned underground mine openings. Abandoned surface mines may not appear dangerous to the public, yet still contain hazardous conditions. The 75-foot high abandoned highwall at this Ohio mine site (near left) is constantly sluffing and anyone walking near the top of the highwall would be in danger of causing the top section of the high highwall to collapse without warning. On September 30, 2004, there were more than 30,000 feet of dangerous highwalls that needed reclamation in Ohio.

Financial Management

The Office of Surface Mining financial management includes three principal activities: fee compliance, grants management, and revenue management.

Fee Compliance

Fee compliance includes the collection, accounting, audit, and investment of abandoned mine land reclamation fees, assistance to operators on compliance matters, and regulatory and policy development on fee issues. During 2004, direct program costs were only about two percent of collections.

The current balance owed by coal companies is \$1,600,478. Of this amount, the Office of Surface Mining assigned \$719,119 to the Office of the Solicitor for legal action and referred \$330,667 to the Department of the Treasury because the Office of Surface Mining had exhausted all debt collection avenues. The remaining \$550,692 is going through the appeal process, payment plans, or initial debt collection procedures. Table 14 summarizes collections management. Although the Office of Surface Mining is working to eliminate noncompliance, some level of noncompliance will probably always occur as a result of company errors and financial difficulties.

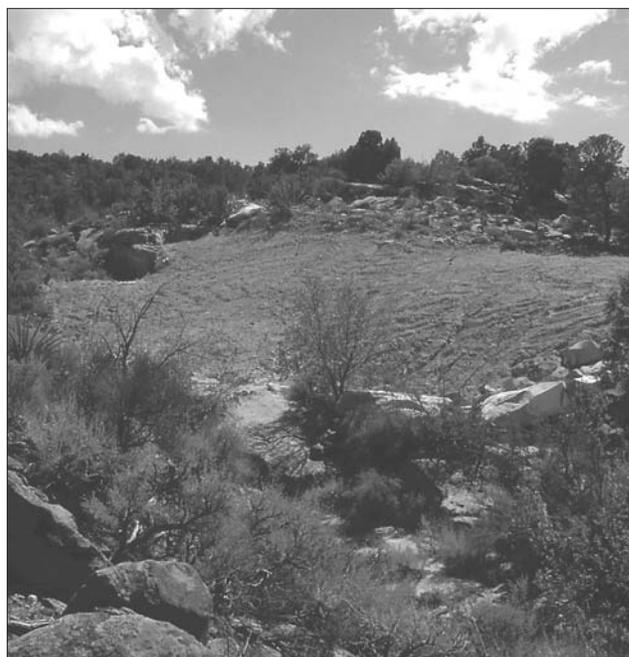
Table 14: Collections Management

Category	Amount Collected	Balance Owed
AML Fees ¹	\$287,023,400	\$1,187,900
Civil Penalties	\$77,621	\$412,578
Administrative	0	0
Total	\$287,101,021	\$1,600,478

1. Abandoned Mine Land Fees & Audits

Grants Management

Grants management includes the accounting, disbursement, and reporting on grants awarded to states and tribes Abandoned Mine Land programs. All states and tribes have remote access to the Office of Surface Mining or U.S. Treasury systems to request payments. They receive those payments the next business day. Grant recipients can also access in-line reports maintained by the Office of Surface Mining so they can track their grant activity. During 2004, the Office of Surface Mining provided \$259,998,158 of grants to the states and Indian tribes.



Mining companies discovered uranium in the Carrizo Mountain/Monument Valley areas in 1942 and when the demand for uranium dropped in the 1960s, the mines were shut down without any reclamation. This unregulated mining left many dangerous adits, inclines, vertical shafts, highwalls, open pits, radioactive mine waste piles, polluted and radioactive water in open pits, drill-holes with undetonated explosives, and environmental degradation caused by gamma radiation and leachates from waste piles carrying heavy and radioactive metals. These hazards were located close to residences and posed extreme dangers to the local Navajo people and their livestock. During reclamation mine portals were closed with polyurethane foam plugs and covered with two-three feet of earth backfill blended with the surrounding landscape. Radiological cleanup worked well and when the reclamation was completed site conditions were comparable to background radiation levels. This abandoned mine land project eliminated very dangerous health and safety problems and the Navajo Abandoned Mine Land Program staff gained valuable reclamation experience which was used in later projects

Revenue management involves managing a variety of non-fee revenues and receivables that come from the Office of Surface Mining's operations. These include the accounting and collection of revenue from civil penalties issued for mining violations, bond forfeitures by federally permitted mining companies, and fees for mine permit application reviews and blaster certification training. During 2004, \$77,621 was collected in civil penalties.

Financial and Business Management System

During 2004, the Interior Department made the decision to replace its existing finance and accounting systems with the Financial and Business Management System. This is a commercial off-the-shelf system that will create a functionality-driven enterprise resource planning solution that supports the administrative management of the Department of the Interior. The Financial and Business Management System will require a high degree of structure, standardization, and configuration in the Office of Surface Mining and other Interior Department bureaus and offices. The system

will implement standard business processes and data elements across the Department in the following areas:

- Budget formulation
- Core financials
- Acquisition
- Personal property and fleet management
- Financial assistance (grants and cooperative agreements)
- Real property
- Enterprise management information

To accomplish standard business processes and configuration for the Department, 14 teams (i.e., Acquisition, Property, General Ledger, Budget Formulation, etc.) representing all bureaus were formed early in 2004. A series of team workshops have been ongoing since February 2004. The outcome of this effort has been a draft Financial and Business Management System blueprint. Beginning in July 2004, the focus has been on resolving cross-functional and implementation issues. This project has significant implications for the Office of Surface Mining in the short term because it is one of three Interior Department bureaus that will implement the system on October 1, 2005. In addition, the Office of Surface Mining is expected to implement the financial assistance (eGrants) portion of the system on February 28, 2005.

Since the first week in July 2004, work has continued on the resolution of cross-functional issues for the Office of Surface Mining, the Minerals Management Service, and the Bureau of Land Management, with implementation scheduled for October 2005. Running parallel to the development of the core Financial and Business Management System are blueprinting efforts for the Financial Assistance (eGrants), and E-travel parts that are on a slightly different schedule.

The Office of Surface Mining worked on issues concerning data conversion and on cleansing data already resident in ABACIS¹⁴ and other ancillary systems. Some progress has been made in the integration of various disciplines; however, there is a significant amount of work still to be done to tie everything together.

From the change management perspective, the Office of Surface Mining has begun to work on the roles (functions/system access) people will have in the Financial and Business Management System and on the development of training material for financial assistance (grants) and the core system. Office of Surface Mining staff have also traveled to regional and Headquarters offices to work with managers on the system status and how implementation will affect

Office of Surface Mining employees.



This abandoned Indiana mine site improved safety and reduced environmentally degrading conditions by backfilling or removing 4,400 feet of dangerous highwalls, reduced the potential for acid mine drainage, eliminated 30 million gallons of acid water in multiple impoundments, disposed of derelict mining equipment, and reduced erosion by regrading and revegetating 250 acres of acidic spoil. When planning the project it was determined that the use of coal combustion by-products would be beneficial in enhancing the quality of the water discharged from the site. Use of the coal combustion by-products eliminated the need to disturb adjoining areas for borrow and provided a test for using this reclamation technique on future abandoned mine land projects. To document the effectiveness of these reclamation techniques, the Indiana Geological Survey was retained to monitor ground and surface water quality both before and after construction. A comparison of data collected indicates that total acidic outfall from the site during the critical period of April through October (the season when acid mine drainage is typically most concentrated) has had a fivefold reduction. Hydrologic monitoring indicate that the preexisting contaminant plume within the refuse is being effectively isolated from vertical recharge by the coal combustion by-products. And, this large abandoned mine land area is now a showcase of outstanding reclamation. On September 30, 2004, there were more than 7,000 feet of dangerous abandoned highwalls that needed reclamation in Indiana.

14. Advance Budget/Accounting Control Information System, the Office of Surface Mining's accounting system.

Administrative Accounting

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

Audited Financial Statements

Since 1990, the Office of Surface Mining has prepared an annual financial statement, as required by the Chief Financial Officers Act of 1990 (Public Law 101-576). In 2004, KPMG LLP audited the financial statements included in this report and gave the Office of Surface Mining its 14th consecutive "clean" audit opinion. This means that Office of Surface Mining financial results are fairly stated and conform to generally accepted accounting principles for federal agencies.

Cost Accounting

The Office of Surface Mining continued to enhance its cost accounting in 2004 by providing fiscal year comparative data for each program, graphical representation of costs for all programs, supporting data depicting direct charges, overhead and allocation, and summary level program activities to facilitate cost comparison between offices and regions.

Electronic Funds Transfer

The Office of Surface Mining continued to emphasize compliance with the electronic funds transfer provisions of the Debt Collection Improvement Act of 1996. The Office of Surface Mining transmitted 99.95 percent of vendor payments and 100 percent of miscellaneous payments electronically in 2004, for a total of 100 percent of all dollars paid.

Integrated Charge Card

During 2004, use of the Integrated Charge Card included 10,752 transactions and \$ 3,450,991 was spent, covering 15 percent of all vendor dollars disbursed.

E-Government Initiatives

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

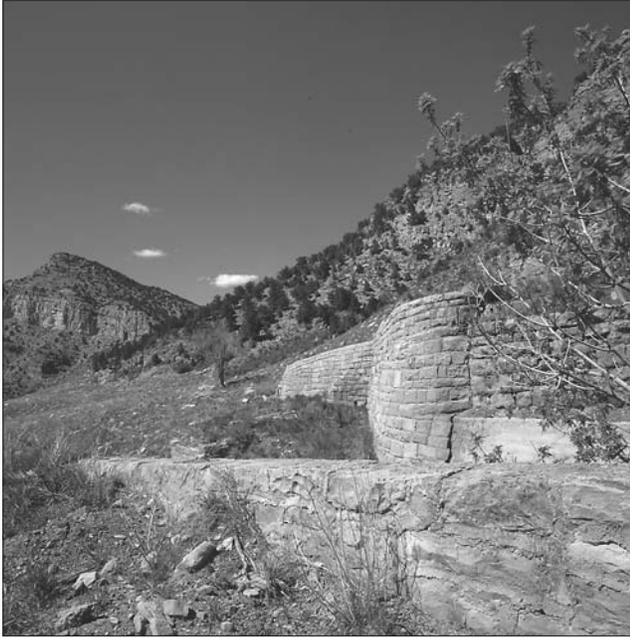
- **Electronic-filing of quarterly Coal Reclamation Fee Reports (OSM-1 Forms).** Electronic filing can be accomplished using a website where coal companies file their quarterly Coal Reclamation Fee Reports (OSM-1 Forms). The E-filing system streamlines reporting, lowers costs, and reduces the dependency on paper-based processes. Currently approximately 33 percent of the companies file on-line, reporting 71 percent of the total reclamation fees owed.

- **Treasury Department's Pay.gov.** Coal companies can also pay the quarterly coal reclamation fees to the Office of Surface Mining using the Internet. Companies schedule their payments using the Office of Surface Mining's E-filing system and Treasury's Pay.gov system. During 2004, 120 companies used Pay.gov to make payments of \$89 million or 31 percent of the reclamation fees collected.

