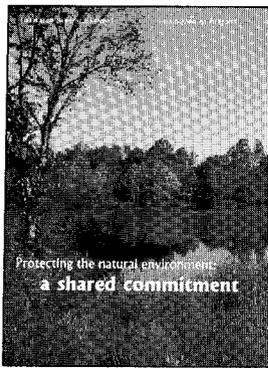




Protecting the natural environment:
a shared commitment

About the cover



Protecting the Natural Environment: A Shared Commitment between state and federal governments, Indian tribes, and the coal industry.

This scene of reclaimed mine land typifies the results that can be achieved through a shared commitment to environmental protection. Prior to mining, this operation in Kentucky was covered with old spoil pits and ridges left from a mid-1940s operation. Today, after mining and reclamation by the W.H. Bowlin Coal Company, the site is productive farmland and tranquil ponds once again.

Both the mine operator and Kentucky mine inspectors had the same goal --

remove the coal resource and reclaim the land. In this case there was an added reclamation incentive for them because the site was a reminder of mining as it was conducted in the 1940s, before the Surface Mine Law was enacted. When we measure the success of the law, the true test is the on-the-ground condition. And successful reclamation can only be achieved when everyone involved makes a commitment to ensuring that the goal is met.

Agency mission

Protecting the environment during coal mining and making sure the land is reclaimed after the coal is removed have been national requirements since 1977, when the Surface Mining Control and Reclamation Act (SMCRA) was signed into law. Making sure those requirements are met is the responsibility of the Interior Department's Office of Surface Mining.



Regulating active mining is a partnership between the states and the Office of Surface Mining. States have the primary responsibility for permitting and inspecting the mining and reclamation, and the Office of Surface Mining establishes national performance standards and ensures the states meet a uniform level of compliance.



Reclamation of lands mined and abandoned before August 3, 1977, is accomplished using funds collected from tonnage-based fees paid by active coal producers. Emergencies and situations of danger to public health, safety, and general welfare are given high priority.

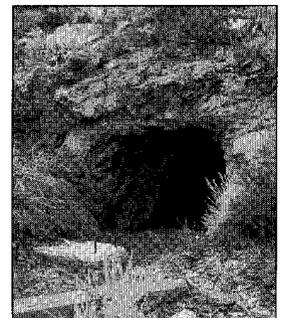
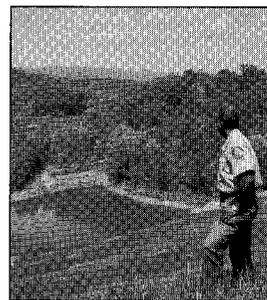


Table of contents

Introduction.....	1
Letter to our Constituents.....	3
Office of Surface Mining Director Robert J. Uram reviews 1995 performance and assesses the state of the agency.	
Highlights of 1995.....	5
A summary of the actions and activities of the Office of Surface Mining.	
Finance and Administration.....	9
A report on the budget, management, and operations of the Office of Surface Mining.	

Regulatory Enforcement.....	15
A review of the shared federal/state environmental protection program for active surface and underground coal mining and reclamation operations throughout the nation.	
Abandoned Mine Land Reclamation.....	27
An update on the reclamation of land and water resources affected by mining that took place before the Surface Mining Act was passed in 1977.	



Financial Review	
Financial Position.....	34
Operations and Net Position.....	35
Cash Flow.....	36
Budget and Actual Expenses.....	37
Notes to Financial Statements.....	38

Supplemental Statements	
Financial Position.....	44
Operations and Net Position.....	45
Cash Flow.....	46

Inspector General Audit Opinion..	47
-----------------------------------	----

Management Council.....	48
-------------------------	----

Directory.....	49
----------------	----

Introduction

U.S. Department of the Interior, Office of Surface Mining 1995 Annual Report

This report describes the operations of the Interior Department's Office of Surface Mining Reclamation and Enforcement (OSM) for the period October 1, 1994, through September 30, 1995 — Fiscal Year 1995¹. The report combines the Office of Surface Mining's Annual Report to Congress with its Annual Financial Report, and was compiled to meet the specific requirements of Section 706 of the Surface Mining Control and Reclamation Act of 1977 (SMCRA) and the Chief Financial Officers Act of 1990. In addition, the report takes the first steps toward including the requirements of the Government Performance and Results Act in the annual report. The 1996 report will combine all three of these statutory requirements.

