	U·S· DEPARTMENT OF THE INTERIOR **OFFICE OF SURFACE MINING** **RECLAMATION AND ENFORCEMENT**	Subject Number: AML-18
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Subject: Annual Allocation of AML Grant Funds to States/Tribes

Approval: [signature] Title: Director

1. Purpose. This Directive provides policy and procedures for use by the Office of Surface Mining Reclamation and Enforcement (OSM) in the annual allocation of Abandoned Mine Land (AML) reclamation grant funds to AML program States/Tribes (States).

2. Summary. This Directive outlines the procedures which OSM uses to distribute AML grant funds to the States. The Appendix details the process including: 1) arriving at the new fund balance at the beginning of each fiscal year; 2) determining the State- and Federal-share of the fund; 3) deducting Federal expenses; 4) determining the State- and discretionary-share of AML grants; 5) distributing the funds to individual States; 6) providing for emergency program funding; and, 7) making adjustments for the minimum program and emergency expenditures. This Directive supersedes OSM Temporary Directive 90-02 entitled "Allocation of AML Grant Funds for Fiscal Year 1990 and Determination of State/Federal Share of Awards and Deobligations" dated November 27, 1989.

3. Definitions.

a. Abandoned Mine Land Inventory. The nationwide data base that contains AML problem area locations, health, safety, and environmental problem(s) descriptions, and estimated cost and/or project funding information from States.

b. Allocation. The process by which OSM distributes funds appropriated by Congress to AML program States for State reclamation grants.

c. Discretionary Funds. The portion of the Secretary's share of the annual AML appropriation that remains available for grants after subtracting funds for Federal expenses.

d. Federal Expenses. Monies appropriated from the AML Fund that are used for the Rural Abandoned Mine Program, the Small Operator Assistance Program, Federal Reclamation Program, fee compliance, general administrative costs, and other Federal activities required on an annual basis.

e. Federal-share. The portion of State AML grants that is funded from discretionary funds using the allocation procedure.

f. Minimum Program. The distribution of AML funds to States whose funding would otherwise be below $1.5 million (or a different amount established by Congress). These States must have unfunded priority 1 and 2 work remaining to be accomplished in order to receive Federal-share funds to raise the combination of State- and Federal-share funds to the minimum program level.

g. Secretary's Share of the AML Fund. 1) The 50 percent portion of the total AML reclamation fee collections from coal operators in each program State, including interest on overdue fees, and post-judgement interest; 2) 100 percent of penalties, administrative costs, court costs, and other miscellaneous receipts paid to OSM (e.g., proceeds from coal sales and lien payments associated with AML projects); and 3) total fees collected in non-program States.

h. States'-Share of the AML Fund. Fifty percent of all reclamation fees including interest on overdue fees and post-judgement interest collected in accordance with Section 402(g)(2) of Surface Mining Control and Reclamation Act of 1977 (SMCRA).

i. State-Share. The term "State-Share" refers to that portion of an annual AML grant that is funded from a State's 50 percent share of the AML fund.

4. Policy/Procedures.

a. Policy. SMCRA requires that half of the reclamation fees plus interest and post-judgement interest collected in a State be allocated to that State (State-share) and the remaining funds (Secretary's-share) may be expended directly by OSM or in the form of additional grants to the States at the discretion of the Secretary. It is OSM policy to allocate the State-share funds based upon each State's respective percentage of the national State-share balance in the fund, and to allocate the Federal-share funds based upon each State's respective percentage of national historical coal production prior to 1978. It is OSM policy to support minimum program funding for the maintenance of viable AML programs in States that, due to low fee collections in their State, would otherwise have insufficient funds to address high priority problems. Also, AML grant allocations to the States are adjusted based upon prior year emergency expenditures in each State.

The factors listed above are explained in further detail in the Appendix, AML GRANT ALLOCATION DETAILED INSTRUCTIONS.

b. Responsibilities.

(1) The Director approves and distributes the final allocation calculations executed by the Division of Financial Management (DFM) to the Assistant Directors for Field Operations, Reclamation and Regulatory Policy, and Finance and Accounting.

(2) The Deputy Directors for Operations and Technical Services (DD/OTS) and Administration and Finance (DD/A&F) must approve the annual grant allocation, and the appropriate Deputy Director must approve any exception(s) to the formula-based allocation calculations.

(3) The Assistant Director, Reclamation and Regulatory Policy (AD/RR) is responsible for reviewing the allocation calculation provided by the DFM for the correct application of established policy and procedures. The AD/RR is the lead official in answering policy questions regarding the allocation calculation.

(4) The Assistant Director, Finance and Accounting (AD/F&A) is responsible for determining the amount of State- and Federal-share funds allocated to each State for annual AML reclamation grants in accordance with this directive. The AD/F&A is the lead official in answering questions regarding financial figures used in the allocation.

(5) The Assistant Director, Field Operations (AD/FO) is responsible for submitting requests for exceptions to the normal allocation calculation to the DD/OTS no later than October 1 of each fiscal year for approval.