- **Single Source Coal Reporting.** The Office of Surface Mining modified its E-filing website to allow companies to report excise taxes to the Internal Revenue Service and safety and production data to the Mine Health and Safety Administration and the Commonwealth of Pennsylvania while filing quarterly Coal Reclamation Fee Reports with the Office of Surface Mining. The



Abandoned underground, surface, and auger mines near Flat Gap, Virginia had left unreclaimed mine lands that were polluting the North Fork Watershed with acid mine drainage. A pH of 2.0 was measured at the headwaters of the North Fork. Fish kills had been reported downstream in Pound Reservoir. To prevent further formation of acid drainage, exposed shale material was treated with lime and placed in a valley fill containing a large limestone drain. The extremely acidic outslope was excavated and hauled up the slope to prevent future contact with water. The final graded areas were limed, then "ProMac," a bacteria-inhibiting agent that retards acid formation, was applied, and the area seeded. Today, the site is revegetated. Soil erosion has been limited, and the site is no longer draining acid into the watershed. The unqualified success of the project is demonstrated by the improved water quality and the restored sport fishery downstream.



From the late 1800s until 1992 the Sunnyside Coal mine in Utah removed metallurgical quality coal seams averaging nine feet thick. The mine has a rich history as one of the longest continuously producing coal mines in the United States. By 1917, the mine had over 800 coking ovens and by 1919, the Sunnyside coke plant was the largest single beehive oven operation in the United States. During reclamation a total of 48 abandoned portals were backfilled. Those that were flanked with historic Italian-cut sandstone retaining walls were closed and the walls preserved. Today, with reclamation complete, these structures are an historical feature and a reminder of the Italian miners of the early 1900s who build houses, walls, and other structures using rock from the surrounding canyons.

system consolidates reporting to multiple agencies and reduces redundant reporting. Currently, the Single Source Coal Reporting option is available only through the pilot program. During 2004, requirements for a comprehensive filing system were developed under the Small Business Administration's Business Gateway Initiative. The partner agencies are developing a strategy for implementing the new system in 2005.

Information Technology

The Office of Surface Mining relies heavily on information technology to improve its mission delivery. During 2004, responsibilities were realigned to provide a more efficient organizational structure and to assure compliance with security regulations across all Interior Department information technology systems and telecommunications network infrastructure. This organizational restructuring placed the following functions within the purview of the Office of the Chief Information Officer:

- Technology Management, Capital Planning Investment Control;
- Security management, to control access and security compliance;

- Information management, addressing information quality and records management;
- Telecommunications management, network security and wireless communications;
- Inventory management, tracking and accounting for all information resources;
- Information technology strategic planning, monitoring information technology project performance;
- Information technology career/skills management, developing professional information technology standards and training.

Also during 2004, all Office of Surface Mining major information technology application systems and general support systems completed certification and accreditation security reviews. Certification and accreditation security status is achieved through independent review, verification, and documentation of system improvements that are in place to reduce security threats. This signifies the improved integrity levels of the automated information systems in protecting information and information assets.

In addition, during the year, the Office of Surface Mining increased network perimeter security and extended usage of Virtual Private Network technology. Security scans are performed both internally and externally on a monthly basis to identify and thwart any newly emerging security threats. Updated information technology security policies and procedures have also been issued to improve Office of Surface Mining information technology user environment. The Office of Surface Mining's general support systems have been improved through implementation of common centralized software used Department-wide. This enables system cost reductions by utilization of enterprise-wide software licensing agreements and leveraging special pricing agreements negotiated for systems hardware throughout the Department of the Interior.

Human Resources Management

Automated Recruitment

During 2004, the automated recruitment, rating and ranking system, SMART, continued to be a significant tool for the Office of Surface Mining. Since the Office of Surface Mining began using the system, the jobs advertised on-line have attracted over 12,000 applicants. Forty percent of those applicants were minority candidates and more than 50 percent were women, providing management with a diverse pool of

qualified candidates. The Director's freeze on hiring was fully lifted with the development of work-force plans, thus creating an increase in recruitment.

The final consolidated Office of Surface Mining work-force plan was submitted to the Department in October 2003. This was followed quickly by a voluntary separation incentive program and voluntary early retirement authority request, as tools to assist in meeting the work-force plan goals. During 2004, the Office of Surface Mining has used the strategies outlined in the work-force plans and related them to specific positions that will either be restructured or eliminated.

The Office of Surface Mining implemented its competitive sourcing plan with information systems located in Washington, D.C. and Denver, Colorado. Implementation began in January 2004 and was completed April 30, 2004. Thirty percent of the positions that were studied were involved in this implementation. Over fifty percent of the employees involved in the implementation chose either resignation or retirement with the voluntary separation incentive program.

During 2004, the Office of Surface Mining began implementing Quicktime, a web-based, employee-driven time and attendance system. This involved a steep learning curve for employees and will require continued follow-up and assistance as each employee becomes responsible for his/her own time keeping.

The Office of Surface Mining will soon be phasing out the two-level performance appraisal system and replacing it with a new Department-wide five-level appraisal system. The new system has been developed to meet the Office of Personal Management performance system criteria. This change will enhance the supervisor's role in performance evaluation and pay management.

During 2004, retirement calculations and counseling sessions continued, with 116 employees eligible for immediate retirement. Approximately 70 percent of those persons are employed outside Washington, D.C. Also, 245 employees are currently eligible for early retirement and will be eligible for immediate retirement within the next few years. Almost 80 percent of the second group is employed outside Washington, D.C. Many employees requested multiple retirement calculations and associated actions, such as military

payback, deposit, and redeposit time, in order to prepare for and make decisions about retirement.

Labor-Management

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 Division of Compliance Management-Region II (located in Lexington, Kentucky).

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 2003¹⁵ 573 Office of Surface Mining employees, 672 other federal employees, and 1,826 state employees filed financial disclosure statements. One violation was identified and resolved by the head of a state regulatory authority. In addition, 582 Office of Surface Mining employees received annual ethics training.

Equal Opportunity

Due to retirements and other factors, the Office of Surface Mining's work-force declined from 576 to 557 during 2004. Hispanic women were the only minority group to increase. The Office of Surface Mining made significant gains in improving diversity through internal actions. In 2004, there were 23 promotions with women receiving 14 (60.9 percent) and minorities receiving 10 (43.5 percent).¹⁶

The Office of Surface Mining has forged valuable coalitions and partnerships with minority higher education schools and organizations as part of its commitment to executive orders supporting historically black colleges and universities, tribal colleges and universities, and Hispanic serving institutions. The Office of Surface Mining was a cosponsor of the Hispanic Association of Colleges and Universities, the National

15. Data for 2003 are reported here because 2004 federal statistics will not be available until January 2005 and state statistics until May 2005.

16. Women are counted twice in order to provide information on both groups (women and minorities).

Society of Black Engineers, the National Hispanic Sustainable Environmental Energy Conference, Bethune-Cookman College, Xavier's Youth Motivational Task Force, American Indians In Science and Engineering, and Howard University's Geographic Informational Systems Faculty Summer Workshop. Howard University's Geographic Informational Systems Summer Faculty Workshop provides college and university faculty members from other historical black colleges and universities basic training needed to utilize geographic information systems technology for teaching, analyses, and research.

Alternative dispute resolution continues to play a major role in resolving informal discrimination complaints. During 2004, there were seven counseling activities and of those, four individuals chose mediation to resolve their disputes. Each was able to reach a settlement at the informal stage. With the passing of each year and continued training in alternative dispute resolution, more employees and supervisors are using this method to resolve disputes at the earliest stage possible. During 2004, counselors received a minimum of 24 hours of training in conflict resolution.

The newly enacted Title III of the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002 (NO FEAR Act) requires agencies to post statistical information on their websites concerning complaints of employment discrimination filed under Title 29, Part 1614 of the Code of Federal Regulations. Information regarding the NO FEAR Act has been distributed to all managers in the Office of Surface Mining and required data for the first three quarters of 2004 were posted and distributed.

During 2004, four discrimination complaints were filed against the Office of Surface Mining by two individuals. The number of complaints increased by two this year.



The northeast corner of Wyoming, famous for the Devil's Tower and the scenic Black Hills, is also the site of the Aladdin Tiptle Historical Interpretive Park. Aladdin was the first coal mine in the region and retaining the historical significance of the site was important. Under a traditional reclamation plan, all dilapidated equipment and buildings would have been removed, and the site would have been covered with soil and vegetation. Instead, with historical conservation in mind, the adit was rebuilt to original conditions, and the historic fan house reconstructed on a steel grate to eliminate the hazards of a collapsing shaft. The tiptle and hoist house were reconstructed to show visitors the workings of an early coal mine. Interpretive stations illustrate and describe the features of the site at various vantage points along a pathway that winds through the park. To day, travelers touring the Black Hills can safely learn about early coal mining in the American West.

In addition, managers were provided a 3-year complaint activities comparison report. This report highlighted complaint filings, closings, issues and bases for complaints that were filed during 2003. The report also provided valuable information on other Equal Employment Opportunity areas, including the NO FEAR Act and complaint prevention measures.

Lastly, the Department of the Interior's Office for Equal Opportunity was restructured and renamed the Office of Civil Rights this year. New leadership has been named. As a result of these changes, the Office of Surface Mining decided to postpone its planned diversity summit until the impact of these changes have taken place. The summit was being planned in order to assist managers in improving diversity and to discuss issues and concerns with a representative group of employees.



Performance goals

A summary of Government Performance and Results Act (GPRA) progress

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

In accordance with the Government Performance and Results Act of 1993 and associated Office of Management and Budget guidance, the Office of Surface Mining prepares an annual performance plan as

part of its "Budget Justifications and Performance Information" document. The Office of Surface Mining's annual performance plan and related performance measures have been revised to align with the Department's "Strategic Plan for Fiscal Years 2003-2008" published on September 30, 2003. The Department's Plan can be found at www.doi.gov/ppp/strat_plan_fy2003_2008.pdf

The primary goal of programs funded through the Office of Surface Mining is to protect society and the environment from the adverse effects of coal mining operations. The reclamation program has addressed safety and environmental hazards found in 27 states

Figure 7

Mission

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

Vision

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

Photo to left: Before reclamation at this Pennsylvania abandoned mine site 10 deaths were reported. The abandoned mine site had many steep-sided water bodies that attracted residents looking for a local swimming hole. Today the dangerous hazards have been eliminated and the site reclaimed into a wildlife habitat that includes rich wetlands. Since 1977 more than 1,000 hazardous water bodies have been reclaimed.

and results

and four Indian tribes on over 560,000 acres adversely impacted from abandoned coal mined lands. Over 3.5 million people are at risk from the most serious hazards. The regulatory program involves current coal mining operations on 4,282,456 million acres in 26 states and four Indian tribes.

The annual performance plan emphasizes on-the-ground program accomplishments primarily by our partners, the states and tribes. The Office of Surface Mining activities focus on technical assistance. In addition, the Office of Surface Mining seeks improved management efficiencies through implementation of the President's Management Agenda and Secretary Norton's Citizen-Centered Governance Plan. These initiatives complement the Government Performance and Results Act and focus on program performance in five key management areas: strategic management of human capital, competitive sourcing, electronic government, financial management, and budget and performance integration.

