

Testimony of
The United Mine Workers of America
Before the
Environmental Resources and Energy Committee
Pennsylvania House of Representatives
Re:
Full Cost Bonding Proposal

Jay Berger
February 16, 2000

Good morning. My name is Jay Berger I am an Executive Board Member of the United Mine Workers of America (UMWA) District 2. I represent our membership in Sub-District 1 of UMWA District 2, which encompasses the Anthracite Coal Mining Region of Pennsylvania.

With me this morning is Matt Miller, UMWA Trustee and Chairmen of the Trustees for the Anthracite Health and Welfare Fund (AHWF), who will assist me in answering any questions of Committee members.

The UMWA is an unincorporated labor organization representing employees who work for Anthracite and Bituminous Coal Industry Employers as well as non-coal industry employers across Pennsylvania. Thousands of UMWA members are employed in the mining industry and are among the highest paid workers in Pennsylvania. Additionally, tens of thousands of other workers are indirectly employed to support the mining industry. Many of these indirect employees are also members of the UMWA.

The UMWA appreciates this opportunity to provide comments on DEP's recent bonding proposal, which will substantially alter its coalmine-bonding program by proposing to implement, prospectively, what DEP refers to as a full cost bonding program (FCB)

DEP's proposal represents a fundamental change to the bonding scheme and could significantly affect surface coal mining operations. The UMWA's interest in this matter is evident.

DEP's Bonding Proposal

On October 6, 1999, DEP Secretary James Seif announced the Department's intention to overhaul the Commonwealth's surface coal mining bonding program.

Pennsylvania's current bonding program, referred to by regulatory authorities as an "Alternative Bonding System" (ABS), requires an operator to post a bond as a means to guarantee performance of reclamation obligations. The Department currently uses a sliding scale per-acre fee in setting the bond amount. In addition, the site-specific bond is supplemented by a \$100 per acre fee assessed against the operator.

The ABS, according to Secretary Seif, may be accumulating a projected deficit of \$1.4 million per year, based upon an internal Department evaluation.

To address this potential deficit the Department announced through Secretary Seif it will revise it's bonding program by replacing the existing ABS with a new "Full Cost Land Reclamation Bonding Program", premised on site-specific estimates of the cost to the Commonwealth to perform reclamation in the event an operator were to default on his obligations.

Under the FCB program as we understand it bond amounts would be set on a site-specific basis in an amount that would be determined by calculating the cost to the

Commonwealth if it had to complete the reclamation work (e.g. backfilling, regarding and revegetating). The new FCB amounts would apply to all new permits and to requests for bonding increments (i.e. a request for authorization to mine additional areas within the boundaries of an existing permit).

UMWA Concerns

There are two points I would like to mention before I identify UMWA Concerns with the proposal.

- First, the present ABS was established by DEP after it commissioned an independent actuarial study of Pennsylvania's coal mining program in 1993. That study, conducted by Milliman and Robertson, Inc. concluded that the combination of per-acre bonds and an increase in the reclamation fee to \$100 per acre was projected to provide adequate financial assurances on a prospective basis for surface mines. Subsequently, DEP adopted those findings by creating the present ABS.

The UMWA would like to examine the most recent study used by the Department in determining a potential deficit in the bond pool to scrutinize its causes.

- Second, our assessment of the impact of the FCB program is based on our interpretation of the Department's two-page press release and information received from employers who have had informal discussions with DEP officials. It is our understanding the Department is in the process of developing the framework to implement the program. Therefore, the UMWA, reserves its final comments and judgment on the FCB program until we have had the opportunity to examine these details in depth and access its full impacts on operators who employ our membership.

That being said, based on our understanding of the FCB concept and how DEP intends to implement it, the UMWA offers the following observations:

1. Full Cost Bonding Proposal

The committee has previously received testimony detailing various aspects of the FCB program (i.e. Pennsylvania Coal Association 12/14/99) I therefore will not be redundant by reiterating information previously provided to the committee.

I do however; wish to reference a point the PCA in section 1, of its testimony titled "Cost Factors Are Not Reflective of Actual Reclamation Cost". In that section the PCA pointed out it found bond cost would increase from 14% to 285% using the Department's draft formula to calculate bond amounts.

I wish to point out in the Anthracite Mining Industry the increases in bond rates in most cases would range at or near 285%.

The high increase is the result of the mining technique required to extract Anthracite Coal.

2. Economic Impact

It is our belief the change from the present ABS to the proposed FCB program would adversely impact the Pennsylvania Coal Industry, which provides thousands of Pennsylvania's with high paying jobs directly and tens of thousands of indirect jobs.

In particular the Anthracite Coal Industry would be dramatically impacted. Based on our understanding of the proposed change to the FCB program.

As Anthracite Mining Companies complete mining operations under existing bonds and require a new bond they will be forced to cease mining operations because of the FCB program will be cost prohibitive.

The loss of these high paying jobs will cause a ripple effect throughout the states economy affecting almost every aspect of it. The Anthracite Area of Pennsylvania already lags behind the rest of the state in the present economic recovery. The loss of high paying mining jobs would negatively impact the regions economic growth even more.

A worker would have to hold down three full time minimum wage jobs simultaneously to contribute the same amount to the tax base of a community as the average working miner does.

Local, county, and school district governing bodies would see their wage tax base shrink. Pressure would be put on governing bodies to make up the loss wage tax through property tax increases, which in turn would adversely affect those living on fixed incomes such as the retired, disabled, and low income families.

Additionally, the loss of Anthracite Coal Production would economically impact thousands of Retired Miners who receive pensions from the AHWF. The AHWF is funded through a royalty on each ton of Anthracite Coal mined. The Anthracite Industry could not stand a 285% increase in bonding cost; subsequently without regular payments to the AHWF the Fund would cease payments of pensions to thousands of Anthracite Retires who depend on it to supplement their Social Security benefits.

As you can see the loss of high paying mining jobs would result in the loss of millions of dollars to the Pennsylvania economy, which could well cost, the state additional millions in tax dollars for community assistance.

This doesn't take into consideration what the economic impact would be on the state and national economy if Anthracite Coal were no longer available. Home and industrial energy cost would rise for the users of Anthracite Coal since they would have to switch to more expensive fuel sources.

The Departments projected deficit of \$1.4 million per year is less than 1% of the present balance in the State's Rainey Day Fund. If the FCB is implemented as proposed it will cause a Thunder Storm in the Anthracite Mining Industry.

In closing I respectfully ask the committee to reject the FCB proposal until it can evaluate in depth the potential ABS deficit, its causes and possible solutions. The UMWA has always been at the forefront of addressing environmental issues in a balanced manner to protect our natural resources, which include workers.

This concludes my testimony. I will be happy to try and answer any questions.