Building on the success of last year's annual report, the 1995 report is presented in a similar format that will make it easier for the general public to use the information it contains. This change is in response to public demand for information about Surface Mining Control and Reclamation Act implementation and Office of Surface Mining operations. Included in this report are activities carried out under several parts of SMCRA: 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 Control and Reclamation Act responsibilities of other bureaus and agencies have been omitted. Those responsibilities include Title III, State Mining and Mineral Resources and Research Institutes program, which was administered by the U.S. Bureau of Mines; Titles VIII and IX, the University Coal Research Laboratories and the Energy Resource Graduate Fellowships, which are adminis-

tered by the Secretary of Energy; and Section 406, the Rural Abandoned Mine Program (RAMP), which is administered by the Secretary of Agriculture. Programmatic and financial information about those activities is reported directly to Congress by the agencies responsible for them.

This year's annual report contains the same tabular data found in Office of Surface Mining annual reports prepared since 1988. This facilitates comparison of statistics from year to year. Some of the tables have been renumbered and others combined to simplify use of the data presented. (For example, state and federal program tables have been combined in response to many requests for an easier way to compare this information.) Financial and accounting information, which is presented in a format similar to that of a traditional corporate annual report, is contained in the Financial Review section.

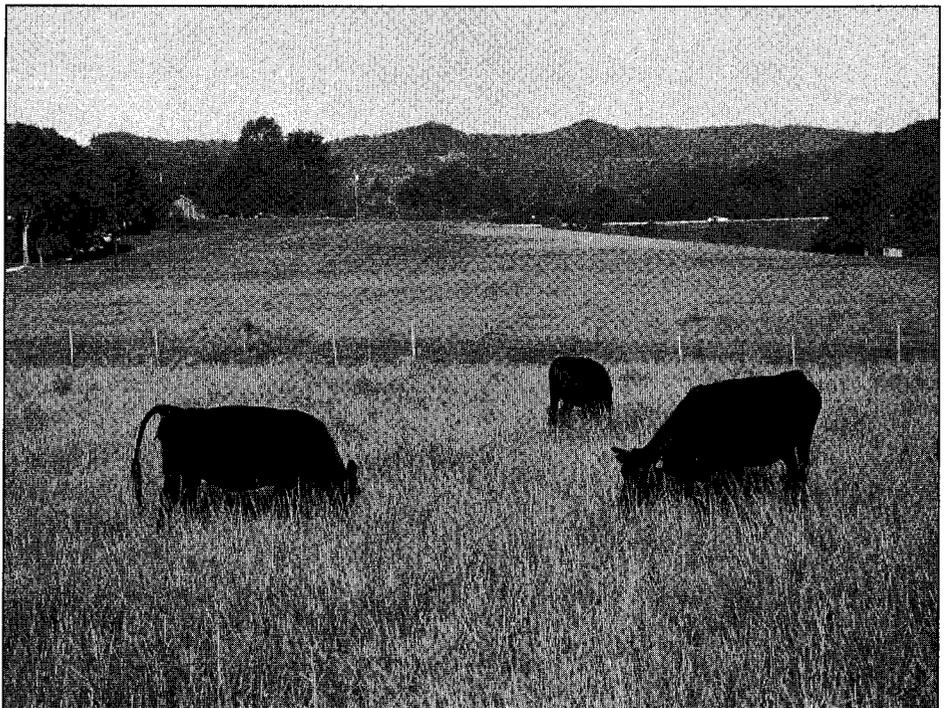
The Inspector General's audit statement, which gives the Office of Surface Mining a "clean" audit opinion of its financial reporting for 1995, is included at the end of the financial section.

To meet the need for national and state-by-state statistical data and the growing demand for Office of Surface Mining operational and financial information, copies of the annual report will be distributed to the public upon request.

For information about Office of Surface Mining activities, news releases, and publications, or for additional copies of this report, contact:

Office of Communications
Office of Surface Mining
1951 Constitution Ave., N.W.
Washington, D.C. 20240
(202) 208-2553

This productive pasture land in eastern Kentucky was once a coal mine. This result is typical of most mining and reclamation performed under the surface mining law. After mining was completed the land was reclaimed and restored to long-term productive use. This is a dramatic difference from the post-mining landscape before the surface mining law was passed in 1977.



1. Throughout this document "1995" refers to Fiscal Year 1995, unless otherwise noted.

Challenges

lead to

opportunities



Letter to our constituents and customers

Office of Surface Mining Director Robert J. Uram reviews 1995 and assesses the state of the agency.

When the year ended, the Office of Surface Mining was more effective than at any time in its history. State regulatory and abandoned mine land programs were working better than ever, and we were close to resolving many of the major issues the states, industry, citizens, and the Office of Surface Mining had been unable to agree on since the program began. However, the 1996 budget process has brought new challenges.

