

MOTION

May 1, 2002

Public Service Comm, Reclamation Div.
2003 Admin. & Enforcement Grant
Application

Case No. RC-2524-02-192

I move that the Commission submit the 2003 Administration and Enforcement Grant Application to the Office of Surface Mining for funding the coal mining regulatory program from July 1, 2002, to June 30, 2003.

JRD

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PUBLIC SERVICE COMMISSION
Reclamation Division

Memorandum

TO: Commissioners Wefald, Reinbold and Clark
Jon Mielke

FROM: Jim Deutsch

DATE: April 26, 2002

SUBJECT: 2003 Administration and Enforcement Grant Application for the Coal Mining Regulatory Program, Case No. RC-2524-02-192

Attached is the revised copy of the 2003 Administration and Enforcement Grant Application for the mining regulatory program to submit to the Office of Surface Mining. This grant application is to receive the federal funds that the Reclamation Division will need during the next fiscal year that begins July 1, 2002. The total grant application, including the state share, totals \$765,893 for the full one-year grant period. This includes both direct costs and indirect costs. Of the total, the federal share will be \$505,489 and the state share is \$260,404. OSM allocated North Dakota \$490,185 of federal funds for our 2003 grant period, but the projected costs for the one-year grant period are more than this amount. However, as explained below, OSM plans to extend our current grant and reduce the amount that will be awarded for the new grant period. Therefore, the actual award of federal funds for the new grant period will likely be less than \$490,185.

The grant application was revised to change the federal-state funding split for the next grant period. The federal-state split will be 66%-34% based on OSM's federal lands funding formula for existing permits and new applications that are expected between now and June 30, 2003. These percentages are different from the 64%-36% split used in our current grant. The reason for the change is the new permit application that we expect to receive from Coteau Properties Company in late May or early June. This application will contain approximately 17,000 acres and nearly one-third of the acres will contain federal coal. With this large amount of new acres added to the calculations and the relatively high percentage of federal coal, the federal share of our program costs increases from 64% to 66%.

The operating line items in the 2003 grant budget reflect a little over half of the operating funds budgeted for the Reclamation Division for the 2001-2003 biennium. (It appears we will be spending less than half of the operating budget for the first year of the current biennium. The total amount of the operating items in the 2003 budget will allow us, if needed, to spend all of the operating funds that were appropriated by the legislature for this biennium.) The salary item takes into account projected raises on July 1st. The indirect cost rate for the 2003 grant is 33.9%. This is the indirect cost rate that was approved by the Office of the Inspector General effective from June 1, 2001 to June 30, 2003.

While this new grant application covers all twelve months of the next fiscal year, OSM plans to extend the current grant for an additional month or two. OSM will then delay approving the 2003 grant and shorten the new grant period and amount accordingly. The primary reason OSM is planning to extend our current grant period is primarily due to the large permit application we expect to receive from Coteau in late May or early June. Part of the permit fees (28%) we assess for new applications are considered federal share income and we would be allowed to expend nearly \$50,000 of federal share income that will result from the new permit application. However, the current grant will not be extended by OSM until Coteau submits its new permit application and filing fee.

In the event Coteau's application is not filed until after July 1st, it is possible that there may be enough funds to still extend the current grant for one additional month. Based on current projections, it appears we will have between \$30,000 and \$40,000 of federal funds remaining in the current grant that will otherwise end June 30, 2002. (The federal share of our monthly expenses averages between \$35,000 and \$40,000.) OSM would extend the current grant period for one month and the amount of federal funds we receive for the 2003 grant will be reduced accordingly.

By extending our current grant and reducing the amount of the new grant, OSM will have some additional funds during the current federal fiscal year to fund state regulatory program grants nationwide. The total amount of funds that OSM has for state programs grants this year is less than the total amount that has been projected by all of the states.

I respectfully request your approval to submit this revised grant application to OSM for the federal funds for the 2003 grant period. A motion for the May 1st Commission meeting is also attached.

Attachments

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cc: Mike Diller
Gloria Geiger