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, industry, citizens, and citizen groups. The development of the initial suite of goals and measures was completed after extensive consultations with these partners and stakeholders in the mid-1990s. Starting in 2002 with the Abandoned Mine Land Reclamation Program and continuing in 2004 with the regulatory program, the Office of Surface Mining met with the states and tribes to establish new measures which better reflect program performance. This year will be the first time that results will be reported for some of these new measures.

Office of Surface Mining activities support three of the four Departmental mission areas - Resource Protection, Resource Use, and Serving Communities. The reclamation program supports both the Resource Protection and Serving Communities goals. Reclamation activities protect the environment; abating health and safety problems serve communities by protecting people and property. The reclamation technical activities generally support the Protection

goal. Reclamation program administration activities support the Serving Communities goal. The regulatory program supports the Resource Use goal by ensuring that coal extraction operations are conducted in an environmentally responsible manner, and that the land is reclaimed during and following the mining process. Regulatory program administration and technical activities generally support the Resource Use goal.

Resource Protection

Strategic Goal: Improve health of watersheds, landscapes, and marine resources that are Department of the Interior managed or influenced in a manner consistent with obligations regarding the allocation and use of water.

The reclamation program supports Resource Protection by influencing federal, State, and tribal activities to improve the health of watersheds and landscapes by correcting problems caused by past mining. Federal grants enable states and tribes to reclaim land and water adversely impacted by past coal mining. Technical assistance, training, and technology development is provided to the states and tribes through the Office of Surface Mining's Technology development and transfer program.

In order to report on program accomplishment toward the final desired outcome, the Office of Surface Mining developed intermediate measures as indicators of program success. Three measures are provided to indicate the amount of reclamation that is occurring annually. The primary indicator 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 190,000 acres of health and safety coal related problems such as underground fires, subsidence, landslides, open shafts, and highwalls have been reclaimed and 525 miles of stream have been addressed. The number of stream miles improved and the number of surface acres improved provide an indication of water improvement efforts.

A component of the reclamation program is the Appalachian Clean Streams Program, which is designed to facilitate development of partnerships in the form of

cooperative agreements to private not-for-profit organizations to undertake local acid mine drainage reclamation projects. The number of partnering agreements and the amount of increased funds derived from these agreements provide an indication of the support and efficiency for obtaining additional funding for this component of the reclamation program.

Resource Use

Strategic Goal: Manage or influence resource use to enhance public benefit, promote responsible use, and ensure optimal value.

The Surface Mining Law requires that coal mining operations be conducted in an environmentally responsible manner and that the land affected by adequately reclaimed during and following the mining process. State and federal regulatory programs are designed to promote and monitor compliance with these requirements. The technology development and transfer program provides resources for technical assistance, training, and technology development activities to the states and tribes.



The Meadow Creek abandoned mine project, completed by the Tennessee Division of Land Reclamation, was one of first passive treatment acid mine drainage projects in the country. A great deal was learned from completing this design and construction, and the successful technology used for this project has been used on similar acid mine drainage problems in east Tennessee. The project involved treating an artesian discharge from a 24-inch borehole that serviced the abandoned underground coal mine. The water discharge, which deposited iron over five acres, killed all vegetation before it drained into Meadow Creek. Reclamation to eliminate this acid mine drainage problem included flushing 122 tons of limestone into the void through holes drilled into the old underground mine workings. This process immediately buffered the water flowing through the mine. The next step included collecting the water discharge and directing the flow through an anoxic limestone drain. This drain contains 350 tons of limestone and has a 20-year life expectancy. Water leaving the limestone drain is piped to a rock outcrop, or riffler, that aerates the water and increases the amount of iron precipitating out of the water. From the riffler the water enters a polishing pond or settling basin (shown here) before it is finally discharged into Meadow Creek.

As with the reclamation 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. During mining, the potential for impacts affecting safety and the environment increases. When safety and environmental impacts happen outside the permitted mining operation, the events are recorded as offsite impacts.

Serving Communities

Strategic Goal: Protect lives, resources and property.

The reclamation program addresses health and safety problems and serves communities by protecting the lives and property of citizens living in the coal fields. Program performance is indicated by the overall number of people with reduced risk from abandoned mine land problems and the number of people being assisted through the emergency reclamation program.

Performance Results

In 2004 the Office of Surface Mining is reporting on eleven performance measures (Figure 8) which either are listed as end outcome performance measures in the Interior Department's Strategic Plan or measures used in the 2004 Program Assessment Rating Tool Review.

New Abandoned Mine Land Performance Measures

Improving programs by focusing on results is an integral component of the President's budget and performance integration initiative.

Beginning in July 2003, the Office of Surface Mining and the states and tribes began collecting data for new performance goals, objectives, and measures. These are representative of the success that the Abandoned Mine Reclamation Program has achieved. Proof of that success is demonstrated by four main goals, ranging from eliminating health and safety hazards related to past mining, enhancing the well-being of people in mined areas, improving mine-scarred land and water resources, and improving the use of financial resources dedicated to protecting the public from adverse effects of past mining.

Figure 8

Measure	Target	Results
Mission Area: Resource Protection		
Number of land acres reclaimed or mitigated from the effects of degradation from past mining. (Calculated equivalent acres)	6,900	6,965
Number of stream-miles for which degradation from past surface coal mining has been improved.	150	11.98 ¹ and ⁴
Number of surface acres of water for which degradation from coal mining has been improved.	150	24.6 ¹ and ⁵
Number of active partnering and leveraging agreements.	56	72 ¹
The amount of increased funds derived from active partnering and leveraging agreements.	\$70,000	\$7,972,602 ¹
Mission Area: Resource Use		
Percent of active sites that are free of offsite impacts.	93	93 ²
Number of acres where reclamation goals are achieved as evidenced by release from Phase III Performance Bonds.	70,000	49,054 ² and ⁶
Mission Area: Serving Communities		
Number of people with reduced exposure potential to safety risks from abandoned mine lands.	10,000	160,257 ³
Percentage of declared emergencies abated within six months (federal and state emergencies).	92	98 ¹ and ⁷
Number of people directly affected (federal and state emergencies).	8,250	11,400 ¹
The percent of Abandoned Mine Land grant funds obligated nationally by states and tribes.	90	96
<p>1. Preliminary data: 2004 is the first year this information is being collected and it is considered preliminary. Data are recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management and agreed to by the participating states. Sixteen states provided data for the time period of July 1, 2003, to June 30, 2004, to accommodate the accelerated publishing requirements. (Tennessee data submitted for the federal fiscal year time period.) Management determined that this reporting time frame is reliable for indicating performance trends and being the basis for management decision making. Data Limitations: Being the first year of data collection - reporting guidance, collection procedures, and data have not been validated and verified. No baseline data are available for assisting in the verification of reported data.</p> <p>2. Estimated data: states provided data for the time period of July 1, 2003, to June 30, 2004, to accommodate the accelerated publishing requirements. Estimates are then made for the fiscal year time frame by deleting the quarter July 1 - September 30, 2003, and adding an estimated quarter for July 1 - September 30, 2004. Totals for Tennessee and Washington are October to September actual numbers and not estimates.</p> <p>3. Information calculated from projects reported completed in the Abandoned Mine Land Inventory System matched with number of people residing within one mile radius of project calculated from census tract data.</p> <p>4. Results based on 19 projects involving 555 land acres with the miles of streams improved ranging from .1 to 2 miles.</p> <p>5. Results based on 13 projects involving 329 land acres with the number of surface acres of water improved ranging from .1 to 5 acres.</p> <p>6. The Office of Surface Mining has decided that the best mechanism for documenting this performance measure is final (phase III) bond release. Data Limitations: restoration of coal-mined land to its premining capability or to conditions capable of supporting higher or better use is being accomplished without coal operators seeking phase III bond release. Operators are not required to request bond release, and many have found that there are economic advantages to not requesting that bond be released, thus, causing an under-reporting of results. Efforts are being made to develop new performance measures to indicate reclamation accomplishments.</p> <p>7. Results based on 187/189 federal administered emergencies and 137/140 state administered emergencies. Data limitations: Some emergency projects had incomplete data and therefore were not used in calculating performance measure results.</p>		

Elimination of health and safety hazards is best represented by the number of people who are no

longer at risk for those abandoned mine problems that have been eliminated. During the state data collection



The Rush Run Mine Project was in the New River Gorge National River area, near Fayetteville, West Virginia. Nearly a million people visit the New River Gorge each year. To protect them from dangerous abandoned mine openings, the National Park Service and the Office of Surface Mining teamed up to reclaim the most dangerous sites in the park. In addition to the goal of keeping people out of the dangerous mine openings, the Park Service wanted to preserve habitat for the protected species of bat using the abandoned mines. At the same time they wanted to allow visitors to see the timber arches used as roof supports in the old mine openings. The bat gates, being constructed at this large opening, will prevent access by people, yet allow bats to easily fly through the openings into the mine. On September 30, 2004, there were more than 2,000 abandoned open portals that needed reclamation in West Virginia.

year (July 1, 2003 through June 30, 2004), abandoned mine land reclamation projects eliminated hazards for more than 160,257 residents, who live within a mile of those projects. In addition, more than 226,345 periodic visitors to these formerly hazardous areas are no longer in danger or at risk.

Enhancing the well-being of people in mined areas is represented by the number of projects that have resulted in employment or improvements in the lives of those people affected by past mining problems. Based on the amount of funding to reclaim the hazards, it is estimated that

approximately 10,385¹⁷ jobs were created to accomplish the reclamation. In addition, almost 53,000 people have directly benefited from completed public facilities projects and many more could benefit in the future because of the capacity of the facilities created.

Improvements to mine-scarred land and water resources is demonstrated by the number of acres reclaimed and the number of acres improved for beneficial uses, using a uniform land use base, such as forests, wetlands, agriculture, wildlife, recreational, rangeland, riparian, watershed, and commercial/residential development. The number of land acres that were reclaimed last year was 4,204,¹⁸ which benefits more than one land use type.

Improving the use of financial resources dedicated to protecting the public from adverse effects of past mining is evidenced through the amount of funding derived from partnering with other government and non-government organizations with the same goals as the Abandoned Mine Land Reclamation Program. Direct dollars and in-kind contributions from Appalachian Clean Streams Program partner and leveraging partners and have amounted to more than \$7.9 million in 2004.

See Figure 8 for 2004 results of the new abandoned mine land performance measures.

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 Reclamation Fund to the United Mine Workers of America Combined Benefit Fund.

The annual transfers began in 1996. Funds earned in 1993 through 1995 were earmarked to support transfer of up to \$70 million where the interest collected was not sufficient to meet the needs of the United Mine Workers Combined Benefit Fund Program. This reserve was exhausted in 2003.

Performance Measures

The Office of Surface Mining determined that 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.

17. Determined by the Associated General Contractors of America.
18. Only land-based problem types that are measured in acres -- NOT converted Government Performance and Results Act acres.