The 1996 budget still in process would provide \$269 million -- about \$23 million less than the President requested. Late in 1995 the Office of Surface Mining began to prepare for serious 1996 budget reductions. Layoff notices were given to 270 employees-- over 34 percent of the agency's staff -- and 70 vacant

Office of Surface Mining Director Bob Uram (right) with Ernie Giovannitti, of the Pennsylvania Department of Environmental Resources, and Bob and Junior McKay at the McKay Coal Company's reclaimed Woodall Mine in Ohl, Pennsylvania.

positions were abolished. This was the beginning of a very

difficult time for the Office of Surface Mining. We began closing offices in the field. We lost many highly qualified employees. We began to change how we manage our remaining resources. Fortunately, the Office of Surface Mining's reorganization had shifted to a results-oriented approach that is focused on on-the-ground success. But severe budget cuts will cause the Office of Surface Mining to reduce or eliminate many of the services it has been providing.

In 1996 we will focus on our priorities to an even greater extent. We are opening up our budget and strategic planning processes to the states, the industry, and to interested citizens. This new approach reflects a more accessible Office of Surface Mining that wants to hear directly from its customers about where we should be

applying our resources, how we can improve our services, and how we can more efficiently perform the regulatory job Congress initiated. We will still pursue our substantive ongoing initiatives: acid mine drainage prevention, the Appalachian Clean Streams Initiative, electronic permitting, oversight re-engineering, and Remining For Real!

We accomplished a great deal in those high-priority areas during 1995.

For example, dozens of state, federal, local, and private-sector organizations signed a Declaration of Mutual Intent for Clean Streams. We followed up with stream clean-up projects, advancement of clean-up technology, partnerships, public events, and excitement and enthusiasm. Perhaps the best demonstrations of our progress are the completed projects that have eliminated acid mine drainage and begun the process of restoring clean streams in Appalachia.

During 1995 the Office of Surface Mining and the state regulatory agencies have worked together to make astonishing gains in reinforcing our shared commitment. The "new" Office of Surface Mining views the states' success as our success. We are all in the business of seeing that mined lands are reclaimed, and we want to achieve on-the-ground success at the lowest possible cost.

This year we have re-engineered oversight from a process-driven system to a results-oriented system. We have substituted performance agreements worked out by consensus with each state for the Washington-driven mandates of the past. We are remolding the contentious Ten-day Notice process into a system that

truly respects state judgments and ends intrusive federal second-guessing while still providing service to coalfield families. In many other important areas of policy we are working with the states to find state-by-state solutions for state problems -- a Utah solution for a Utah problem, for example, and a Virginia solution for a Virginia problem. And where there is no problem, we don't create one. We are seeking to acknowledge state and tribal successes while

respecting our primary customers, without undermining the level playing field, and with the understanding that to succeed, we need each other. This is a marked change from the past. We are giving more credit to the states, the Tribes, and the coal industry, and we are working together to solve problems. This shift is a key part of the new Office of Surface Mining. When all the

rhetoric is set aside, it is clear that SMCRA is working -- more effectively and fairly than it ever has -- and it should not be changed to meet the demands of individual interests.

All these things fit into the new picture we are building for this program -- a picture of people working together to produce results that will benefit everyone in the coal mining states. This report discusses the progress and problems we encountered in 1995, and features a few of the people who have helped make the program a success. As you read the report, I ask each of you to join us in strengthening our shared commitment to good reclamation, a strong coal industry, and a safer and more environmentally sound place for coalfield families to live and work.

"SMCRA is working -- more effectively and fairly than it ever has."

Robert J. Uram



Change

for increased

effectiveness

Highlights of 1995

A summary of the actions and activities of the Office of Surface Mining

A comparison of this year's progress with that of the agency's previous 18 years shows that 1995 was one of the most successful. Many problems that had been pushed aside for years were resolved, interaction with the states was finally becoming positive, and on-the-ground reclamation was better than ever before. In short, 1995 was a highly productive year because

Livestock grazing is the principal land use in the West, where most land is reclaimed to rangeland. At this Montana mine, reclamation included planting native grass to reestablish the rangeland.

everyone involved began working more closely

together to achieve a common goal -- effective implementation of SMCRA. But, it also became a very difficult year as steps were taken to prepare for the budget reductions of 1996.

Restructuring the Office of Surface Mining

When the year began, the Office of Surface Mining was in the final stages of planning a reorganization that shifted the agency's emphasis to achieving on-the-ground results. This reorganization was the result of completely rethinking what would be needed to make the Office of Surface Mining more effective.

