

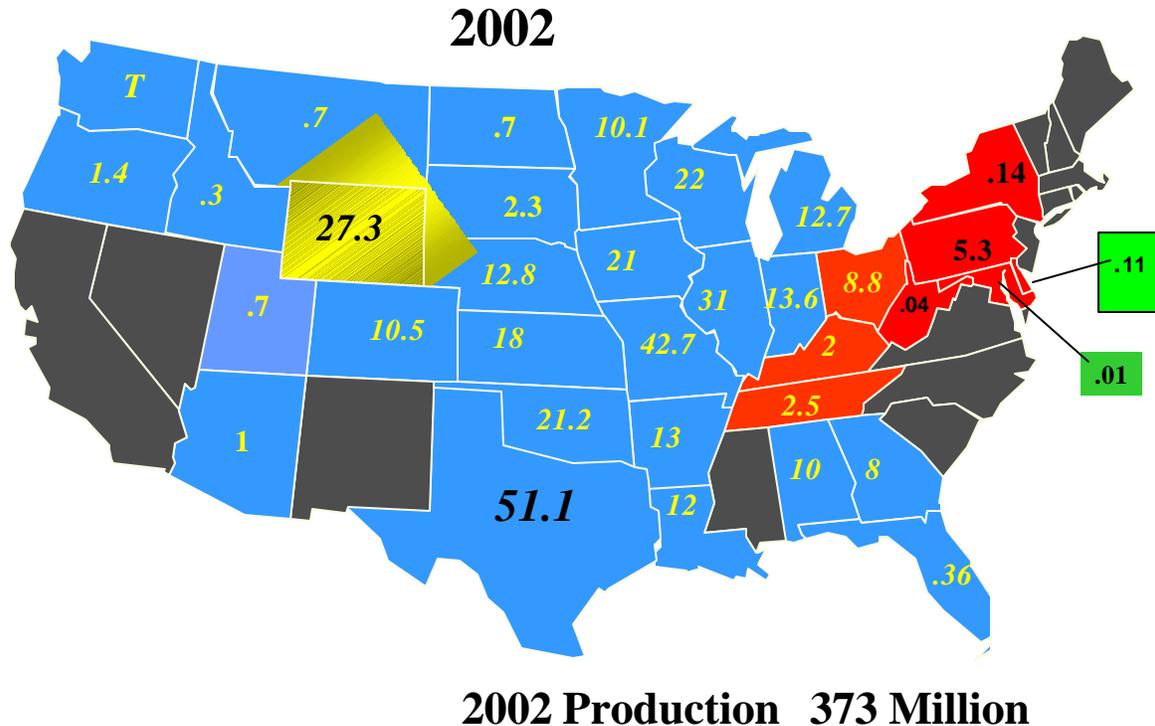
Wyoming Mining Association
Comments to
Subcommittee on Energy and Natural Resources

Madame Chairman, members of the Subcommittee on Energy and Natural Resources, ladies and gentlemen. My name is Marion Loomis and I am the Executive Director of the Wyoming Mining Association. We thank you for the opportunity to comment to you today on the importance of Wyoming coal to the nation and to Wyoming.

I am proud of the fact that Wyoming now supplies 34% of the nation's coal. As you know Wyoming leads the nation in production of coal with over 373 million tons in 2002. Coal from the 18 Wyoming mines travel from coast to coast. In 2002, 34 states received some coal from Wyoming. Those states range from New York State in the Northeast to Florida in the South, and Oregon and Washington in the Northwest. Over the past 10 years we have watched Wyoming coal progressively move further and further east. For instance in 1995 Wyoming did not ship any coal to New York, Pennsylvania, Ohio, Tennessee, or Kentucky. In 2002, New York utilities purchased 40,000 tons and Pennsylvania utilities bought over 5 million tons. Ohio consumed over 8 million tons and Kentucky and Tennessee combined to burn 4.5 million tons.

Most of the coal, however, has been sold to utilities in Texas, Arkansas, Missouri, Iowa, Minnesota, Illinois, and Wisconsin. Wyoming miners are the most productive in nation averaging over 70,000 tons per employee.