Figure 9
United Mine Workers Combined Benefit Fund

(in thousands)

Fiscal Year of Interest Collection Earned	Number of Unassigned Beneficiaries	Annualized Rate of Interest	Interest Collected	Transfer Through 2002	2003 Transfer	2003 Special Transfers	2004 Transfer	2004 Special Transfer	Transfer To-Date	Interest Balance
1992	N/A	3.52	\$32,328	\$32,328	\$0	\$0	\$0	\$0	\$32,328	\$0
1993-1995	N/A	3.85	132,453	91,320	0	41,133	0	0	132,453	0
1996	21,544	5.07	69,384	51,583	1,120	0	(3,770)	0	48,933	20,451
1997	22,131	5.03	81,006	59,140	2,512	11,006	(4,752)	0	67,906	13,100
1998	20,497	5.00	67,031	62,649	1,580	0	(4,314)	0	59,915	7,116
1999	20,271	4.48	82,830	67,993	1,776	12,830	(4,620)	0	77,979	4,851
2000	19,499	5.15	94,369	69,030	969	0	(3,415)	0	66,584	27,785
2001	17,815	4.82	103,496	70,000	(48)	9,943	(3,893)	0	76,002	27,494
2002	16,078	1.86	43,278	70,000	0	(26,722)	(1,421)	1,421	43,278	0
2003	14,528	1.22	23,620	0	48,170	(14,412)	(8,717)	(1,421)	23,620	0
2004	17,394	2.76	45,695	0	0	0	49,870	0	49,870	(4,175)
Total			\$775,490	\$574,043	\$56,079	\$33,778	\$14,968	\$0	\$678,868	\$96,622

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 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 2004, we conducted assessments of selected programs and administrative functions that were sufficient to ensure the adequacy of controls in place. Areas for improvement were identified and corrective actions are being implemented. In general, we found our management controls adequate to safeguard our programs and systems against waste, fraud, abuse, and mismanagement. No material weaknesses were identified (see Figure 10).

**Figure 10
2004 Management Control Reviews**

Review	Scope	Results
Acquisition Management	To determine whether emergency, non-emergency, bond forfeiture and civil penalty reclamation construction contracts are properly documented and closed out by the contracting staff in Appalachian Regional Coordinating Center (ARCC) and the adequacy of existing policies and procedures for documenting and closing out construction contracts.	Minor improvements were recommended. No material weaknesses were found.
Cash Management/Debt Collection Financial Instruments	To determine if management controls on the cash management and debt collection process provided reasonable assurance that program activities were being effectively and efficiently managed.	No material weaknesses were found.
Personnel Management	To determine if the Delegated Examining within OSM is providing customers a product that meets the requirement of the law for accuracy and an effective, efficient recruitment tool.	No material weaknesses were found.
Safety Management	To determine if OSM's accident and illness reporting is done in a timely manner and has adequate management involvement.	Minor improvements were recommended. No material weaknesses were found.
Sensitive Automated Information Systems	To certify that all prescribed controls or alternative controls are in place and effective for OSM's general support systems and major applications.	No material weaknesses were found.
Travel	Review of travel vouchers to make sure that the centrally billed transactions are not being claimed as a reimbursable expense.	Minor improvements were recommended. No material weaknesses were found.
Fee Compliance Program	To determine if management controls on the reclamation fee account management process surrounding the addition of new accounts, management of current account status and the closing of accounts provide reasonable assurance that these program activities were being effectively and efficiently managed.	No material weaknesses were found.
Applicant/Violator System (AVS) Program	To determine if management controls with the AVS program provide reasonable assurance that assignment of AVS login accounts are being effectively and efficiently managed.	No material weaknesses were found.
Watershed Cooperative Agreement Program	A comprehensive look at all event cycles for the program that were active, beginning in Fiscal Year 2002 through the present day. In addition, all instructions, requirements, and website information was reviewed to determine if changes or clarifications were needed or could be made to improve the effectiveness of the program.	Minor improvements were recommended. No material weaknesses were found.

Federal Financial Management Improvement Act (FFMIA)

This law requires agencies to report on their substantial compliance with federal financial management systems 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 concludes that it is in substantial compliance with FFMIA.

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

Other Key Legal and Financial Regulatory Requirements

Improper Payments Information Act (IPIA) of 2002

Narrative Summary of Implementation Efforts for FY 2004 and Agency Plans for FY 2005-2007

OSM is in substantial compliance with the Improper Payments Information Act (IPIA) by following the FY 2004 implementation plan.

OSM took the following steps to ensure compliance with the plan:

- Reviewed all programs we administer
- Conducted a review to determine whether any programs were susceptible to significant erroneous payments
- Estimated the amount of potential erroneous payments in the programs (less than \$2,000 in total)
- Implemented a plan to reduce the potential erroneous payments
- Reported on the estimates and progress annually, beginning with the FY 2004 Performance and Accountability Report

OSM performed its review of all programs, by conducting the required Risk Assessment Rating. We also participated in the Departmental Function Reviews (DFR) of various payment processes. It was determined that OSM did not identify any programs as "High Risk" during this assessment. Also, in compliance with the IPIA initiatives, OSM prepared an action plan based on the findings from the risk assessments, to further mitigate potential erroneous or improper payments.

OSM is currently in the process of working with an independent contractor to review all vendor payments to see if recovery of payments may be appropriate.

Prompt Payment Act

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

- Credit cards were used to cut through red tape and expedite payment. Almost 91 percent of purchase transactions were made with credit cards in FY 2004, and the agency continues to promote their increased use, and
- Electronic funds transfer (EFT) was used to make 99.95 percent of the agency's vendor payments covering 100 percent of the dollar amount paid.

Debt Collection Improvement Act

OSM collected over 99.86 percent of the Abandoned Mine Land (AML) Reclamation Fees due this year, for a total of \$286 million. This is the result of an integrated fee compliance program that works with the coal mining industry to provide clear guidance on fee payment and reporting issues, as well as active follow-up through audits and several other compliance activities. The current uncollected outstanding accounts receivable balance as of September 30, 2004, is \$1.6 million, comprised of \$1.2 million in AML Fees and Audit debt, and \$0.4 million in civil penalties. The \$1.6 million balance includes accounts that may not be collectible. After deducting for uncollectible receivables, we estimate that \$0.8 million should be collectible.

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

Civil Monetary Penalty Act

To comply with the Civil Monetary Penalty Act, OSM has increased the assessment amounts of civil monetary penalties. The agency issues these penalties for violation of the Surface Mining Control and Reclamation Act.

DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Objectives of Financial Reporting

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

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

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

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

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

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

Limitations of the Financial Statements

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

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

Significant Financial Statement Issues

Changes to the Statement of Net Cost

The Government Performance and Results Act (GPRA) requires that Federal agencies formulate strategic plans, identify major strategic goals, and report performance measures and costs related to these goals. In order to correlate with changes made by DOI in its Strategic Plan for 2004, OSM revised its GPRA Goals to align with those of the Department. Accordingly, OSM presented its earned revenues and gross costs for FY 2004 by the Mission Areas in the Department's FY 2004 Strategic Plan and its earned revenues and gross costs for FY 2003 by the GPRA Goals in the FY 2001 Strategic Plan. As a result, the FY 2004 Consolidated Statement of Net Cost cannot be compared directly to the FY 2003 Consolidated Statement of Net Cost. OSM's former Environmental Restoration responsibility segment is subdivided into Resource Protection and Serving Communities; the former Environmental Protection segment is now titled Resource Use.

Difference in the UMWA-CBF Payment and Receivable

OSM's transfer of money to the UMWA-CBF fluctuates annually based on OSM's projected interest earnings, the projected needs of the fund, and a reconciliation of actual prior year expenses of the fund, which can result in a receivable or a payable. In FY 2003, OSM paid \$90 million to the UMWA-CBF; in FY2004, the cash payment was \$15 million, a difference of \$75 million. The effect of this difference is evident on the Statement of Budgetary Resources: Appropriations Received (the UMWA-CBF payment is appropriated annually) is \$73 million less for 2004; Obligations Incurred and Disbursements are similarly impacted. There were refunds receivable from the UMWA-CBF recorded in both FY 2004 and FY 2003, for \$7 million and \$33.7 respectively. This explains the \$26 million difference in Accounts and Interest Receivable on the Balance Sheet.

AML Fee Reauthorization

OSM is authorized to collect fees through the Surface Mining Control and Reclamation Act (SMCRA). This authorization expired on September 30, 2004. On September 29, 2004, the Office of Surface Mining (OSM) received an extension of its fee collections authority to fund the reclamation of abandoned mine lands through November 20, 2004. We received this extension under a continuing resolution. Should there be additional continuing resolutions, the OSM fee collection authority will be extended concurrently. If Congress does not renew the OSM's authority beyond the continuing resolutions, OSM will have sufficient funds to continue, and plans to continue, its current abandoned mine lands programs at their current operating levels through September 30, 2005. Further, OSM will have sufficient funding to continue as a going concern through September 30, 2005.

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

As of September 30, 2004 and September 30, 2003
(dollars in thousands)

	2004	2003
ASSETS (Note 2)		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	\$44,792	\$42,763
Investments, Net (Notes 4 and 19)	2,051,300	1,926,867
Accounts and Interest Receivable (Note 5)	45	30
Other		
Advances and Prepayments	50	161
Total Intragovernmental Assets	2,096,187	1,969,821
Accounts and Interest Receivable, Net (Note 6)	6,631	35,010
General Property, Plant & Equipment, Net (Note 7)	2,561	2,978
TOTAL ASSETS	\$2,105,379	\$2,007,809
LIABILITIES (Note 8)		
Intragovernmental Liabilities		
Accounts Payable	\$45	\$259
Other		
Accrued Payroll and Benefits	1,020	1,137
Advances and Deferred Revenue	4	-
Deposit Fund Liability	2	152
Other Liabilities (Note 9)	480	562
Total Intragovernmental Liabilities	1,551	2,110
Public Liabilities		
Accounts Payable	17,947	12,054
Federal Employees Compensation Act Liability	3,829	4,440
Other		
Accrued Payroll and Benefits	6,249	5,534
Deposit Fund Liability	834	575
Contingent Liabilities (Note 10)	68,600	68,500
Total Public Liabilities	97,459	91,103
TOTAL LIABILITIES	99,010	93,213
Commitments and Contingencies (Note 11)		
NET POSITION		
Unexpended Appropriations	38,490	36,299
Cumulative Results of Operations	1,967,879	1,878,297
TOTAL NET POSITION	2,006,369	1,914,596
TOTAL LIABILITIES AND NET POSITION	\$2,105,379	\$2,007,809

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

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

For the year ended September 30, 2004
(dollars in thousands)

2004

Resource Use - manage resource use to enhance public benefit

Cost of Services Provided to the Public	\$105,844
Less: Revenue Earned from the Public	105
Net Cost of Services to the Public	<u>105,739</u>
Cost of Services Provided to Federal Agencies	1,193
Less: Revenue Earned from Federal Agencies	1,119
Net Cost of Services to Federal Agencies	<u>74</u>
Net Cost of Operations	<u>105,813</u>

Serving Communities - protect lives, resources and property

Cost of Services Provided to the Public	137,372
Less: Revenue Earned from the Public	4
Net Cost of Services to the Public	<u>137,368</u>
Cost of Services Provided to Federal Agencies	23
Less: Revenue Earned from Federal Agencies	22
Net Cost of Services to Federal Agencies	<u>1</u>
Net Cost of Operations	<u>137,369</u>