The process started in 1993 with interviews and surveys designed to solicit ideas from citizens, employees, states, interest groups, and the coal industry. These ideas became the building blocks for a new mission and vision statement that created a foundation for the basic planning process. The result was a top-to-bottom restructuring and a shift to a team-based work environment. A management council formed in the early stages of the reorganization has become a team of senior managers who are actively engaged in resolving both day-to-day and long-term Office of Surface Mining operational issues.

This management concept is repeated at the regional level to include working input from all employees.

Restructuring the Office of Surface Mining decentralized many functions and delegated decisionmaking to the regional level. This put the responsibility for making day-to-day decisions close to the active mining operations and abandoned mine land reclamation projects. In addition, many staff organizational changes were made. For example, the number of Senior Executive Service (SES) staff was reduced from 11 to 6, and the supervisor to employee ratio went from 1/5 to 1/10.

Providing more open communication with our constituents

In today's world, effective communication is vital to the success of any organization. The Office of Surface Mining had a history of ineffective communication with its broad and diverse customer groups (i.e., citizens, state regulators, the coal industry, and interest groups). Turning this problem around has not been easy; however, several important successes were achieved in 1995.

■ *The Applicant Violator System was opened to the public.* Training was provided so that the public could access information through computer modems and public terminals in Washington, D.C.; Pittsburgh, Pennsylvania; and Lexington, Kentucky. Public access allows coal companies and other interested parties to monitor records that could affect the issuance of permits, while enabling the Office of Surface Mining to build a more open permit approval process.

■ *The COALEX computer data base was opened to the public.* This data base contains the full text of SMCRA and all its amendments, a legislative history of SMCRA, and all Office of Surface Mining regulations (both past and current). Computer access to this data supports more substantive public participation while providing equal access to key data for all parties affected by SMCRA.

■ *Office of Surface Mining activities and audited financial statements are reported to the public annually.* The 1994 annual report combined the reporting requirements of both SMCRA and the Chief Financial Officers Act into one document that was made available to the public. This year the annual report adds the first steps in meeting the reporting requirements of the Government Performance and Results Act. Complete public access to this information should result in a better understanding of the Office of Surface Mining's strengths and

weaknesses. With this understanding, the public can provide feedback that will enable the agency to be more effective and efficient, enabling it to make needed improvements while maintaining areas of strength.

■ *A new advisory notice format initiated.* A violent eruption, or "blowout," caused by pressurized water inside the flooded workings of an underground coal mine in Buchanan County, Virginia,

killed a young woman and severely damaged her home and a nearby state highway. To alert the coal industry to this hazard, agency Director Robert Uram issued an advisory to state, regional, and national coal mining associations describing deadly mine blowout

"Problems that had been pushed aside for years were resolved."

1995 Office of Surface Mining milestones

October

- New, more effective Applicant/Violator System rules issued.

November

- COALEX computer data base opened to public access.

December

- Applicant/Violator System formally opened to public access.

January

- Advisory board proposed to resolve SMCRA implementation issues.

February

- Agreement to address acid mine drainage problems signed.
- 1994 Annual Report combining SMCRA and Chief Financial Officers Act requirements available to the public.

March

- States and tribes sign a Declaration of Shared Commitment to carry out abandoned mine reclamation.
- Formal call for 25 advisory board member nominees.
- New rules issued that protect property from underground coal mine damage.

April

- Agreement reached with the Navajo Nation and Hopi Tribe to settle a long-standing dispute over the regulation of coal mining on Indian lands.
- Mid-Continent Regional Coordinating Center opened in Alton, Illinois.

May

- Mine operators encouraged to adopt use of created wetlands as a post-mining land reclamation alternative.
- Office of Surface Mining reorganization completed.
- Advisory sent to mining associations alerting them to deadly mine blowout hazards and seeking their cooperation in safeguarding the public from such dangers.

June

- Appalachian Clean Streams Greens Run Project initiated with Anker Energy Corp., Friends of the Cheat, and the State of West Virginia.

July

- Agreement reached between the Office of Surface Mining and the State of Utah concerning the issue of permitting haul roads.
- New performance-based oversight policy initiated.

August

- State-by-state arrangements announced for enforcing regulations that require underground coal mine operators to repair or compensate for subsidence damage to structures and water supplies.
- Notices of separation from government service distributed to 270 Office of Surface Mining employees in response to FY 1996 budget cuts passed by the U.S. Senate and the House of Representatives.
- 70 vacant positions abolished.
- Offices in Kansas City, Missouri; Springfield, Illinois; Logan, West Virginia; and Norris, Tennessee, were slated to be closed.

