# Calculator to Estimate How Title IV AMD Set-Aside Might Be Spent

Bruce Golden, Regional Coordinator
Western PA Coalition for Abandoned Mine Reclamation

#### Introduction

With the 2006 amendments of SMCRA Title IV bringing significant increases in AMR funding and changes in how funding can be used, much interest, speculation, and expectations have been generated for future AMR efforts. In particular, the new provision allowing a state to set aside up to 30% of its annual grant for AMD work has generated the most interest as witnessed by public input from a series of 8 Roundtable Meetings held throughout PA's coal regions. Although not unanimous, two very strong preferences emerged from those public meetings:

- 1. Maximize use of the 30% Set-Aside for AMD;
- 2. Establish a funding mechanism for Operations, Maintenance and Replacement (OM&R) for AMD Treatment Systems.

WPCAMR has developed an interactive **Excel Workbook** that produces various calculations regarding Title IV Set-Aside spending a state might make. The model, although slightly lengthy, is not that complicated. All inputs and calculations are done in a single table. The user may input annual data for about a dozen different parameters. The normal caveat: the calculated values are at best only as good as the values that are used to produce them. Much of this data has also been summarized in chart form.

The table has 3 main sections:

- 1. Calculating the Set-Aside;
- 2. Funding OM&R: Using a portion of the Set-Aside to establish an interest earning OM&R Fund and distributing a portion of the OM&R Fund for OM&R activities; and
- 3. Funding AMD projects: Using the remaining portion of the Set-Aside to do AMD projects.

#### **About the Table**

Unless otherwise indicated, all table values are in millions of dollars (\$M).

**Numeric values whose text is a rust color are INPUT values**. You may edit these. The cells in Column X and Row 33 are also editable as user comments.

All other cells are protected from being changed. In the main body of the table, this includes calculations. A change in an input value will automatically trigger an immediate recalculation of the entire table.

The years 2008 through 2022 represent those year that are directly supported by the per-ton fee on coal mined in the U.S. Beyond 2022, the Abandoned Mine Reclamation Fund will support additional state grants (at the 2022 level) as long as the AMRF lasts. The worksheet has a final year of 2027.

There are two tabbed worksheets:

- 1. **Set-Aside Calculator** where main sheet resides
- 2. **Charts** gives various graphical representations

You may freely flip back and forth between these worksheets by clicking the appropriate tab.

Also notice the Grouping structure to the far left of the table. The [+] and [-] boxes allow you to display and hide detail, respectively. Mouse over the green cells in Column A for specific details.

# **Calculating the Set-Aside**

Rows 5-10 deal with calculating the amount of the Set-Aside. The table below describes each row.

And the second s	VICENA ANDREWS VICENSIA
Title IV Grant Amount	The estimates for the yearly Title IV grants to a state. OSM has made some predictions. However, because of the number of variables that cannot be precisely known that go into making such predictions, the predictions are subject to significant errors.
Scaled Title IV Grant Amount (\$M)	The Title IV Grant values in the row above, can be scaled up or down so that the total matches the amount entered in Totals cell. Place a positive value in Totals to scale. If Totals cell is left blank, is zero, or is negative, no scaling will occur. The Grant Values in this row cannot be directly modified by changing their cell values.
Amt NOT eligible for Set-Aside calculation (\$M)	Not all of a state's annual Title IV grant can be used for determining the amount of the Set-Aside. The so-called Treasury portion of the grant is not eligible for a Set-Aside deduction. The value needed is the Treasury portion (and any other portion deemed to be ineligible) of the grant expressed in millions of dollars.
Title IV Grant Amount Eligible for Set- Aside	= Scaled Title IV Grant Amount - Amt NOT eligible for Set-Aside
% Set-Aside	The state decides, on an annual basis, the percentage of its eligible portion of its annual grant that can be dedicated to AMD work. The maximum allowed is 30%.
Set-Aside	= % Set-Aside * Title IV Grant Amount Eligible for Set-Aside

## **Funding OM&R**

This section describes how a portion of the Set-Aside might be used to establish an interest earning OM&R Fund and for distributing a portion of the OM&R Fund for OM&R activities.

It's broken down into three parts:

- 1. Contributions to the OM&R Fund
- 2. Deductions from the OM&R Fund
- 3. Accumulated OM&R Fund Balance

### Contributions to the OM&R Fund

Rows 11-16 deal with Contributions to the OM&R Fund. The table below describes each row.

