

## Reclamation Fee Fiscal-year Report 2010-2011

The regulations at 25 Pa. Code § 86.17(e)(2) require the Department to prepare a fiscal-year report containing a financial analysis of the revenue and expenditures of the Reclamation Fee O & M Trust Account.

The following factors are to be used to determine the amount of the Reclamation Fee:

- Current Balance in the Reclamation Fee O & M Trust Account
- Previous year's revenue
  - Reclamation Fee
  - Interest
  - Civil Penalties
  - Other sources
- Previous year's O & M Costs
- Projected number of acres subject to the Reclamation Fee
- Projected Revenue
  - Reclamation Fee
  - Interest
  - Civil Penalties
  - Other sources
- Projected expenditures

### CURRENT BALANCE

The balance in the Reclamation Fee O & M Trust Account as of June 30, 2011 was \$3,669,287.26. This balance does not include civil penalties collected during the FY 2010-2011 fiscal year.

### PREVIOUS YEAR REVENUE

The Reclamation Fee for the FY 2010-2011 was \$0. Therefore there was no revenue from this source.

### **Interest**

Interest was credited to the Reclamation Fee O & M Trust Account for FY 2010-2011 in the amount of -\$21,738.46. This negative total was the result of a debit made in February 2011 of \$32,510.75 for excess interest credited in FY 2009-2010. For May 2009, \$20,537.11 was credited, while the actual interest earned was \$2,053.71. For June 2009, \$15,585.94 was credited, while the actual interest earned was \$1,558.59. The actual interest earned on the principal in the Reclamation Fee O & M Trust Account for FY 2010-2011 totaled \$10,772.29. Combining this income with the May and June adjustments results in the net total of -\$21,738.46.

### **Civil Penalties**

Civil penalties (less the 5% due to the Environmental Education Fund) will be transferred into the Reclamation Fee O & M Trust Account each year. The total revenue from civil penalties for FY 2010-2011 is listed below:

Month	Coal Civil Penalties
Jul-10	\$22,188.00
Aug-10	\$18,450.00
Sep-10	\$71,771.00
Oct-10	\$11,645.00
Nov-10	\$11,105.00
Dec-10	\$43,560.00
Jan-11	\$27,200.00
Feb-11	\$7,453.00
Mar-11	\$42,743.50
Apr-11	\$10,340.00
May-11	\$17,880.00
Jun-11	\$12,719.25
<b>Total</b>	<b>\$297,054.75</b>

The net amount to be transferred to the Reclamation Fee O & M Trust Account is \$282,202.01. This is 95% of the collected civil penalties. The remaining 5% is required by statute to be transferred to the Environmental Education Fund.

### **Other Sources**

There was no income from other sources during fiscal year 2010-2011.

### **O & M COSTS FOR FY 2010-2011**

O & M costs were incurred in four categories: personnel costs, lab costs, grants and contracts.

### **Personnel Costs**

The total cost to the Reclamation Fee O & M Trust Account for personnel for FY 2010-2011 is \$14,260.25. This is for labor for the monitoring that is needed for several ABS Primacy Bond Forfeiture (BF) sites where it is more efficient for DEP to do this work. Note that this does not include the costs for arranging and managing contracts or grants. This activity is funded through the General Operations Account along with the other (non-ABS) Primacy Bond Forfeiture work.

### **Lab Costs**

The total cost to the Reclamation Fee O & M Trust account for the samples collected at the ABS BF sites for FY 2010-2011 is \$609.28. This is the cost for the analysis of the samples collected and analyzed by the Department for monitoring the ABS Primacy BF sites.

### **Grants**

Grants were awarded in the amount of \$26,225.46 during FY 2010-2011. These were for the REM Orcutt-Smail and the C & K Sites.

### **Contracts**

Contract costs for operation and maintenance of the existing ABS treatment facilities for FY 2010-2011 totaled \$66,148.06.

### **PROJECTED NUMBER OF ACRES SUBJECT TO THE RECLAMATION FEE**

The five-year average for the number of acres is 2,300. This is the projected number of acres subject to the reclamation fee for 2012.

### **PROJECTED REVENUE FY 2011-2012**

#### **Reclamation Fee**

The projected revenue from the reclamation fee is \$0.

#### **Interest**

Due to the recent turbulence in interest rates and returns from the state treasury, the rounded off interest from the previous fiscal year was used to project the revenue from interest for the upcoming year. This results in about \$10,000 in income from interest for the FY 2011-2012.

#### **Civil Penalties**

For purposes of the projection, it is estimated that about \$250,000 will be available from civil penalty revenue for the FY 2011-2012.

#### **Other Revenue**

There is no other revenue stream in place. For the purpose of the projection, no other revenue is anticipated.

**PROJECTED EXPENDITURES FOR FY 2011-2012**

The total projected expenditures for FY 2011-2012, as explained in further detail below, is \$581,872.

