

## Reclamation Fee Fiscal-year Report 2013

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

25 Pa. Code § 86.17(e)(4) requires the following factors to be used to determine the amount of the Reclamation Fee:

- Current Balance in the Reclamation Fee O & M Trust Account
- Previous year revenue
  - Reclamation Fee
  - Interest
  - Civil Penalties
  - Other sources
- Previous year 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, 2013 was \$3,557,623.12. This balance does not include civil penalties collected during the fiscal year.

### **PREVIOUS YEAR REVENUE**

#### **Reclamation Fee**

The Reclamation Fee for the period July 2012 through June 2013 was \$0. Therefore there was no revenue from this source.

#### **Interest**

Interest was credited to the Reclamation Fee O & M Trust Account from July 2012 through June 2013 in the amount of \$8,533.04. This is lower than the interest earned on the principal in the 2011-2012 fiscal year which totaled \$9,699.53.

### **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 from July 2012 through June 2013 is listed below:

Month	Coal Civil Penalties
Jul-12	\$9,420.00
Aug-12	\$2,350.00
Sep-12	\$7,545.00
Oct-12	\$15,630.00
Nov-12	\$6,567.50
Dec-12	\$59,964.50
Jan-13	\$29,268.60
Feb-13	\$39,465.00
Mar-13	\$28,680.00
Apr-13	\$13,267.00
May-13	\$33,080.00
Jun-13	\$14,950.00
<b>Total</b>	<b>\$260,187.60</b>

The net amount that was transferred in July 2013 to the Reclamation Fee O & M Trust Account was \$247,178.22. 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 credited during fiscal year 2012-2013. However, under Act 157 of 2012, the interest on the funds held in the Land Reclamation Financial Guarantee (LRFG) Account may be transferred into the Reclamation Fee O & M Trust Account. The available interest to transfer is \$5,096.91 from 2012-2013. The intention is to periodically transfer this interest to the Reclamation Fee O & M Trust Account. Act 157 also authorized the transfer of premium payments for Land Reclamation Financial Guarantees to the Reclamation Fee O & M Trust Account and included the provision for an annual appropriation from the Gross Receipts Tax.

### **PREVIOUS YEAR O & M COSTS**

O & M costs were incurred in four categories: personnel costs, lab costs, grants and contracts. The total spent in 2012-2013 was \$821,213.13.

### **Personnel Costs**

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The total cost to the Reclamation Fee O & M Trust Account for personnel from July 2012 through July 2013 is \$22,082.84. This is for labor for the monitoring that is needed for several ABS Primacy bond forfeiture sites where it is more efficient for DEP to do this work.

### **Lab Costs**

The total cost to the Reclamation Fee O & M Trust account for the samples collected and analyzed at the DEP lab for the ABS Primacy bond forfeiture sites from July 2012 through June 2013 is \$2,702.14.

### **Grants**

Grants were awarded in the amount of \$623,832.77 from July 2012 through June 2013. .

### **Contracts**

Contract costs for operation and maintenance of the existing ABS treatment facilities for July 2012 through June 2013 totaled \$172,595.38.

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

The number of acres for which the reclamation fee was collected for the partial fiscal year from July through December 2009 (when the reclamation fee was most recently collected) was 868. This projects to an annual total of 1736 acres. The five-year (calendar years 2005-2009) average for the number of acres is 2,300. This is the projected number of acres subject to the reclamation fee for 2014.

## **PROJECTED REVENUE**

### **Reclamation Fee**

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

### **Interest**

Interest on the money held in the Reclamation Fee O & M account has been decreasing for the last two years. Therefore \$8,000 in income from interest is projected for the 2013-2014 fiscal year.

### **Civil Penalties**

For purposes of the projection, it is estimated that about \$250,000 will be available from civil penalty revenue for the 2013-2014 fiscal year. This is a conservative estimate based on the average of the previous three years (~\$274,000) civil penalty revenue.

## **Other Revenue**

Act 157 of 2012 provides other potential revenue streams to the Reclamation O & M Trust Account. These include the interest on the funds held in the LRFG Account, premiums from the LRFG program and an annual appropriation from the Gross Receipts Tax. The plan for fiscal year 2013-2014 is to routinely transfer the interest from the LRFG Account.

For 2012-2013, \$71,988.70 was collected from premium payments and deposited in the newly established LRFG Account. It is estimated that \$300,000.00 will be generated from premium payments in 2013-2014.