Resource Protection - improve health of watersheds and landscapes

Cost of Services Provided to the Public	72,131
Less: Revenue Earned from the Public	-
Net Cost of Services to the Public	<u>72,131</u>
Cost of Services Provided to Federal Agencies	-
Less: Revenue Earned from Federal Agencies	-
Net Cost of Services to Federal Agencies	<u>-</u>
Net Cost of Operations	<u>72,131</u>

UMWA-CBF Transfer

Cost of Services Provided to the Public	42,696
Less: Revenue Earned from the Public	-
Net Cost of Services to the Public	<u>42,696</u>
Cost of Services Provided to Federal Agencies	-
Less: Revenue Earned from Federal Agencies	-
Net Cost of Services to Federal Agencies	<u>-</u>
Net Cost of Operations	<u>42,696</u>

Total

Cost of Services Provided to the Public	358,043
Less: Revenue Earned from the Public	109
Net Cost of Services to the Public	<u>357,934</u>
Cost of Services Provided to Federal Agencies	1,216
Less: Revenue Earned from Federal Agencies	1,141
Net Cost of Services to Federal Agencies	<u>75</u>
Total Net Cost of Operations (Note 12)	<u>\$358,009</u>

The accompanying notes are an integral part of these financial statements

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

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

2003

Environmental Restoration

Cost of Services Provided to the Public	\$191,257
Less: Revenue Earned from the Public	86
Net Cost of Services to the Public	<u>191,171</u>
Cost of Services Provided to Federal Agencies	97
Less: Revenue Earned from Federal Agencies	96
Net Cost of Services to Federal Agencies	<u>1</u>
Net Cost of Operations	<u>191,172</u>

Environmental Protection

Cost of Services Provided to the Public	153,467
Less: Revenue Earned from the Public	117
Net Cost of Services to the Public	<u>153,350</u>
Cost of Services Provided to Federal Agencies	987
Less: Revenue Earned from Federal Agencies	967
Net Cost of Services to Federal Agencies	<u>20</u>
Net Cost of Operations	<u>153,370</u>

UMWA-CBF Transfer

Cost of Services Provided to the Public	48,249
Less: Revenue Earned from the Public	-
Net Cost of Services to the Public	<u>48,249</u>
Cost of Services Provided to Federal Agencies	-
Less: Revenue Earned from Federal Agencies	-
Net Cost of Services to Federal Agencies	<u>-</u>
Net Cost of Operations	<u>48,249</u>

Total

Cost of Services Provided to the Public	392,973
Less: Revenue Earned from the Public	203
Net Cost of Services to the Public	<u>392,770</u>
Cost of Services Provided to Federal Agencies	1,084
Less: Revenue Earned from Federal Agencies	1,063
Net Cost of Services to Federal Agencies	<u>21</u>
Total Net Cost of Operations (Note 12)	<u>\$392,791</u>

The accompanying notes are an integral part of these financial statements

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

For the years ended September 30, 2004 and September 30, 2003
(dollars in thousands)

	2004	2003
UNEXPENDED APPROPRIATIONS		
Beginning Balances	\$36,299	\$36,038
Budgetary Financing Sources		
Appropriations Received, General Funds	106,424	105,092
Appropriations-Used	(101,939)	(103,609)
Other Adjustments (rescissions, etc.)	(2,294)	(1,222)
Total Budgetary Financing Sources	2,191	261
ENDING BALANCE - UNEXPENDED APPROPRIATIONS	\$38,490	\$36,299
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	\$1,878,297	\$1,856,818
Budgetary Financing Sources		
Appropriations-Used	101,939	103,609
Transfers In/Out without Reimbursement	-	(271)
Non-Exchange Revenue:		
Abandoned Mine Land Fees (Note 19)	286,160	282,411
Forfeitures of Cash	31	112
Other Non-Exchange Revenue	54,738	23,712
Other Financing Sources		
Imputed Financing from Costs Absorbed by Others	5,124	4,784
Transfers In/Out without Reimbursement	(401)	(87)
Total Financing Sources	447,591	414,270
Net Cost of Operations	(358,009)	(392,791)
ENDING BALANCE - CUMULATIVE RESULTS OF OPERATIONS	\$1,967,879	\$1,878,297

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

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

For the years ended September 30, 2004 and September 30, 2003
(dollars in thousands)

	2004	2003
Budgetary Resources		
Budget Authority		
Appropriations Received (Note 13)	\$314,435	\$387,031
Unobligated Balance		
Beginning of Fiscal Year	43,463	53,524
Spending Authority From Offsetting Collections:		
Earned		
Collected	1,196	1,173
Receivable From Federal Sources	(8)	36
Change in Unfilled Customer Orders Without Advance From Federal Sources	(97)	9
Subtotal: Spending Authority From Offsetting Collections	1,091	1,218
Recoveries of Prior Year Obligations	48,126	26,937
Temporarily Not Available Pursuant to Public Law	(2,379)	(1,468)
Permanently Not Available	(2,294)	(1,222)
Total Budgetary Resources	\$402,442	\$466,020
Status of Budgetary Resources		
Obligations Incurred (Note 14)		
Direct	\$365,048	\$421,557
Reimbursable	1,196	1,000
Total Obligations Incurred	366,244	422,557
Unobligated Balance		
Apportioned	31,942	39,372
Unobligated Balance not Available	4,256	4,091
Total Status of Budgetary Resources	\$402,442	\$466,020
Relationship of Obligations to Outlays		
Obligations Incurred (Note 14)	\$366,244	\$422,557
Obligated Balance, Net, Beginning of Fiscal Year	365,202	353,962
Obligated Balance, Net, End of Fiscal Year		
Accounts Receivable	45	53
Unfilled Customer Orders From Federal Sources	166	263
Undelivered Orders	(343,068)	(351,793)
Accounts Payable	(19,815)	(13,725)
Less: Spending Authority Adjustments	(48,021)	(26,982)
Outlays		
Disbursements	320,753	384,335
Collections	(1,196)	(1,173)
Subtotal	319,557	383,162
Less: Offsetting Receipts (Note 15)	(46,603)	(23,842)
Net Outlays	\$272,954	\$359,320

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

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

For the years ended September 30, 2004 and September 30, 2003
(dollars in thousands)

	2004	2003
Resources Used to Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred (Note 14)	\$366,244	\$422,557
Less: Spending Authority From Offsetting Collections/Adjustments	(49,217)	(28,155)
Obligations Net of Offsetting Collections and Adjustments	317,027	394,402
Less: Offsetting Receipts (Note 15)	(46,603)	(23,842)
Net Obligations	270,424	370,560
Other Resources:		
Transfers In/Out Without Reimbursement	(401)	(87)
Imputed Financing From Costs Absorbed by Others	5,124	4,784
Net Other Resources Used to Finance Activities	4,723	4,697
Total Resources Used to Finance Activities	275,147	375,257
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	8,739	(9,212)
Resources That Fund Expenses Recognized in Prior Periods	(80)	(7,343)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
Offsetting Receipts Not Part of the Net Cost of Operations	46,608	23,849
Resources That Finance the Acquisition of Assets	(209)	(885)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	55,058	6,409
Total Resources Used to Finance the Net Cost of Operations	330,205	381,666
Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Increase in Annual Leave Liability	205	34
Other		
Change in Legal Liabilities	100	43,451
Change in UMWA-CBF Receivable	27,729	(33,700)
Other	(629)	1,004
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	27,405	10,789
Components Not Requiring or Generating Resources		
Depreciation and Amortization	626	590
Allocation Transfer Account Reconciling Item (Note 17)	(228)	(254)
Bad Debt Expense	1	-
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	399	336
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	27,804	11,125
Net Cost of Operations	\$358,009	\$392,791

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

Office of Surface Mining

Notes to Financial Statements

For the Years Ended September 30, 2004 and 2003

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 (DOI) 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.

On September 29, 2004, Congress adopted a continuing resolution to fund a number of federal agencies which included the U.S. Department of the Interior. The continuing resolution included language to extend the Office of Surface Mining's authority to collect fees from coal companies to pay for the abandoned Mine Land program until November 20, 2004. This continuing resolution funds the operation of the U.S. Department of the Interior until that time, which is when Congress is expected to review and approve funding for DOI for the remainder of FY 2005.

In the absence of the fee reauthorization by Congress, Section 402(b) of SMCRA requires OSM to establish a new fee at a rate schedule sufficient to continue to provide for the needs of certain beneficiaries of the United Mine Workers Combined Benefit Fund (UMWA-CBF). OSM provides an annual transfer to the UMWA-CBF to help defray the health care costs of mine workers and their beneficiaries for which no current mining company is responsible. SMCRA allows an annual transfer of up to \$70 million to fulfill this requirement. To establish a new fee rate schedule OSM issued a final Rule in September 2004 that will provide \$69 million for the UMWA-CBF in FY 2005. The new fee rates will not take legal effect until the current continuing resolution expires on November 20, 2004, or upon the expiration of any subsequent continuing resolution that extends the coal reclamation fee collection authority. Similarly, the new fee rates will not be needed if Congress reauthorizes or otherwise extends the expiration date of the current program.

If Congress does not renew the OSM's authority beyond November 20, 2004, OSM's management believes that OSM will have sufficient funds to continue, and plans to continue, its current Abandoned Mine Lands (AML) program at the current operating level through September 30, 2005. Further, OSM's management believes that the OSM will have sufficient funds to continue as a going concern through September 30, 2005.

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 Accountability Office (GAO), and the Office of Management and Budget (OMB) to report on the accounting of SMCRA funds. The Treasury acts as custodian over all monies appropriated and collected by OSM.

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

1. General Funds: These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations as well as receipt accounts. The principal general fund expenditure and receipt accounts maintained are:
 - a. Regulation and Technology - These funds consist of expenditure accounts used to record financial transactions arising from congressional appropriations to spend general revenue. These funds support the financing of state regulatory grants, oversight of state regulatory programs, research and development facilitating the transfer of reclamation expertise to states, and the partial financing of all OSM operations and maintenance costs. Funding is appropriated on an annual basis.
 - b. Bond Forfeitures - This fund consists of receipt and expenditure accounts. Monies collected on bonds forfeited by coal operators are used to reclaim the mine sites secured by the bonds.

2. Special Funds: These funds consist of special fund receipt, expenditure, and investment accounts and include the following:
 - a. Abandoned Mine Land (AML) Funds - These funds were established by SMCRA for the deposit of coal reclamation fees, related late payment interest, and administrative charges recovered in pursuing collections. Available reclamation fees are used solely to finance the AML reclamation program. However, before AML funds can be used, a Congressional appropriation is necessary to authorize yearly spending limits. Available AML special fund balances, in excess of current cash requirements, are regularly invested in non-marketable federal securities as authorized under Public Law 101-508.
 - b. Civil Penalties - This fund consists of receipt and expenditure accounts used to collect penalties levied against operators who violate any permit condition or provision of Title 30 U.S.C. 1268. Funds from these assessments are used to reclaim lands adversely affected by coal mining practices on or after August 3, 1977.
3. Deposit Funds: These funds are maintained to account for receipts awaiting proper classification or receipts held in escrow until ownership is established, at which time proper distribution can be made. Additionally, OSM collects miscellaneous interest, judicial service and administrative fees which are credited to Treasury's general fund. In the billing and collection of these funds, OSM is merely acting as an agent for the Treasury.