September

- Plan announced to issue grants to four western Indian tribes to assist in establishing tribal surface coal mining regulation programs.
- Remining For Real! initiative announced.
- Advisory board postponed due to FY 1996 budget reduction.

hazards and asked for their cooperation in safeguarding the public from these dangers. The advisory also asked the coal industry to join the Office of Surface Mining in determining the best ways to identify existing mines with blowout potential so these accidents can be prevented in the future.

This was the first time an advisory format had been used by the Office of Surface Mining. It provided a quick, effective way to get this very important message to everyone across the country who had knowledge of mines that could contain similar safety hazards.

Office of Surface Mining Initiatives.

In 1995, significant success was achieved on agency initiatives dealing with acid mine drainage, electronic permitting, shared oversight, clean streams, and remining. An acid mine drainage summit was planned to bring experts from all parts of the country together to focus on acid mine drainage prevention. The Appalachian Clean Streams Initiative was the catalyst responsible for bringing diverse public and private entities together to work on improving on-the-ground conditions in acid-polluted streams. Electronic permitting moved from the testing to the application stage, with significant savings in efficiency. The oversight process was re-engineered; the new shared process will be fully implemented in 1996. Also, the Remining For Real! initiative was started, and the first site-specific case to eliminate regulatory barriers to remining began at a proposed mine site in Virginia.

A major setback for the Clean Streams initiative occurred when the Congress failed to provide direct donation authority to the Office of Surface Mining for carrying out on-the-ground acid mine drainage clean-

up projects. Donation authority would have provided the mechanism for citizens, interest groups, and industry to earmark donated funds for constructing clean-up facilities. This request will be made again in 1996.

Regulation of mining and reclamation. On-the-ground conditions in the coal fields continue to show an improvement in regulating mining and reclamation. Major accomplishments in 1995 were achieved in three areas that had gone unresolved for many years:

■ *Indian lands programs began to move toward primacy.* The Office of Surface Mining and the coal resource Indian tribes formulated a plan that will enable the tribes to regulate their lands just as the primacy states do. Funding for the development of the tribal programs and regulations was included in the 1996 Bureau of Indian Affairs budget. Cooperation with the tribes has provided both tribal sovereignty and accomplishment of the Office of Surface Mining's SMCRA mandate.

■ *New rules were promulgated to fulfill the congressional mandate to help states protect private property from damage by underground coal mines.* These rules fill a gap in the previous subsidence rules by requiring coal operators to protect the homes, churches, and water supplies of coalfield residents from damage caused by underground coal mining.

■ *A negotiated rulemaking process began on coal refuse disposal.* Initial work resulted in establishing a process that provided a committee to reach

consensus on the issue and use the recommendations to form the basis for a proposed rule. Although this activity was cancelled due to 1996 budget reductions, the Office of Surface Mining will continue regular rulemaking for this issue.

Abandoned Mine Land Reclamation continued to make significant progress in eliminating health and safety problems from past mining. An important 1995 highlight in this area includes:

■ *Twenty-eight states and three Indian tribes joined the Office of Surface Mining in signing a formal declaration of shared commitment to public service, teamwork, responsibility, and integrity in carrying out the abandoned mine land*

reclamation program of the surface mining law. This milestone federal/state agreement is expected to improve one of the most successful environmental programs in the country. This kind of shared commitment is the way government should

New performance-based oversight begun in 1995 established a policy that focused on outcomes and results, rather than the process. The Office of Surface Mining bases its evaluation of state programs on specific measurements of SMCRA performance standards. Using this method of evaluation, the states' on-the-ground effectiveness can be determined. Here Office of Surface Mining Inspector Morris Elliott talks with Darrell Maunder, Supervisor of Environmental Engineering at the Jacobs Ranch Mine in Wyoming.

work -- with an understanding between parties that is mutually supported and mutually respected.

Refocusing resources for 1996 in light of the proposed budget. Based on budget cuts voted by Congress in August and September, the Office of Surface Mining began to prepare for budget reductions. In August, a Reduction In Force (RIF) was initiated that severely impacted the staff capability of the organization. Financial and staff reductions resulted in closing two field offices and two area offices; eliminating the proposed Grand Junction, Colorado, office; setting a near-moratorium on technical training for state and tribal personnel; and reducing customer services, including the Technical Information Processing System (TIPS), the Applicant Violator System, the Abandoned Mine Land fee collection and compliance program, and the emergency reclamation program. The cuts were not supported by the Department of the Interior or the Office of Surface Mining. The Reduction In Force and the reductions in program service levels were carried out only in response to specific congressional action.

"A major setback for the Clean Streams initiative occurred when the Congress failed to provide donation authority."