(6) The Field Office Directors (FOD's) are responsible for informing the AD/FO, prior to September 1, of any State requests or special need for exceptions, including State emergency program grant needs in the upcoming fiscal year allocation. The FOD's are responsible for informing their respective States of the annual grant allocation.

c. Procedures.

(1) By September 1 of each year, the FOD's forward to the AD/FO an update of the existing estimates for State emergency and non-emergency AML programs, Tribal programs, and any new/special State requests for the upcoming fiscal year. The AD/FO reviews and forwards exception requests with recommendations to the DD/OTS no later than October 1.

(2) Eastern and Western Support Center (ESC and WSC) staff review and verify prior year Federal Reclamation Program (FRP) emergency project expenditure data supplied by DFM for each of their respective States. ESC and WSC determine and report the results and corrections, if any, to DFM by October 30.

(3) DFM supplies to Division of Abandoned Mine Land Reclamation (DAMLR) by November 15 fee collection and FRP emergency expenditure figures. DFM also provides, when necessary, figures to make appropriate adjustments to the States' AML grant allocations based on reprogramming activity which may have occurred in the prior fiscal year. These figures will be used to document repayment exceptions to the normal allocation calculations.

(4) Upon action by Congress, the AML appropriation figures are supplied to DAMLR by the Budget Officer, Office of the Director. The appropriation designates the amounts for AML grants and Federal expenses.

(5) Within 7 days of (4) above, DAMLR provides DFM with a list of the States who do not qualify for the minimum program because the total estimated cost of the State's remaining inventory of high-priority problem areas is below the minimum program level.

(6) DAMLR defines the allocation parameters and requests DFM make allocation calculations after receiving approval from the Deputy Directors, OTS and A&F, regarding any and all decision documents for exceptions to the normal allocation formula.

(7) DFM will provide DAMLR with allocation calculations for programmatic review to assure the process adheres to policy and procedures contained in this Directive.

(8) AD/RR will provide acceptance of allocation calculations to the DD/OTS along with a memorandum for the Director's signature to distribute the allocation calculation to the AD/FO, AD/RR, AD/F&A and Budget Officer. DFM distributes copies of the allocation to all Field Offices accompanied by a copy for the State(s) and Tribes.

5. Reporting Requirements. None

6. Effect On Other Documents. This permanent Directive supersedes Temporary Directive 90-02, dated November 27, 1989.

7. References. Sections 402(g)(2) of the Surface Mining Control and Reclamation Act of 1977.

8. Effective Date. Upon issuance.

9. Contact. Chief, Division of Abandoned Mine Land Reclamation, (202) 208-5365 or FTS 268-5365, and Chief, Division of Financial Management, (303) 236-0331 or FTS 776-0331.

10. Keywords. AML grants, Allocation, Emergency program, Minimum program, State/Federal shares.

11. List of Appendices.
Allocation Procedures Detailed Instructions

INTRODUCTION

This is the appendix to the OSM directive entitled "Annual Allocation of AML Grant Funds to States/Tribes." These guidelines contain specific instructions implementing OSM policy as it relates to AML grant allocation calculations.

I. EXCEPTIONS TO THE NORMAL ALLOCATION PROCESS.

In instances where it is determined that the formula defined in this directive does not adequately address specific circumstances, decision documents concerning those issues will be prepared to be approved by the appropriate Deputy Director prior to making the annual grant allocation calculation. FODs will initiate exception documents or be given an opportunity to make comments to the AD/FO concerning exception documents that involve States/Tribes assigned to the FO.

II. STANDARD ALLOCATION FORMULA.

(A) Fund Balance.

o Total Fund Balance: Within 30 days after either the end of the previous fiscal year or the receipt of new fiscal year appropriations, whichever is later, DFM determines the unappropriated balance of the AML Fund, as of the beginning of the fiscal year.

o The new fund balance is identified by subtracting the cumulative appropriations from total fee collections through the end of the prior fiscal year.

(B) State- and Secretary's-share of Fund.

o State-share Balance: The State-share component of the unappropriated balance is computed by subtracting total State-share awards plus State-share carryover (recoveries and unawarded allocation) through the prior fiscal year from the total State-share collections (50 percent of the principal, interest, and post-judgment interest) through the prior fiscal year.

o Secretary's-share Balance: The total unappropriated balance is reduced by the State-share component to determine the Secretary's-share of the unappropriated balance.

(C) Federal Expenses and Discretionary-Share of the Fund.

o The new fiscal year appropriation for Federal expenses is subtracted from the Secretary's-share of the unappropriated fund balance to obtain the discretionary-share funds available for AML grants.

(D) State- and Federal-Share of Grant Funds.

o The State- and Discretionary-shares available for grants are added together to compute each share's percentage of the total net available for grants.

o The State-share percentage of the fund is applied to the amount of the new year AML grant appropriation to arrive at the amount of State-share portion of the appropriation.

o The Discretionary-share percentage of the fund is applied to the amount of the new year AML grant appropriation to arrive at the total amount of Federal-share portion of the appropriation.