Wyoming Coal Markets



Wyoming mines are also some of the safest mines in the nation. Nationwide coal mining is safer than construction, manufacturing, and agriculture; however, mining in Wyoming is even safer than almost any industry including service, real estate and insurance. In 2001, the coal industry nationwide had 6 injuries per 100 workers for every 200,000 hours worked. Wyoming mines, however, had only 1.6 injuries per 100 workers for every 200,000 hours worked. The Mine Safety Health Administration (MSHA) and the National Mining Association (NMA) recognize the safest mines in the nation every year. Wyoming coal mines have won the prestigious Sentinels of Safety award for the safest coal mine in the nation 6 out of the last 7 years.

The economic impact of coal mining is tremendous for Wyoming. At an average \$5.90 per ton for 2002 production, the total value of Wyoming coal was \$2.2 billion. Most of that value stayed right here in Wyoming in the form of taxes, royalties, payroll and the purchase of goods and services. Taxes, royalties, and fees returned to Wyoming exceeded \$500 million based on 2002 production. Those dollars pay for school construction, highways, water development, fire trucks and all other government expense. The payroll for the 4,600 miners in Wyoming exceeded \$387 million. Most of that money turns over in Wyoming purchasing homes, cars, and food. Miners also contribute a great deal to the tourism industry by buying boats, licenses for hunting and fishing, and golf clubs.

The economic impact actually starts long before mining actually takes place. In order to obtain the right to mine the coal, it must be leased from the federal government. Over 95% of the coal mined in Wyoming comes from federal leases. In order to obtain the lease a coal company must pay a bonus bid to the federal government. During the 70's those bonus bids were not large. In some cases they were less than one tenth of a cent per ton of coal reserve, but during the last decade we have seen those bonus bids climb to over \$.30 cents per ton and in one case to \$.71 cent per ton. Wyoming coal companies have requested that 2 billion tons of coal be issued for lease during the next four years. I do not know what those leases might bring, but if one assume an average of \$.30 cents per ton the total bonus monies generated would exceed \$600 million. Half of that bonus bid will be returned to Wyoming and the other half will go to the federal treasury.

Once the mine gets into production, there are numerous taxes, royalties and fees paid. The State of Wyoming assesses a severance tax of 7% on the assessed value of the coal. The county in which the mine is located assesses an ad valorem tax of about 6%. The federal government mandates that a royalty of 12.5% is charged. Half of that royalty is returned to the state. The federal government also charges \$.35 cents per ton for Abandoned Mine Land Reclamation (AML) and 4.4% for black lung. Half of the AML fee is supposed to be returned to Wyoming, but as you know only about 28% is actually returned. Then the county collects property taxes on all of the mine equipment, silos, and buildings. In addition, the state charges sales tax on the purchase of the mine equipment, fuel, explosives and all of the rest of the purchases made by the mine.

The largest portion of the \$2.2 billion that does leave Wyoming ends up in the federal treasury in the form of federal mineral royalties, abandoned mine land reclamation fees, black lung fees, and income taxes. The total federal portion based on 2002 production was over \$425 million, not including any income taxes. Taxes, royalties and fees take over 40% of the total selling price of the coal.

Wyoming gets additional economic impact from coal because of the purchases made by the industry. There is a company in Wyoming that fabricates truck bodies which are in turn sold to the mines. Another company makes dragline buckets and yet others manufacture the explosives used by the mines. Coal mines used over 600 million pounds of explosives last year and a good deal of that ammonium nitrate was manufactured in Cheyenne. The mines use many consultants including environmental services, engineering services, and even companies that do nothing but wash the equipment used by the industry. Coal mines require many services that are provided by Wyoming companies. There are even Wyoming companies that provide the seed used in the reclamation process.

It is safe to say that coal mining provides one of the major economic drivers of the state. When all of the taxes, royalties, jobs, and economic impact are considered, coal is truly Wyoming's ace in the hole.

Thank you allowing us to present these comments and thank you for holding this field hearing in Wyoming.