11		The percentage of the annual Set-Aside that will be contributed to the OM&R Fund.
	% of Set-Aside Applied to	
	OM&R Fund	The overall goal is to accumulate enough principle in the OM&R Fund so
		that the interest generated will adequately fund OM&R activities into the
		foreseeable future.
12	Set-Aside Contribution to OM&R Fund	= % of Set-Aside Applied to OM&R Fund * Set-Aside
13	% Interest Rate on OM&R Fund	Whatever the market will bear.
14	Earned Interest on OM&R	= Set-Aside Contribution to OM&R Fund * % Interest Rate on OM&R
	Fund (from prior year)	Fund (both values from the prior year)
15	Other Contributions to OM&R	Any additional funds applied to the OM&R Fund (expressed in millions of
	Fund (\$M)	dollars) from sources other than the Set-Aside perhaps a rich uncle.
16	Contributions to OM&R Fund	= Set-Aside Contribution + Earned Interest + Other Contributions

### **Deductions from the OM&R Fund**

1. Rows 17-24 deal with Deductions to the OM&R Fund. The table below describes each row. This section also deals with the need for OM&R funds. Revised projections from the OM&R Workgroup are included.

17	State Share of OMR Needed (\$M)	This is the estimates of the state's presumed share of funds needed (in millions of dollars) for OM&R activities for AMD treatment. The OM&R Workgroup estimated that 4% Cumulative Capital Costs of Treatment Systems would be needed annually for OM&R and that the state's share of that should be 65%. This estimate assumed a 20 year system lifetime and that replacement costs would be factored in to the amount. While the estimates provided from that study show a smooth progression over the years, that won't likely to be what's experienced. A high variability from the estimates is expected from year to year, but over time, they're assumed to be even out with what's projected.
18	% Inflation Rate	The known or predicted annual Inflation Rate
19	Inflation Factor	A calculated factor that can be used to calculate a revised value subject to inflation.
20	Inflation Adjusted State Share of OMR Needed (\$M)	= State Share of OMR Needed * Inflation Factor
21	Distributions from OM&R Fund for OM&R use (\$M)	Amounts distributed from OM&R Fund for OM&R use. The purpose of the fund.
22	Percent of State Share for OM&R Provided via Earned Interest	= Earned Interest / Distributions from OM&R Fund
23	% of State Share of Needed OM&R Distributed	= State Share of OM&R Needed / Distributions from OM&R Fund
24	Deductions from OM&R Fund	= Distributions from OM&R Fund

## **Accumulated OM&R Fund Balance**

Rows 25-27 deal with the Accumulated OM&R Fund Balance. The table below describes each row.

2	5 Net	t OM&R Fund Contributions	= OM&R Fund Contributions - OM&R Fund Deductions
2	6	<u>Accumulated</u> OM&R Fund Balance	Running total of Net OM&R Fund Contributions
2	7 Set-A	side Contribution to OM&R Fund	Reiteration from row 12

## **Funding AMD Projects**

This section describes how the remaining portion of the Set-Aside might be used to fund AMD projects. It uses a hypothetical mechanism to have a grants program for AMD projects sponsored by Watershed Groups as well as a dedicated portion for BAMR.

Rows 28-32 deal with the Funding AMD Projects. The table below describes each row.

28		This is part of a hypothetical mechanism to have a grants program for
		AMD projects sponsored by Watershed Groups.
		Aivid projects sponsored by watershed droups.
		It works this way. Once the OM&R Contribution has been deducted
		from the Set-Aside in a given year, the remainder is available for AMD
		projects. Of the project money, the amount defined by the Minimum
		Watershed Share (expressed in millions of dollars) would be allocated
	Minimum Watershed Share (\$M)	for grants first. If project money is still available following that
	-if available- of Remaining Set	allocation, BAMR would then be allocated amounts up to a maximum
	Aside	of the BAMR AMD Annual Project Capacity. Any remaining amounts
		would then be applied to the watershed grants program.
		mount and applicated and another grants programm
		This can be ignored by setting the Minimum Watershed Share values
		to zero and the BAMR AMD Annual Project Capacity to a high value,
		e.g.99. (Any values of the BAMR AMD Annual Project Capacity above
		the Set-Aside amount minus the OM&R Contribution serves this
		purpose)
29	Watershed Set Aside Share	
30	BAMR AMD Annual Project	
	Capacity (\$M) The max	See comment for Minimum Watershed Share
	BAMR can get.	
31	BAMR Set Aside Share	
	BAIVIK SET ASIDE Share	
32	Remaining Set-Aside after OM&R	
	Fund Contribution	= Set-Aside - OM&R Fund Contribution