

## **Reclamation Fee Fiscal-Year Report 2015**

The regulations at 25 Pa. Code § 86.17(e)(2) require 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, 2015 was \$3,247,670.65. This balance does not include civil penalties (\$165,732.25) collected during the fiscal year.

### **PREVIOUS YEAR REVENUE**

#### **Reclamation Fee**

The Reclamation Fee for the period July 2014 through June 2015 was \$0. Therefore, there was no revenue from this source.

#### **Interest**

Interest was credited to the Reclamation Fee O & M Trust Account from July 2014 through June 2015 in the amount of \$6,352.13.

### Civil Penalties

Civil penalties (less the 5% due to the Environmental Education Fund) are transferred into the Reclamation Fee O & M Trust Account each year. The total revenue from civil penalties from July 2014 through June 2015 is listed below:

<b>Month</b>	<b>Coal Civil Penalties</b>
Jul-14	\$10,967.50
Aug-13	\$8,050.00
Sep-13	\$10,200.50
Oct-13	\$17,701.25
Nov-13	\$9,247.50
Dec-13	\$14,793.75
Jan-14	\$4,700.00
Feb-14	\$20,787.50
Mar-14	\$8,641.67
Apr-14	\$9,335.00
May-14	\$41,388.67
Jun-14	\$18,641.66
<b>Total</b>	<b>\$174,455.00</b>

The net amount eligible for transfer to the Reclamation Fee O & M Trust Account is \$165,732.25. 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 2014-2015. 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, \$21,961.74 from 2013-2014 and \$23,970.20 from 2014-2105. 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 2014-2015 was \$369,197.98.

**Personnel Costs**

The total cost to the Reclamation Fee O & M Trust Account for personnel from July 2014 through June 2015 is \$16,549.49. 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 2014 through June 2015 is \$5,279.

**Grants**

Grants were awarded in the amount of \$193,429.02 from July 2014 through June 2015.

**Contracts**

Contract costs for operation and maintenance of the existing ABS treatment facilities for July 2014 through June 2015 totaled \$153,940.47.

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

The table below lists the approximate number of acres permitted each year that would have been subject to the reclamation fee. These values are based upon acres authorized as tracked in the eFACTS database. The average of these values is 2,750 acres. This is the projected number of acres subject to the reclamation fee for 2016.

<b>Year</b>	<b>Acres</b>
2011	3,148
2012	2,287
2013	3,017
2014	2,542

**PROJECTED REVENUE**

**Reclamation Fee**

The projected revenue for fiscal year 2015-2016 from the reclamation fee is \$137,500. This is based on a reclamation fee of \$100 per acre effective January 1, 2016.

**Interest**

Interest on the money held in the Reclamation Fee O & M account has been decreasing for the last few years. Therefore \$5,000 in income from interest is projected for the 2015-2016 fiscal year.

### **Civil Penalties**

For purposes of the projection, it is estimated that about \$200,000 will be available from civil penalty revenue for the 2015-2016 fiscal year.

### **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 interest available for transfer is \$51,028.85 (\$5,096.91 from 2012-2013 plus \$21,961.74 from 2013-2014 and \$23,970.20 from 2014-2015). An invoice to transfer this \$51,028.85 was processed in July 2015.

For 2012-2013, \$71,988.70 was collected from premium payments and deposited in the newly established LRFG Account. For 2013-2014, \$276,563.94 was collected from premium payments and deposited in the LRFG Account. For 2014-2015, \$295,734.52 was collected from premium payments and deposited in the LRFG Account. It is estimated that \$400,000 will be generated from premium payments in 2015-2016. The transfer of any of this money is being deferred until it is necessary based upon unexpected expenses or a revenue shortfall. Having this money available for transfer provides assurance that the Reclamation Fee O & M Trust Account will be able to be maintained above the required \$3,000,000 minimum balance.

### **PROJECTED EXPENDITURES**

The total projected expenditures for fiscal year 2015-2016, as explained in further detail below, is \$941,785.

#### **Personnel Costs**

The total projected debit for DEP personnel costs from the Reclamation Fee O & M Trust Account from July 2015 through June 2016 is \$14,000. 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 2015 through June 2016 is \$12,000. 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 \$209,973 from July 2015 through June 2016. This includes grants (\$184,973) 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 (\$15,000) for the Bernice Mining, Lewis (Permit No. 57830101) site.

