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Ohio Coal Association Testimony on Substitute HB 166

Ohio Senate Finance Committee

June 14, 2019

Honorable Members of the Committee,

Chairman Dolan, Vice Chair Burke, and Ranking Member Sykes, thank you for having me today to testify on Substitute HB 166. My name is Michael Cope. I am the President of the Ohio Coal Association. Ohio Coal is a trade association consisting of dozens of members and associate members throughout Ohio that collectively represent every aspect of the regional coal industry, including coal production, equipment manufacturing and supply, electric power generation, engineering, coal transportation, blasting and other similar enterprises.

Our members urge you to reconsider the Senate’s removal of ODNR’s request to transfer $4 million over the biennium to the Reclamation Forfeiture Fund (Fund 5310) in Section 343.30 of HB 166. This modest but critically needed appropriation of General Revenue Funds for the Reclamation Forfeiture Fund was included in the Executive version of the budget proposal and approved by the Ohio House in response to ODNR Director Mertz’s request in her testimony to the House Committee on April 4.

Two compelling reasons support restoring the funding transfer in Section 343.30. In 2017, during the last budget cycle, $5 million was taken from the fund and transferred to GRF. These were monies paid by our members through coal severance taxes which, by statute, were supposed to be used only for reclamation. Ohio’s fiscal condition has improved and, in fairness, mine operator funds paid for reclamation should be used for reclamation. The House approved the return of $4 million over the two year fiscal period.

Second, **just yesterday** the Board responsible for overseeing the Forfeiture Fund met to finalize and approve the actuarial analysis for 2019-2020. The Board’s independent actuary, Pinnacle Actuarial Resources, reported that a minimum balance of $21.6 million is needed to meet the criteria for long-term solvency to cover expected liabilities and expenses.[[1]](#footnote-1) The fund balance now stands at $22.2 million. However, ODNR has budgeted to withdraw $2.2 million from the Fund for reclamation of existing forfeited sites during **each** of the next two fiscal years, totaling $4.4 million.[[2]](#footnote-2) Unfortunately, severance tax revenue based on the actuary’s analysis will reach, **at most**, $1.2 million per year assuming coal production remains at current levels. Doing math even I can do in my head, this means the fund balance will decrease by $2 million over the two year period and become actuarially insolvent in Year No. 1 by falling below $21.6 million. This causes great concern because federal law obligates Ohio to maintain a solvent reclamation assurance program. Ohio is already under the US Department of Interior’s microscope based on the Fund’s 2017 actuary report and the transfer of $5 million to GRF.

For these reasons, Ohio Coal urges the Committee to support ODNR’s request for $4 million in GRF as set forth in Section 343.30 of the House Bill.

Thank you.

1. See Report of Analysis of the Reclamation Forfeiture Fund dated June 10, 2019 (final draft), Executive Summary at p. 6. [↑](#footnote-ref-1)
2. See FY 2020 – FY 2021 Appropriations – Comparison of House to Senate Line Item Detail by Agency, published by the Legislative Budget Office of the Legislative Services Commission. [↑](#footnote-ref-2)