**Personnel Costs**

The total projected expenditures for DEP personnel costs from the Reclamation Fee O & M Trust Account for FY 2011-2012 is \$15,000. The amount is for labor for the monitoring that the DEP is doing for the ABS Primacy BF sites.

**Lab Costs**

The total projected laboratory-related expenditures from the Reclamation Fee O & M Trust account for FY2011-2012 is \$6,000. This is the expected cost for the analysis of the samples collected and analyzed by the DEP while monitoring the ABS Primacy BF sites.

**Grants**

Grants are expected to be awarded in the amount of \$91,500 during FY 2011-2012. These grants are for the operation and maintenance of the following C & K sites where the Clean Streams Foundation is the trustee:

Bell Woodcock (Permit No. 11783035), Stroud (Permit No. 11823002), Cambria 51 (Permit No. 11850106), Snyder-Sertik (Permit No. 10860118), Hill Estate (Permit No. 16713004), Smith-Heasley (Permit No. 16803030), Tremba-Horner (Permit No. 16830114), Kriebel (Permit No. 16840103), Racic (Permit No. 61783001)

**Contracts**

Contract costs for FY 2011-2012 are expected to total \$490,372. The sites covered by these contracts include the following:

<b>Company</b>	<b>Site Name</b>	<b>Contract Amount</b>
K & J Coal Co. Inc.	Westover	\$21,380
K & J Coal Co. Inc.	Gaber Brown	\$17,440
Acme Drilling	Broom Strip	\$20,440
Windber High Std. Coal Co.	Brant Strip	\$22,822
H & H Coal Co.	James E Long	\$16,442
Delta Mining Inc.	Maust Mine	\$15,908
Met Co Mining & Minerals Inc.	Ankey Mine	\$9,706
Big J Mining Inc.	Sorber Mine	\$22,000
PA Energy Corp.	Horse Hill Strip	\$26,272
D & E Construction	Moore	\$21,500
Delta Mining Inc	Bashore	\$15,000
American Development	Job 33	\$15,000
Delta Mining Inc	Hay 2	\$23,162

## Draft Report 2011

L & L Mining	Berkey	\$25,800
L & B Coal Co	No 5	\$15,000
Gurosik Coal Co	King	\$1,250
H & D	Merola	\$1,250
Additional Possible Contracts		\$200,000

Note: The C & K sites may be covered by either the grant listed in the previous section or under contract for O & M. Consequently, the operation and maintenance costs are included under both the grant and contract section where it is included in the Additional Possible Contracts.

### Financial Summary

Income	FY 2010-2011	FY 2011-2012 (Projected)
Interest	-\$21,738.46	\$10,000
Reclamation Fee	\$0	\$0
Civil Penalties	\$282,202.01	\$250,000
Other	\$0	\$0
Total	\$260,463.55	\$260,000

Expenses	FY 2010-2011	FY 2011-2012(Projected)
DEP Lab Costs	\$609.28	\$6,000
DEP Personnel	\$14,260.25	\$15,000
Contracts	\$65,538.78	\$490,372
Grants	\$26,225.46	\$91,500
Total	\$106,633.77	\$581,872

In addition, upon the recommendation of the Mining and Reclamation Advisory Board (MRAB), \$300,000 was transferred from the Reclamation Fee O & M Trust Account to the ABS Legacy Account during FY 2010-2011.

### Reclamation Fee Calculation

Based on the existing balance in the Reclamation Fee O & M Account (\$3,669,287.26), the un-transferred civil penalties (\$282,202.01), the projected revenue (\$260,000) and expenses (\$581,872), the Department has determined that the reclamation fee amount can remain at \$0 for calendar year 2012. This will maintain the balance in the Reclamation Fee O & M Account of \$3,000,000 as required under 25 Pa. Code § 86.17(e)(3).

Also, the total of additional projected expenses through the end of FY 2012-2013 (about \$950,000) is less than the "cushion" available in the Reclamation Fee O & M Trust Account. It is unlikely that this cushion will be eliminated prior to the next opportunity to generate revenue from the reclamation fee at the beginning of 2013.

## **ABS Legacy Sites Trust Account**

The ABS Legacy Sites Trust Account was established by regulation at 25 Pa. Code § 86.187(a)(2)(i), effective August 30, 2008. As of June 30, 2010, the balance in the ABS Legacy Sites Trust Account was \$5,363,085.16. The June 30, 2011 balance was \$5,660,006.82. This balance reflects the debit during the FY 2010-2011 of interest (\$3,078.34), and the \$300,000 excess funds transfer from the Reclamation Fee O & M trust account.

The negative interest total was the result of a debit made in February 2011 of \$17,640.73 for excess interest credited in FY 2009-2010. For May 2009, \$50.67 was credited, while the actual interest earned was \$5.07. For June 2009, \$19,550.14 was credited, while the actual interest earned was \$1,955.01. The account earned interest in the amount of \$14,562.39, with the debit of \$17,640.73 resulting in the net interest of -\$3,078.34 for the fiscal year.