

TESTIMONY OF THE
OHIO AGGREGATES & INDUSTRIAL MINERALS ASSOCIATION
BEFORE THE OHIO SENATE FINANCE
CORRECTIONS SUBCOMMITTEE
RE: H.B. 64

Chairman Uecker and members of the Senate Finance, Corrections Subcommittee, my name is Brian Barger and I am testifying today on behalf of the Ohio Aggregates & Industrial Minerals Association and asking that you support the amendment made to ODNR's budget request as passed by the House. As with most regulatory programs, things are usually complicated, so I will provide some background and context before getting into the specifics of ODNR's budget and what the OAIMA is asking.

Who we are

The OAIMA represents the interests of Ohio's non-coal mining industry. The Association's approximately 100 producer members primarily mine limestone and sand and gravel aggregates used in building Ohio's roadways, bridges, and numerous other infrastructure projects. Aggregates are the primary building block for infrastructure materials; for example, asphalt is made up of 95% aggregate and ready-mix concrete is 85% aggregate.

The OAIMA members produce approximately 95% of the aggregate materials mined and sold in Ohio. Our single biggest customer is the state of Ohio and its political subdivisions. Currently, in excess of 50% of all aggregate material is purchased with tax dollars. Approximately 5,000 people are directly employed in the industry with an indirect employment multiplier of between 10 and 15 depending on the aggregate material being mined. Aggregate mining takes place in all 88 counties in Ohio. So, as you can see, the industry plays a vital role in building and maintaining Ohio's infrastructure.

How ODNR Regulates the Aggregates Industry

The Ohio Department of Natural Resources, Division of Mineral Resources Management, has primary regulatory authority over non-coal surface mining activity, with its main role being the oversight of the reclamation of surface mines once mining is completed. ODNR also works with each mine to make sure there are no off-site impacts when mining is active. The third component of ODNR's oversight deals with mine safety.

Reclamation of Surface Mines

In Ohio, each mine operator is responsible for the reclamation of the mine site once mining activity has been completed. Reclamation essentially involves the grading of land affected by mining and planting of ground cover to make the site into a usable land form. To ensure reclamation takes place, each mine operator pays the State a bond of \$500 per acre of land affected by mining. If the operator does not timely complete the reclamation, the bond is forfeited and ODNR takes over the reclamation. Further, there are some legacy sites from the days before bonding was required that need reclaiming. ODNR reclaims these old sites using

money from the abandoned mine sites fund. This is ODNR fund 5290 and its main source of funding is from a portion of the severance tax levied on aggregate minerals. By and large, there are relatively few of these abandoned sites remaining in Ohio and it is rare that there is a forfeiture of bond on a current site.

Mine Safety

While ODNR does address some aspects of mine safety for the aggregates' industry, the federal Mine Safety & Health Administration ("MSHA") is, without question, the main agency that oversees mine safety in Ohio. MSHA has thousands of specific regulations and a mandated inspection program that brings MSHA inspectors to each mine site on a random, recurring basis. The OAIMA takes mine safety very seriously and the Association is adamant that Ohio's safety program should reflect current thinking and needs. To that end, OAIMA safety professionals met with ODNR for over eighteen months in 2013 and 2014 to modernize Ohio's mine safety program and to remove duplication inherent between the State and federal programs.¹

ODNR's Request to Reallocated the Severance Tax

In H.B. 64, as introduced, ODNR requested that the severance tax be reallocated among two funds. Specifically, ODNR requested that a portion of the severance tax that goes into Fund 5290, which is used for the reclamation of abandoned aggregate mine sites, be reallocated to Fund 5270, which is its general operating fund for regulation of the aggregates industry, including the mine safety program.

OAIMA'S Request

With this background, the OAIMA approached the Ohio House and respectfully requested that ODNR's funding request relating to the reallocation between these funds, as highlighted below, be removed from H.B. 64. The reason for our request is that we believe these funding issues should be addressed in the same legislation that establishes the parameters of the mine safety program. After reviewing the matter, the House removed ODNR's request from H.B. 64, as passed by the House.

Our rationale is pretty straightforward -- we believe it is good public policy for the sources and uses of the severance tax monies to be addressed in the same legislation that defines the parameters of the program to be funded. To do otherwise is to put the proverbial "cart before the horse." Moreover, removing the severance tax reallocation language will not impose a hardship on ODNR. Much, if not all, of the language for the mine safety reform bill and the language accomplishing the reallocation of the severance tax was previously negotiated by ODNR and the OAIMA in 2013 and 2014. In fact, a bill has now been drafted in the House addressing both the much needed mine safety reforms and ODNR's severance tax reallocation. Assuming that all parties work diligently, the mine safety reform bill, which would include the funding source for that program, and the reallocation of severance tax monies, should be accomplished without undue delay.

¹ Please note that the safety program in question relates only to the industrial minerals industry and not to the coal industry.

Therefore, we respectfully request that the highlighted language that was removed from H.B. 64 in the House should be reserved for a more comprehensive discussion in the separate legislation soon to be introduced in the House.

Again, thank you for the opportunity to testify before the Committee today and I will try to answer any questions you and the Committee may have.

TRANSFER OF FUNDS FOR MINERAL RESOURCES MANAGEMENT

During fiscal years 2016 and 2017, the Director of Budget and Management may, at the request of the Director of Natural Resources, following the identification of available balances by the Director of Natural Resources in the Unreclaimed Land Fund (Fund 5290), transfer up to \$500,000 per year from Fund 5290 to the Coal Mining Administration and Reclamation Reserve Fund (Fund 5260) created in section 1513.181 of the Revised Code. The cash transfer to Fund 5260 shall be used to operate the Coal Regulatory Program.

During fiscal years 2016 and 2017, the Director of Budget and Management may, at the request of the Director of Natural Resources, following the identification of available balances by the Director of Natural Resources in Fund 5290, transfer up to \$800,000 per year from Fund 5290 to the Surface Mining Fund (Fund 5270) created in section 1514.06 of the Revised Code. The cash transfer to Fund 5270 shall be used to operate the industrial minerals and Ohio mine safety and training programs.