



**United States Department of the Interior**  
**OFFICE OF SURFACE MINING**  
Reclamation and Enforcement  
WASHINGTON, D.C. 20240



January 18, 1991

**Memorandum**

**To:** Field Office Directors

**From:** Nina Rose Hatfield *NRH*  
Assistant Deputy Director  
Operations and Technical Services

**Subject:** Bond Committee Recommendations

I have attached a copy of the recommendations and report by the Ad Hoc Bond Committee on Alternative Bonding Systems (ABS). Representatives of the Office of Surface Mining (OSM) and the Office of the Solicitor conducted the review and developed the report. In addition, the Committee obtained input about appropriate evaluation considerations from a national actuarial firm with experience in the development of an ABS.

This report identifies considerations that should be addressed in determining whether the ABS is sufficient to meet the requirements of Section 509(c) of the Surface Mining Control and Reclamation Act (SMCRA) and 30 CFR 800.11. These considerations include looking at the sources of funding, the amount of existing and potential liabilities, and the analysis of risk to which the ABS may be subjected.

It is important to affirm, as we proceed to implement the concepts contained in the report and to work with the States in assuring the sufficiency of their ABS, that OSM believes the concept of alternative bonding systems is desirable and generally a less expensive option to conventional bonding or to supplement conventional bonding. Our efforts should, therefore, be concentrated on positive approaches to meeting the program requirements for an ABS.

The Director is sending a copy of the report to the States for their information. A workshop is being planned for February 1991 to discuss this document and necessary follow-up actions.

On January 28, 1991, at 12:30 PM, John Mosesso will lead a workshop to discuss the concepts embodied in this document with Field Office and Service Center representatives who evaluate the sufficiency of an ABS or with amendments relating to an ABS. The workshop will be held in the Director's Conference Room. Please make arrangements to attend or send your representatives.

**Attachment**



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DEC 4 1990

Memorandum

To: Director

Through: Deputy Director, Operations and Technical Services

From: Ad Hoc Bonding Committee/Alternative Systems *Jolent. Mosesso*

Subject: Secretarial MBO on Alternative Bonding Systems

OSM in conjunction with the Office of the Solicitor conducted a review of alternative bonding systems (ABS's). An analysis of the review has been prepared and is attached hereto. The ad hoc committee responsible for the analysis, has concerns about the ability of existing ABS's to meet the requirements of Section 509 of SMCRA and 30 CFR 800.11 (e). The committee believes that OSM needs to maintain a consistent and continuous vigil over ABS's and their solvency. The committee also believes that there is a need to strengthen the enforcement of existing requirements for ABS's in order to assure their solvency for current and future reclamation. Therefore, considerations for evaluating the sufficiency of any ABS to meet successfully the existing requirements contained in SMCRA and the regulations have been prepared as part of the analysis. To this end, the attached document includes a review of the needed considerations for OSM to understand solvency, analyze ABS's, and recognize various ways of meeting the solvency requirement.

To determine what revisions to existing and proposed ABS's may be needed for them to meet the requirements of SMCRA and the OSM regulations, the committee recommends the following:

- o That the evaluation considerations be incorporated into OSM Directive REG-8 which pertains to state program oversight. This would provide agency-wide consistency in the way ABS solvency is analyzed and evaluated.
- o That all existing and proposed ABS's be fully reviewed, using the attached considerations, to determine their sufficiency in meeting the requirements contained in 30 CFR 800.11(e). We suggest that the Director in consultation with the Field Office Directors establish firm and expedient dates for the completion of these reviews and any necessary follow-up actions.
- o That the considerations be used to analyze, understand and evaluate all future state program amendments that pertain to ABS's.