Government Performance and Results Act (GPRA) Performance Goals - GPRA requires that Federal agencies formulate strategic plans, identify major strategic goals, and report performance and costs related to these goals. Because the Department of the Interior updated its strategic plan and mission goals in FY2004, OSM changed its GPRA reporting to align with that of the Department. As of this year, OSM's former Environmental Restoration responsibility segment is subdivided into Resource Protection and Serving Communities; the former Environmental Protection segment is now titled Resource Use. OSM's 2004 GPRA responsibility segments are:

1. Resource Use: This program is responsible for ensuring that the SMCRA'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, OSM state program evaluations and oversight, and OSM regulatory technology development and transfer.
2. Resource Protection: This is a component of the OSM reclamation program which is responsible for the reclamation of abandoned mine lands affected by mining that took place before SMCRA was passed in 1977. The resource protection activities are primarily conducted through grants given to states and tribes; and by environmental restoration technical assistance, training, and technology development provided to states and tribes. The financial management of AML fees and investments, and bond forfeiture and civil penalty reclamations projects are included in this goal.
3. Serving Communities: This reclamation activity protects the lives and property of citizens living in proximity to coal fields, again primarily through grants to states and tribes. It also includes federal reclamation work in emergency situations and the AML state oversight and grants administration activities.
4. United Mine Workers of America Combined Benefit Fund Transfer (UMWA-CBF): This program is for the transfer of funds to the United Mine Workers of America Combined Benefit Fund. This is an annual transfer required by the Energy Policy Act of 1992. The transfer is used to pay for health care benefits for certain coal miners and their beneficiaries.

B. Basis of Accounting and Presentation

These financial statements have been prepared to report the financial position, the net cost of operations, changes in net position, budgetary resources, and financing details 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. These financial statements present proprietary and budgetary information while other financial reports also prepared by OSM pursuant to OMB directives are used to monitor and control OSM's use of budgetary resources.

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

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

**Office of Surface Mining
Notes to Financial Statements
For the Years Ended September 30, 2004 and 2003 (continued)**

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

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

C. Revenues and Financing Sources

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

The AML program is funded by a reclamation fee assessed on coal mine operators. The fee is based on the type and volume of coal produced for sale, transfer, or use. As appropriated by Congress, monies received and deposited in this special fund are used to reclaim lands adversely affected by past mining. Fees collected, but not yet appropriated, are held for future appropriations. Payments to the UMWA-CBF are funded through earnings on investments of undisbursed AML fund balances. See Notes 1.G and 4 for additional information.

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

D. Distribution of AML Appropriation for Reclamation Grants

OSM distributes the Congressional appropriation from the collections of AML fees through grants to states and tribes. The distribution contains three main components: state-share distribution, federal-share distribution, and emergency program distribution. The state-share portion is based on the percentage of each state's balance in the AML Special Fund. All states or tribes with a participating state or tribal reclamation program receive state-share distributions on an annual basis if they have a balance in the fund. OSM distributes additional monies from the federal-share portion of the AML appropriation based upon state historical coal production prior to 1978. Under the minimum program provision, OSM distributes at least \$1.5 million to states or tribes with qualifying reclamation projects. This provides additional funding for Priority 1 and Priority 2 AML coal projects. Priority 1 projects protect public health, safety, general welfare, and property from extreme danger of adverse effects of mining practices or conditions that could reasonably be expected to cause substantial physical harm to persons or property, and to which persons or improvements on real property are currently exposed. Priority 2 projects protect public health, safety and general welfare from adverse effects of mining practices or a condition that is threatening people, but is not an extreme danger. OSM also distributes monies to be used only for qualifying emergency programs from the federal-share portion of the appropriation.

E. Grant Expenditures

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

F. Fund Balance with Treasury

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

G. Investments

OSM invests excess cash from AML fee collections in Treasury notes and certificates. Note 4 provides additional information concerning investments. Some of the earnings from these investments are transferred to the UMWA-CBF.

H. Allowance for Doubtful Accounts

OSM's allowance methodology is representative of the collectability of delinquent 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 may be used, as it was in 2003, if any one account is a substantial percent of the outstanding accounts receivable. For all other types of receivables, the allowance is based on an analysis of each account receivable.

I. Personnel Compensation and Benefits

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

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

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

OSM employees may contribute up to 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 fourteen percent of their gross earnings to the plan. CSRS employees have the option of contributing to the thrift savings plan up to nine percent of their gross salary with no additional government matching.

These financial statements also reflect CSRS or FERS accumulated plan benefits and unfunded retirement liabilities, if any. These figures are calculated and provided to OSM by the Office of Personnel Management.

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

J. Income Taxes

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

K. Use of Estimates

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

**Office of Surface Mining
Notes to Financial Statements
For the Years Ended September 30, 2004 and 2003 (continued)**

Note 2. Asset Analysis:

Assets can be classified as entity or non-entity and restricted or unrestricted. Entity assets are those that OSM has the authority to use in its operations. Non-entity assets include certain accounts and interest receivable that will be forwarded to the Treasury upon collection. OSM's non-entity assets were less than one thousand dollars for fiscal years 2003 and 2004. In general, large trust funds that are outside the scope of bureau day-to-day operations are further classified by the DOI as restricted. OSM does not hold any restricted assets.

(dollars in thousands)	Unrestricted Entity 2004	Unrestricted Entity 2003
Assets		
Intragovernmental Assets		
Fund Balance with Treasury	\$44,792	\$42,763
Investments, Net	2,051,300	1,926,867
Accounts and Interest Receivable, Net	45	30
Other		
Advances and Prepayments	50	161
Total Intragovernmental Assets	2,096,187	1,969,821
Accounts and Interest Receivable, Net	6,631	35,010
General Property, Plant & Equipment, Net	2,561	2,978
Total Assets	\$2,105,379	\$2,007,809

Note 3. 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 not yet disbursed. Unobligated funds, depending on budget authority, are generally available for new obligations associated with current operations. Unavailable authority includes amounts appropriated in prior fiscal years, which may not be used for current operations. Obligated funds represent amounts designated for payment of goods and services ordered, but not received.

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

Fund Balances by Fund Type (dollars in thousands)	2004	2003
General Funds	\$43,075	\$41,213
Special Funds	877	823
Other Fund Types	840	727
Total Fund Balance with Treasury by Fund Type	\$44,792	\$42,763

Status of Fund Balance with Treasury (dollars in thousands)	2004	2003
Unobligated		
Available	\$1,651	\$1,789
Unavailable	5,095	4,818
Obligated Not Yet Disbursed	38,046	36,156
Total Status of Fund Balance with Treasury	\$44,792	\$42,763

In addition to the amounts disclosed above, \$983 thousand was returned to Treasury at the end of FY 2004 for a cancelled annual year fund.

Note 4. Net Investments, Non-Marketable:

Effective October 1, 1991, OSM was given authority to invest the balance of the AML Fund in non-marketable federal securities under Public Law 101-508. The Bureau of Public Debt is the sole issuer of authorized non-marketable Federal securities, which are purchased by OSM directly from the Treasury. OSM may invest in bills, notes, bonds, and one-day certificates. There are no restrictions on federal agencies as to the use or convertibility of Treasury non-marketable securities. In 2003 OSM was invested in one-day certificates. The investment strategy changed in 2004, and OSM is now invested in one-day certificates and 10-year Treasury Notes. As of September 30, 2004, and September 30, 2003, OSM had \$748.7 million and \$1.8 billion in one-day certificates, respectively. All remaining investments as of September 30, 2004, were in 10-year Treasury Notes. OSM intends to hold the notes to maturity.

(dollars in thousands) Security Type	Cost	Amortized Discount (Premium)	Investments, Net	Market Value Disclosure
2004				
Non-Marketable:				
Market Based	\$2,042,801	\$168	\$2,042,969	\$2,042,969
Accrued Interest	8,331	-	8,331	8,331
Totals	\$2,051,132	\$168	\$2,051,300	\$2,051,300
2003				
Non-Marketable:				
Market Based	\$1,926,867	\$-	\$1,926,867	\$1,926,867
Accrued Interest	-	-	-	-
Totals	\$1,926,867	\$-	\$1,926,867	\$1,926,867

Note 5. Intragovernmental Accounts Receivable:

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

(dollars in thousands)	2004	2003
Unbilled Intragovernmental Accounts Receivable	\$45	\$30

Note 6. Accounts and Interest Receivable, Net:

Accounts receivable with the public are recorded net of the allowance for doubtful accounts. These receivables represent uncollected Abandoned Mine Land, civil penalty and audit fees, including related interest receivables. Additionally, OSM accrued accounts receivable from the United Mine Worker's Combined Benefit Fund in the amount of \$6 million in FY 2004 and \$33.7 million in FY 2003. This receivable, the result of over-estimating beneficiaries' needs and OSM's future interest earnings, will offset OSM's annual payment to the UMWA-CBF.

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

(dollars in thousands)	2004	2003
Accounts Receivable from the Public		
Current	\$405	\$1,564
1 - 180 Days Past Due	185	387
181 - 365 Days Past Due	289	611
Over 1 Year Past Due	736	460
Total Billed Accounts Receivable - Public	1,615	3,022
Unbilled Accounts Receivable	5,971	33,723
Total Accounts Receivable - Public	7,586	36,745
Allowance for Doubtful Accounts	(955)	(1,735)
Total Accounts Receivable - Public, Net	\$6,631	\$35,010
Change in Allowance for Doubtful Accounts		
Allowance for Doubtful Accounts, beginning	\$1,735	\$1,802
Additions	212	1,558
Deletions	(992)	(1,625)
Allowance for Doubtful Accounts	\$955	\$1,735

**Office of Surface Mining
Notes to Financial Statements
For the Years Ended September 30, 2004 and 2003 (continued)**

Note 7. General Property, Plant and Equipment, Net:

OSM does not own any real estate or buildings; however, OSM capitalizes tenant improvements to office space as leasehold improvements. Leasehold improvements are capitalized when the acquisition cost is \$100 thousand or more. They are depreciated using the straight-line method over the useful life according to GSA schedules.

Personal property and equipment are valued at historical cost and are capitalized whenever the initial acquisition cost is \$15 thousand or greater and the estimated useful life is two years or longer. Property and equipment are depreciated using the straight-line method and an asset's useful life is determined using OMB guidance.