In order to provide the long-term financial stability intended under Act 157 of 2012, it will be necessary to obtain the annual appropriation from the Gross Receipts Tax.

## **PROJECTED EXPENDITURES**

The total projected expenditures for fiscal year 2013-2014, as explained in further detail below is \$959,334.00.

### **Personnel Costs**

The total projected debit for DEP personnel costs from the Reclamation Fee O & M Trust Account from July 2013 through June 2014 is \$9,000.00. The amount is for labor for the monitoring that the DEP is doing for the ABS Primacy bond forfeiture sites.

### **Lab Costs**

The total projected debit from the Reclamation Fee O & M Trust account from July 2013 through June 2014 is \$12,000.00. This is the expected cost for the analysis of the samples collected and analyzed by DEP while monitoring the ABS Primacy bond forfeiture sites.

### **Grants**

Grants are expected to be awarded in the amount of \$201,500.00 from July 2013 through June 2014. This includes grants (\$151,500.00) for the O & M for 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).

Also included in the grants total is a grant (\$50,000.00) for the Bernice Mining, Lewis (Permit No. 57830101) site.

## Contracts

Contract costs from July 2013 through June 2014 are expected to total \$736,834.00. The sites covered by these contracts include the following:

<b>Company</b>	<b>Site Name</b>	<b>Contract Amount</b>
PA Energy Corp.	Horse Hill Strip	\$3,000
Acme Drilling	Broom Strip	\$4,000
Delta Mining Inc.	Maust Mine	\$1,500
D & E Construction	Moore	\$1,500
Delta Mining Inc	Bashore	\$38,700
American Development	Job 33	\$37,700
Met Co Mining & Minerals Inc.	Ankey Mine	\$1,500
Delta Mining Inc	Hay 2	\$1,500
H & H Coal Co.	James E Long	\$1,500
L & L	Berkey	\$1,500
Big J Mining Inc.	Sorber Mine	\$37,575
Windber High Std. Coal Co.	Brant Strip	\$1,500
L & B Coal Co	No 5	\$4,000
K & J Coal Co. Inc.	Westover	\$2,000
K & J Coal Co. Inc.	Gaber Brown	\$2,000
Bituminous Coals	Addison	\$36,359
H & D	Merola	\$5,500
Gurosik Coal Co	King	\$50,000
REM	Truittsburg	\$5,500
REM	Orcutt Smail	\$75,000
Glacial	Blair	\$175,000
Additional Possible Contracts		\$250,000

## Financial Summary

<b>Income</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014 (Projected)</b>
Interest	\$8,533.04	\$8,000.00
Reclamation Fee	\$0	\$0
Civil Penalties	\$247,178.22	\$250,000.00
Other (LRFG Interest)	\$5,096.91	\$25,000
<b>Total</b>	<b>\$260,808.17</b>	<b>\$283,000.00</b>

<b>Expenses</b>	<b>FY 2012-2013</b>	<b>FY 2013-2014 (Projected)</b>
DEP Lab Costs	\$2,702.14	\$12,000.00
DEP Personnel	\$22,082.84	\$9,000.00
Contracts	\$172,595.38	\$736,834.00
Grants	\$623,832.77	\$201,500.00
<b>Total</b>	<b>\$821,213.13</b>	<b>\$959,334.00</b>

### **Reclamation Fee Calculation**

Based on the June 30 balance in the Reclamation Fee O & M Account (\$3,557,623.12), the civil penalties (\$247,178.22) transferred in July 2013, the un-transferred interest from the LFRG account (\$5,096.91), the projected revenue (\$283,000.00) and expenses (\$959,334.00), DEP has determined that the reclamation fee amount can remain at \$0 for calendar year 2014. This will maintain the balance in the Reclamation Fee O & M Account of \$3,000,000 (~\$3,133,564.22) as required under 25 Pa. Code § 86.17(e)(3).

For contingency planning, balance will be closely monitored in the Reclamation Fee O & M Account balance to determine if it is approaching the \$3 M balance which must be maintained. If it is likely that the balance will approach the threshold, then transfer of premium payments from LFRGs can be done in order to maintain the balance above the required minimum.

### **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, 2012, the balance in the ABS Legacy Sites Trust Account was \$5,674,432.38. The June 30, 2013 balance was \$5,686,848.21. This balance reflects the credit of \$12,415.83 in interest.