(E) Exceptions.

o DFM adds or subtracts the amount of any approved exceptions from the appropriate total State- or Federal-share of grant funds to arrive at the net amounts available for distribution.

(F) State-Share Distribution.

o The State-share portion of the appropriation is multiplied by each State's percentage of the total State-share balance in the Fund. The resulting dollar amounts are each State's individual State-share distribution.

o Negative percentages are adjusted to zero prior to calculating the State-share distribution.

(G) Funding for State Emergency Program Grants.

o Anticipated construction and administration grant funding for emergency projects addressed under State reclamation programs is deducted from the total Federal-share portion of the grant appropriation before proceeding with the normal grant allocation process.

o State emergency program funding is based on State estimates provided 18 months in advance of the grant period, historical emergency expenditures, and discussions with State and Field Office officials.

o Costs necessary to administer a State emergency program may be funded in three ways: (1) either within emergency construction grants, (2) by a separate emergency administration grant, or (3) within the State's normal administration grant with non-emergency funds.

o Monies that are deobligated from a State's emergency grants will not be automatically allocated back to that State. These funds will be recovered by OSM and used as necessary to fund subsequent State emergency program needs.

(H) Preliminary Federal-Share Distribution.

o Each State's percentage of the Federal-share to be distributed is obtained by computing each State's percentage of total historic coal production. These figures are based on historic coal production data prior to 1978 contained in OSM's Environmental Impact Statement (published in 1979-80) on the implementation of Title IV of SMCRA.

o States not qualifying for Federal-share funds (those States without high priority AML problems) are excluded from the calculation. The remaining percentages of historical coal production are adjusted to total 100 percent.

o The resulting percentage for each State is applied to the Federal-share portion of the grant appropriation to obtain the dollar amount of preliminary Federal-share for each State before the minimum program adjustment.

(I) Minimum Program Adjustment.

o A minimum program funding adjustment has been established for States with total State-share distribution plus preliminary Federal-share distribution of less than $1.5 million (or as Congress specifies).

o States are eligible for the minimum program if a State's AML Inventory contains priority 1 and 2 problem areas with an estimated cost of reclamation at or above the minimum program level.

o The minimum program distribution amount includes the State-share, preliminary Federal-share, and supplemental Federal-share amount needed for the total allocation to equal the minimum program level.

o For States which do not meet the above minimum program criteria, the Federal-share distribution is adjusted so that the total distribution equals the remaining estimated inventory cost (without affecting their State-share distribution).

o The total Federal-share needed to fully fund minimum program States will be contributed from the Federal-share of non-minimum program States.

o The total minimum program adjustment is subtracted from the Federal-share of the grant appropriation to determine the Federal-share balance available to non-minimum program States. This balance is distributed by each non-minimum program State's percentage of historical coal production.

(J) Federal-Share Distribution.

o Each eligible non-minimum program State's percentage of total historic coal production (or as Congress specifies) is used to redistribute the Federal-share remaining after minimum program funding has been accomplished.

o Each eligible non-minimum program State's percentage of historical coal production is adjusted to total 100 percent.

o The resulting percentage for each non-minimum program State is applied to the total amount of Federal-share funds available for distribution.

o In States where the sum of State-share plus preliminary Federal-share was above the minimum program level, but the State's distribution was reduced below the minimum program level by the minimum program adjustment itself, the State's distribution is brought back up to the minimum program level amount.

o The calculations are then performed again to revise the total minimum-program adjustment and historical coal production percentages for non-minimum program States. The resulting figures are then used to calculate each State's dollar amount of Federal-share before the emergency expenditure adjustment.

(K) Emergency Expenditure Adjustment.

o Each State's Federal-share (including minimum program States) is reduced by the amount of the prior fiscal year emergency expenditures in that State. In no case is the Federal-share a negative amount.

o For the purpose of this offset, emergency expenditures include those from State emergency project grants or cooperative agreements and Federal emergency projects conducted directly by OSM or through cooperative agreements with States. Expenditures for administration of the Federal or State programs are not included in this adjustment. Emergency funds expended from a normal State grant allocation are not included in this offset.

o The sum of prior year emergency expenditures is then redistributed to each State by applying the respective historical coal production percentages.

o Any minimum program State that would potentially receive a total distribution greater than the minimum program level, based upon the emergency expenditure adjustment, is then identified and that State is capped at the minimum-program level by excluding it from the emergency expenditure adjustment.

o The calculation is then performed again; the resulting amounts are added to each State's Federal-share to obtain the final adjusted Federal-share of AML grants.

(L) Final Allocation.

o The State-share distribution plus the Federal-share distribution (minimum program funding, historical coal distribution, and emergency adjustment) constitute the allocation to each State for the fiscal year.

o Special funding exceptions will adjust the State's allocation. For example, State emergency program funding amounts will be in addition to the State's normal allocation.

(M) State- and Federal-Shares of Unobligated Balance.

o The amount of State-share and Federal-share allocated to each State will be added to the amount of unobligated State-share and Federal-share carried forward from the previous year for that State.