2004

(dollars in thousands)

	Service Life in Years	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment				
Automated Data Processing	15	\$1,331	(\$831)	\$500
Office	11-20	963	(333)	630
Vehicles	6-10	2,916	(1,946)	970
Leasehold Improvements	2-10	599	(138)	461
Totals		\$5,809	(\$3,248)	\$2,561

2003

(dollars in thousands)

	Service Life in Years	Acquisition Value	Accumulated Depreciation	Net Book Value
Equipment				
Automated Data Processing	15	\$1,520	(\$1,031)	\$489
Office	11-20	924	(277)	647
Vehicles	6-10	2,993	(1,702)	1,291
Leasehold Improvements	2-10	599	(48)	551
Totals		\$6,036	(\$3,058)	\$2,978

Note 8. Liabilities:

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

2004

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities					
Accounts Payable	\$45	\$-	\$-	\$-	\$45
Other					
Accrued Payroll and Benefits	290	-	287	443	1,020
Advances and Deferred Revenue	4	-	-	-	4
Deposit Fund Liabilities	2	-	-	-	2
Other Liabilities	-	-	69	411	480
Total Intragovernmental Liabilities	341	-	356	854	1,551
Public Liabilities					
Accounts Payable	17,947	-	-	-	17,947
Federal Employees Compensation Act Liability	-	-	-	3,829	3,829
Other					
Accrued Payroll and Benefits	1,532	-	-	4,717	6,249
Deposit Fund Liabilities	-	-	172	662	834
Contingent Liabilities	-	-	50	68,550	68,600
Total Public Liabilities	19,479	-	222	77,758	97,459
Total Liabilities	\$19,820	\$-	\$578	\$78,612	\$99,010

2003

(dollars in thousands)	Covered by Budgetary Resources		Not Covered by Budgetary Resources		Total
	Current	Non-Current	Current	Non-Current	
Intragovernmental Liabilities					
Accounts Payable	\$259	\$-	\$-	\$-	\$259
Other					
Accrued Payroll and Benefits	218	-	300	619	1,137
Deposit Fund Liabilities	152	-	-	-	152
Other Liabilities	-	-	83	479	562
Total Intragovernmental Liabilities	629	-	383	1,098	2,110
Public Liabilities					
Accounts Payable	12,054	-	-	-	12,054
Federal Employees Compensation Act Liability	-	-	-	4,440	4,440
Other					
Accrued Payroll and Benefits	1,194	-	-	4,340	5,534
Deposit Fund Liabilities	-	-	575	-	575
Contingent Liabilities	-	-	-	68,500	68,500
Total Public Liabilities	13,248	-	575	77,280	91,103
Total Liabilities	\$13,877	\$-	\$958	\$78,378	\$93,213

Note 9. Other Liabilities:

Other liabilities consist of advances from others for reimbursable agreements, miscellaneous liabilities associated with non-entity receivables that will be transferred to Treasury upon collection and amounts recorded in certain 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.

The majority (\$479 thousand) of OSM's other liabilities represent amounts owed to the General Services Administration (GSA) for tenant improvements provided to OSM for leased office spaces.

**Office of Surface Mining
Notes to Financial Statements
For the Years Ended September 30, 2004 and 2003 (continued)**

Note 10. Contingent and Environmental Liabilities:

1. Contingent Legal Liabilities: There have been claims filed against OSM with adjudications pending. As of September 30, 2004 a liability of \$68.6 million has been accrued in the financial statements for cases in which payment has been deemed probable and for which the amount of potential liability is estimable. The U.S. Treasury's Judgment Fund would likely bear most of the costs incurred to pay any judgments or settlements and the resultant outcomes should not materially affect OSM's future financial condition. The related liability at September 30, 2003 was \$68.5 million.

Federal accounting guidance states that if an estimated liability is a range of amounts, and no amount within the range is a better estimate than any other amount, the minimum amount in the range is recognized. The amounts recognized above are the minimum amounts in the range noted for these liabilities. The upper limits on the ranges of these liabilities are \$78.8 million for FY2004 and \$78.5 million for FY 2003.

In addition to the amounts recorded 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 2004 ranges from \$237 thousand to \$700 thousand; the FY 2003 possible loss was \$100 thousand. However, no amounts have been accrued in the financial records for claims where the probability or amount of judgment is uncertain.

2. 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.

Note 11. Commitments and Contingencies:

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

Note 12. Net Cost by Segment:

Statement of Federal Financial Accounting Standards (SFFAS) No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, requires agencies to report the full cost of programs, activities, and outputs. This standard includes requirements for accumulating and reporting costs on a regular basis for management use, establishing responsibility segments to match costs with outputs, determining the full cost of government goods and services, recognizing the costs of services provided between agencies within the government, and using appropriate costing methodologies to accumulate and assign costs to outputs. The accumulated cost data is aggregated by program activity to reflect the Government Performance and Results Act (GPRA) performance goals.

GPRA requires that Federal agencies formulate Strategic Plans, identify major strategic goals, and report performance measures and costs related to these goals. Under GPRA, Departments' Strategic Plans are to be revised and updated every three years. In order to correlate with changes made by DOI for 2004, OSM revised its GPRA Goals to align with those of the Department.

GPRA also requires that Federal agencies report costs for the goals identified in the Strategic Plan. Accordingly, OSM presented its earned revenues and gross costs for FY 2004 by the Mission Areas in the Department's FY 2004 Strategic Plan and its earned revenues and gross costs for FY 2003 by the GPRA Goals in the FY 2001 Strategic Plan. As a result, the FY 2004 Consolidated Statement of Net Cost cannot be compared directly to the FY 2003 Consolidated Statement of Net Cost.

OSM's net cost is presented below by responsibility segment and program activity with intragovernmental and public disclosures. The 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. Intragovernmental gross costs approximate intragovernmental revenues with the addition of a pro rata share of imputed costs.

2004 Consolidating Schedule by Responsibility Segment

(dollars in thousands)	Office of Surface Mining Operations	Grants to Statesand Tribes	Authorized Special Payments	2004 Total
Resource Use				
Cost of Services Provided to the Public	\$48,815	\$57,029	\$-	\$105,844
Less: Revenue Earned from the Public	105	-	-	105
Net Cost of Services to the Public	48,710	57,029	-	105,739
Cost of Services Provided to Federal Agencies	1,193	-	-	1,193
Less: Revenue Earned from Federal Agencies	1,119	-	-	1,119
Net Cost of Service to Federal Agencies	74	-	-	74
Net Cost of Operations	48,784	57,029	-	105,813
Serving Communities				
Cost of Services Provided to the Public	26,674	110,698	-	\$137,372
Less: Revenue Earned from the Public	4	-	-	4
Net Cost of Services to the Public	26,670	110,698	-	137,368
Cost of Services Provided to Federal Agencies	23	-	-	23
Less: Revenue Earned from Federal Agencies	22	-	-	22
Net Cost of Service to Federal Agencies	1	-	-	1
Resource Protection				
Cost of Services Provided to the Public	15,060	57,071	-	72,131
Less: Revenue Earned from the Public	-	-	-	-
Net Cost of Services to the Public	15,060	57,071	-	72,131
Cost of Services Provided to Federal Agencies	-	-	-	-
Less: Revenue Earned from Federal Agencies	-	-	-	-
Net Cost of Service to Federal Agencies	-	-	-	-
Net Cost of Operations	15,060	57,071	-	72,131
UMWA-CBF Transfer				
Cost of Services Provided to the Public	-	-	42,696	42,696
Less: Revenue Earned from the Public	-	-	-	-
Net Cost of Services to the Public	-	-	42,696	42,696
Cost of Services Provided to Federal Agencies	-	-	-	-
Less: Revenue Earned from Federal Agencies	-	-	-	-
Net Cost of Service to Federal Agencies	-	-	-	-
Net Cost of Operations	-	-	42,696	42,696
Total				
Cost of Services Provided to the Public	90,549	224,798	42,696	358,043
Less: Revenue Earned from the Public	109	-	-	109
Net Cost of Services to the Public	90,440	224,798	42,696	357,934
Cost of Services Provided to Federal Agencies	1,216	-	-	1,216
Less: Revenue Earned from Federal Agencies	1,141	-	-	1,141
Net Cost of Service to Federal Agencies	75	-	-	75
Net Cost of Operations	\$90,515	\$224,798	\$42,696	\$358,009

**Office of Surface Mining
Notes to Financial Statements
For the Years Ended September 30, 2004 and 2003 (continued)**

2003 Consolidating Schedule by Responsibility Segment

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

Note 13. Appropriations Received:

1. Permanent Indefinite Appropriations: In addition to amounts annually appropriated by Congress to administer the Abandoned Mine Land Fund, SMCRA authorizes an annual transfer to the UMWA-CBF. This appropriated transfer can be classified as a permanent indefinite appropriation, i.e., the budget authority is a permanent authorization in SMCRA and is of an indefinite amount determined on an annual basis to comply with the provisions of the law.
2. Appropriations Received: The amounts in Appropriations Received on the Statement of Budgetary Resources differ from those reported on the Statement of Changes in Net Position because the latter statement excludes dedicated collections.

Note 14. Apportionment Categories of Obligations Incurred:

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

(dollars in thousands)	Apportioned		Not Subject to Apportionment	Total
	Category A	Category B		
2004				
Obligations Incurred				
Direct	\$-	\$365,048	\$-	\$365,048
Reimbursable	-	1,196	-	1,196
Total Obligations Incurred	\$-	\$366,244	\$-	\$366,244
2003				
Obligations Incurred				
Direct	\$-	\$421,557	\$-	\$421,557
Reimbursable	-	1,000	-	1,000
Total Obligations Incurred	\$-	\$422,557	\$-	\$422,557

Note 15. Offsetting Receipts:

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

Note 16. Explanation of Differences Between the Statement of Budgetary Resources and the Budget of the United States Government:

For OSM, the differences between the Statement of Budgetary Resources (SBR) and the Budget of the United States Government are caused by the unique reporting requirements and objectives of those two reports. The differences do not indicate errors and are not significant.

Note 17. Allocation Transfer Account, Reconciling Item:

In previous years OSM has transferred AML 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 promoting 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. For 2004 and 2003, respectively, the reconciling amounts were \$228 thousand and \$254 thousand.

**Office of Surface Mining
Notes to Financial Statements
For the Years Ended September 30, 2004 and 2003 (continued)**

Note 18. 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 enters into cancelable 10-year occupancy agreements with GSA. OSM is normally required to give 120 to 180 days notice to vacate the property and the amount of these agreements remains fairly constant from year to year. These agreements are included in the estimated future lease payments for FY 2005 through termination of the lease agreements. For non-Federally owned property, an occupancy agreement is executed, and again OSM may normally cancel these agreements with 120 days notice. The estimated rent payments to GSA for both Federally-owned and publicly-owned buildings are presented in the table that follows. OSM rental expense for 2004 and 2003 was \$3,117 and \$3,422 thousand, respectively. The future rent projections are based on an escalation factor of 1.7 percent for 2005 and an average escalation of 1.5 percent thereafter, in accordance with GSA budget estimates.

(dollars in thousands)	Real Property		Personal Property		Total
	Federal	Non-Federal	Federal	Non-Federal	
Fiscal Year					
2005	\$2,938	\$-	\$6	\$7	\$2,951
2006	2,761	-	6	7	2,774
2007	2,799	-	6	7	2,812
2008	2,804	-	6	7	2,817
2009	2,750	-	6	-	2,756
Thereafter	13,390	-	7	-	13,397
Total Future Lease Payments	\$27,442	\$-	\$37	\$28	\$27,507

Note 19. Dedicated Collections:

Public Law 95-87 established the Office of Surface Mining (OSM) and authorized the collection of a fee from coal mine operators. Fees of 35 cents per ton of surface mined coal, 15 cents per ton of coal mined underground, and 10 cents per ton of lignite are collected from active mining operations. The fees are deposited in the Abandoned Mine Land (AML) Reclamation Fund, which is used to pay the cost of abandoned mine land reclamation projects. The Surface Mining Law specifies that 50 percent of the reclamation fees collected in each state or tribe with an approved reclamation program is 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 tribe reclamation funding needs as well as their state and federal shares, emergency and special funding requirements.