### Contracts

Contract costs from July 2015 through June 2016 are expected to total \$723,812. The sites covered by these contracts include the following:

Company	Site Name	Contract Amount
H & D	Merola	\$7,000
Gurosik Coal Co.	King	\$30,000
REM	Truittsburg	\$7,000
REM	Orcutt Smail	\$100,000
Glacial	Blair	\$200,000
Avery Coal Co. Inc.	Pine Glen	\$36,056
Thompson Bros.	Alder Run	\$52,506
Ed Hansolvan	Keating	\$60,000 (Rehab)
PA Energy Corp.	Horse Hill Strip	\$2,204
Acme Drilling	Broom Strip	\$2,526
Delta Mining Inc.	Maust Mine	\$4,634
D & E Construction	Moore	\$1,538
Delta Mining Inc.	Bashore	\$13,836
American Development	Job 33	\$35,879
Met Co. Mining & Minerals Inc.	Ankey Mine	\$46,784
Delta Mining Inc.	Hay 2	\$2,284
H & H Coal Co.	James E. Long	\$1,544
L & L	Berkey	\$1,591
Big J Mining Inc.	Sorber Mine	\$10,911
Windber High Std. Coal Co.	Brant Strip	\$3,039
L & B Coal Co	No. 5	\$1,545
K & J Coal Co. Inc.	Westover	\$45,506
K & J Coal Co. Inc.	Gaber Brown	\$5,040
Pengrove	Martin-Bell	\$30,000
C & O	Burkholder	\$1,720
Power Operating	Vought	\$7,000
Moshannon Passive Sites	Multiple	\$13,669

A contract is in place to do O & M, as needed, on a group of passive treatment sites managed by the Moshannon DMO. The sites included under this contract include Power Operating Dugan 2

and Dugan 4, M & M Latherow, Thompson Bros. 001, Lobb Narco, Ed Hanslovan Keating, Bernice Lewis, Avery Victoria and Chew Little D.

For the purpose of planning, \$10,000 has been authorized for unexpected contracts. However, for the reclamation fee calculation, the \$10,000 for additional contracts has not been included.

**Financial Summary**

<b>Income</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016 (Projected)</b>
Interest	\$6,352.28	\$5,000.00
Reclamation Fee	\$0.00	\$0.00
Civil Penalties	\$165,732.25	\$200,000.00
Other (LRFG Interest)	\$23,970.20	\$20,000.00
Appropriation	\$0.00	\$0.00
<b>Total</b>	<b>\$196,054.73</b>	<b>\$225,000.00</b>

<b>Expenses</b>	<b>FY 2014-2015</b>	<b>FY 2015-2016 (Projected)</b>
DEP Lab Costs	\$5,279.00	\$12,000.00
DEP Personnel	\$16,549.49	\$14,000.00
Contracts	\$153,940.47	\$723,812.00
Grants	\$193,429.02	\$199,973.00
<b>Total</b>	<b>\$369,197.98</b>	<b>\$949,785.00</b>

**Reclamation Fee Calculation**

Based on the June 30 balance in the Reclamation Fee O & M Account (\$3,247,670.65), the civil penalties (\$165,732.25) to be transferred in July 2015, the un-transferred interest from the LRFG account (\$51,028.85) the projected revenue (\$225,000) and expenses (\$949,785), DEP has determined that a reclamation fee amount of \$100 per acre is needed for calendar year 2016. 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).

For the purpose of determining the reclamation fee amount, the authorized contingency of \$20,000 for contracts and grants was not included in the calculation. For contingency planning, the balance will be closely monitored in the Reclamation Fee O & M Account balance to determine if it is approaching the \$3,000,000 threshold. If it is likely that the balance will approach the threshold, then transfer of premium payments from LFRGs can be made in order to maintain the balance above the required minimum.

## Reclamation Fee Arithmetic

## Pluses

Balance Above \$3 M	\$247,670.65
Civil Penalties (14-15)	\$165,732.25
LRFG Interest (through June 15)	\$51,027.85
Projected Income	\$225,000.00
Total	\$689,430.75

## Minus

Expected Expenditures	\$949,785.00
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Calculated Deficit	\$260,354.25
Divided by 2,750 acres	\$94.67 per acre
Result	\$100.00 per acre

**2017 Projection**

Based upon the spending and income trends, it is likely that a reclamation fee increase will be necessary beginning in January 2017. Preliminary estimates suggest that about \$420,000 will be necessary from the reclamation fee in order to maintain the balance of \$3,000,000. To generate this amount of revenue, a reclamation fee \$200 per acre would be needed in calendar year 2017.

As an alternative, an appropriation from the Gross Receipts Tax could offset the need to impose a reclamation fee. In order to maintain the minimum balance without revenue from the reclamation fee in calendar year 2017, an appropriation of at least \$500,000 would be needed for the 2016-2017 budget year. In order to assure that the need for supplement funding to assure the long-term operations for the ABS Legacy Sites, the maximum appropriation of \$2,000,000 from the Gross Receipts Tax is warranted.

**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. The following table presents the income and year-end balance in the ABS Legacy Site Trust Account for the last four years.

<b>Year Ending</b>	<b>Income</b>	<b>Year-End Balance</b>
June 30, 2012	\$14,425.56	\$5,674,432.38
June 30, 2013	\$12,415.83	\$5,686,848.21
June 30, 2014	\$9,818.27	\$5,696,666.48
June 30, 2015	\$10,448.00	\$5,707,114.48