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

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

AML program expenses approximate the net cost for the Serving Communities and Resource Protection GPRA program activities with the addition (+/-) of a pro rata share of allocated costs.

The following table provides condensed information on the AML Fund:

(dollars in thousands)	2004	2003
Assets		
Fund Balance with Treasury	\$583	\$543
Investments, Net	2,051,300	1,926,867
Amounts Due from UMWA-CBF	5,971	33,700
Accounts Receivable, Net	607	1,265
Other – Advances and Prepayments	22	40
Total Assets	\$2,058,483	\$1,962,415
Liabilities		
Accounts Payable	\$15,286	\$9,304
Other	648	477
Total Liabilities	15,934	9,781
Total Net Position	2,042,549	1,952,634
Total Liabilities and Net Position	\$2,058,483	\$1,962,415
Change in Net Position		
Net Position, Beginning of Fiscal Year	\$1,952,634	\$1,886,154
Change in Net Position		
Non-exchange Revenue		
AML Fee Revenue	286,160	282,411
Investment Interest and Other	54,652	23,720
Exchange Revenue - Services Provided and Other	26	103
Program Expenses	(235,956)	(191,505)
UMWA-CBF Expenses	(14,967)	(48,249)
Net Position, End of Fiscal Year	\$2,042,549	\$1,952,634

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

For the year ended September 30, 2004
(dollars in thousands)

	Abandoned Mine Lands	Regulation and Technology	Total
Budgetary Resources			
Budget Authority			
Appropriations Received	\$207,936	\$106,499	\$314,435
Unobligated Balance			
Beginning of Fiscal Year	37,583	5,880	43,463
Spending Authority From Offsetting Collections			
Earned			
Collected	21	1,175	1,196
Receivable From Federal Sources	6	(14)	(8)
Change in Unfilled Customer Orders Without Advance From Federal Sources	(1)	(96)	(97)
Subtotal: Spending Authority From Offsetting Collections	26	1,065	1,091
Recoveries of Prior Year Obligations	46,592	1,534	48,126
Temporarily Not Available Pursuant to Public Law	(2,378)	(1)	(2,379)
Permanently Not Available	-	(2,294)	(2,294)
Total Budgetary Resources	\$289,759	\$112,683	\$402,442
Status of Budgetary Resources			
Obligations Incurred			
Direct	\$259,442	\$105,606	\$365,048
Reimbursable	26	1,170	1,196
Total Obligations Incurred	259,468	106,776	366,244
Unobligated Balance:			
Apportioned	30,291	1,651	31,942
Unobligated Balance not Available	-	4,256	4,256
Total Status of Budgetary Resources	\$289,759	\$112,683	\$402,442
Relationship of Obligations to Outlays			
Obligations Incurred	\$259,468	\$106,776	\$366,244
Obligated Balance, Net, Beginning of Fiscal Year	329,589	35,613	365,202
Obligated Balance, Net, End of Fiscal Year			
Accounts Receivable	6	39	45
Unfilled Customer Orders From Federal Sources	19	147	166
Undelivered Orders	(309,302)	(33,766)	(343,068)
Accounts Payable	(15,933)	(3,882)	(19,815)
Less: Spending Authority Adjustments	(46,597)	(1,424)	(48,021)
Outlays			
Disbursements	217,250	103,503	320,753
Collections	(21)	(1,175)	(1,196)
Subtotal	217,229	102,328	319,557
Less: Offsetting Receipts	(46,603)	-	(46,603)
Net Outlays	\$170,626	\$102,328	\$272,954

This statement is unaudited. See the accompanying independent auditors' report.

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

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

	Abandoned Mine Lands	Regulation and Technology	Total
Budgetary Resources			
Budget Authority			
Appropriations Received	\$281,843	\$105,188	\$387,031
Unobligated Balance			
Beginning of Fiscal Year	48,793	4,731	53,524
Spending Authority From Offsetting Collections			
Earned			
Collected	111	1,062	1,173
Receivable From Federal Sources	(9)	45	36
Change in Unfilled Customer Orders Without Advance From Federal Sources	(40)	49	9
Subtotal: Spending Authority From Offsetting Collections	62	1,156	1,218
Recoveries of Prior Year Obligations	24,855	2,082	26,937
Temporarily Not Available Pursuant to Public Law	(1,467)	(1)	(1,468)
Permanently Not Available	-	(1,222)	(1,222)
Total Budgetary Resources	\$354,086	\$111,934	\$466,020
Status of Budgetary Resources			
Obligations Incurred			
Direct	\$316,553	\$105,004	\$421,557
Reimbursable	(51)	1,051	1,000
Total Obligations Incurred	316,502	106,055	422,557
Unobligated Balance			
Apportioned	37,584	1,788	39,372
Unobligated Balance not Available	-	4,091	4,091
Total Status of Budgetary Resources	\$354,086	\$111,934	\$466,020
Relationship of Obligations to Outlays			
Obligations Incurred	\$316,502	\$106,055	\$422,557
Obligated Balance, Net, Beginning of Fiscal Year	317,333	36,629	353,962
Obligated Balance, Net, End of Fiscal Year			
Accounts Receivable	-	53	53
Unfilled Customer Orders From Federal Sources	20	243	263
Undelivered Orders	(319,829)	(31,964)	(351,793)
Accounts Payable	(9,781)	(3,944)	(13,725)
Less: Spending Authority Adjustments	(24,806)	(2,176)	(26,982)
Outlays			
Disbursements	279,440	104,895	384,335
Collections	(111)	(1,062)	(1,173)
Subtotal	279,329	103,833	383,162
Less: Offsetting Receipts	(23,842)	-	(23,842)
Net Outlays	\$255,487	\$103,833	\$359,320

This statement is unaudited. See the accompanying independent auditors' report.



United States Department of the Interior

OFFICE OF INSPECTOR GENERAL

Washington, D.C. 20240

December 1, 2004

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 2004 and 2003 (Report No. C-IN-OSM-0065-2004)

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 for fiscal years 2004 and 2003. The contract required that KPMG conduct its audit in accordance with U.S. generally accepted government auditing standards; Office of Management and Budget Bulletin 01-02, as amended, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual*.

In its audit of OSM (Attachment), KPMG found that the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. As discussed in KPMG's report and Note 12 to the financial statements, OSM's fiscal year 2004 consolidated statement of net cost is not comparable to its fiscal year 2003 consolidated statement of net cost. This occurred because in fiscal year 2004, OSM revised the presentation of costs and revenues to match Government Performance and Results Act strategic plan applicable to fiscal year 2004, which is different from the plan applicable to fiscal year 2003.

KPMG noted no matters involving internal control over financial reporting that they considered to be material weaknesses. KPMG also found that OSM's financial management systems substantially complied with the *Federal Financial Management Improvement Act (FFMIA)*. Excluding FFMIA, there were no reportable findings of noncompliance with laws and regulations tested during the audit.

KPMG is responsible for the attached auditors' report and for the conclusions expressed therein. We do not express an opinion on OSM's financial statements, conclusions on the effectiveness of internal controls, conclusions on whether OSM's financial management systems substantially complied with FFMIA, or conclusions on compliance with laws and regulations.

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

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

Attachment



KPMG LLP
Suite 2700
707 Seventeenth Street
Denver, CO 80202

Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of the Office of Surface Mining Reclamation and Enforcement (OSM) as of September 30, 2004 and 2003, and the related consolidated statements of net cost, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing for the years then ended (hereinafter referred to as the "financial statements"). The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered OSM's internal control over financial reporting and tested OSM's compliance with certain provisions of applicable laws, regulations, contracts, and grant agreements 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 OSM's financial statements as of and for the years ended September 30, 2004 and 2003 are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, OSM's fiscal year 2004 consolidated statement of net cost is not comparable to the fiscal year 2003 consolidated statement of net cost because of a change in the Government Performance and Results Act strategic plan.

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.

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of the Office of Surface Mining Reclamation and Enforcement (OSM) as of September 30, 2004 and 2003, and the related consolidated statements of net costs, consolidated statements of changes in net position, combined statements of budgetary resources, and consolidated statements of financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OSM as of September 30, 2004 and 2003, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the financial statements, OSM's fiscal year 2004 consolidated statement of net cost is not comparable to the fiscal year 2003 consolidated statement of net cost because, in fiscal year 2004, OSM revised the presentation of costs and revenues to match the Government Performance and Results Act strategic plan applicable to fiscal year 2004, which is different than the plan applicable to fiscal year 2003.

The information in the Management's Discussion and Analysis, on pages 1 through 85, and Required Supplementary Information, on pages 106 through 107, is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information, and accordingly, we express no opinion on it.

Internal Control Over Financial Reporting

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be 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. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

A summary of the status of prior year findings is included as Exhibit I. We also noted other matters involving internal control over financial reporting and its operation that we have reported to the management of OSM in a separate letter dated October 31, 2004.

Compliance and Other Matters

The results of our tests of compliance with certain provisions of laws, regulations, contracts, and grant agreements described in the Responsibilities section of this report, exclusive of those referred to in the *Federal Financial Management Improvement Act of 1996* (FFMIA), disclosed no instances of noncompliance that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

The results of our tests of FFMIA disclosed no instances where 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 Chief Financial Officer (CFO) Act 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, OSM prepares annual financial statements.

Management is responsible for the financial statements, including:

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

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

Auditors' Responsibilities

Our responsibility is to express an opinion on the fiscal year 2004 and 2003 financial statements of 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 2004 audit, we considered OSM's internal control over financial reporting by obtaining an understanding of OSM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. Also projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of

compliance with controls may deteriorate. In addition, our internal control testing may not be sufficient for other purposes. 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 section, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures, and accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether OSM's fiscal year 2004 financial statements are free of material misstatement, we performed tests of OSM's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to OSM. Accordingly, noncompliance may occur and not be detected by these tests and such testing may not be sufficient for other purposes. Providing an opinion on compliance with laws, regulations, contracts, and grant agreements was not an objective of our audit, and accordingly, we do not express such an opinion.

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

Distribution

This report is intended for the information and use of OSM's and the Department of the Interior's management, Department of the Interior's Office of Inspector General, the U.S. Government Accountability Office, 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

October 31, 2004

OFFICE OF SURFACE MINING
 Summary of the Status of Prior Year Findings
 September 30, 2004

Ref	Condition	Status
A	Security and Internal Control Over Information Technology Systems	The condition has been downgraded from a reportable condition in the prior year to a management letter comment in fiscal year 2004. Management letter comments are reported in a separate letter to management dated October 31, 2004.
B	Internal Control Over Charge Cards	The condition has been downgraded from a reportable condition in the prior year to a management letter comment in fiscal year 2004. Management letter comments are reported in a separate letter to management dated October 31, 2004.