DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Comments on AB 321 - April 2, 2003

We all know that mining is vitally important to our rural economies. The industry provides jobs both in mining operations and in support industries in many areas of the state that are economically challenged. Nevada is the third largest gold producer in the world, behind South Africa and Australia.

These jobs often pay well, with an average income being around $55,000. Mining directly employs about 12,000 people in the state. The mining companies also act as patrons in the communities where they have operations, as benefactors for local schools and contributors to various service projects. Mining companies in Nevada are also major donors to the University's Mackay School of Mines. In fact, just last week Newmont pledged $2.5 million to the School of Mines.

I fully agree with the bumper stickers that say: **Mining: it works for Nevada.**
I also believe it is equally true, however, that **Nevada has worked for mining.**
We have had a mutually beneficial relationship for many years – and we certainly want to keep our relationship strong on both sides.

AB 321 is not an anti-mining bill. It's not necessarily even a pro-environment bill, although the end result will ensure that land damaged by mining is reclaimed.
AB 321 is really a taxpayer protection measure.

In Nevada, before a mining company is given a permit to mine, they must agree to financial assurances that money will be available to clean up the site in the event the company goes bankrupt, or otherwise fails to perform. These assurances can take various forms, such as letters of credit, surety bonds, trust funds, insurance policies and cash. Currently in Nevada, we also accept a form of assurance called a corporate guarantee.

Unlike the other financial assurances, corporate guarantees are basically "a promise" that the mining company will not go bankrupt. The state uses a series of financial tests to determine whether or not a company can qualify for a corporate guarantee. In Nevada, mining companies can qualify for corporate guarantees for up to 75% of the required financial assurance for reclamation costs.

For companies to qualify for corporate guarantees they must demonstrate to the Bureau of Mining Regulation and Reclamation (BMRR) a level of financial health. BMRR reviews these documents with a third party financial consultant. They conduct yearly reviews of the company's finances and are able to remove the corporate guarantee and demand other forms of sureties if they believe the company is in financial peril.

NDEP and NV Mining Association representatives are here today to guide you through the details of acquiring and keeping corporate guarantees. They'll likely tell you that the systems works fine, especially after regulations were strengthened in 2001 after a the Paradise Peak mine went bankrupt. There will be testimony that corporate guarantees present little risk to the taxpayer – and you may be persuaded by their arguments.

ASSEMBLY NATURAL RES., AGRICULTURE & MINING
DATE: 4/2/03 ROOM: 3161 EXHIBIT E 1-2
SUBMITTED BY: Sheila Leslie

However, I believe that corporate guarantees **are** risky for the state because they are essentially promises by the companies that they will not go bankrupt and will be able to come up with the money when the time comes to properly reclaim the land. The two largest gold mining companies in the state, Barrick and Newmont, currently exhibit financial health and prosperity. In fact, according to a recent newspaper article, Newmont Mining Company has just announced that their fourth quarter net income nearly quadrupled due to increased sales of and higher prices of gold. Certainly, their financial health today is not in question. However, with such healthy finances they would likely be able to provide different means of sureties, such as letters of credit, trust funds, or bonds.

I've provided you with a couple of handouts: several articles from our Reno paper about current mining news as well as an Enron timeline which is just a reminder of how quickly some of our major corporations have disintegrated. I am not suggesting that the management of Newmont or Barrick is similar to that of Enron – but on the other hand, suggesting to the people of Houston that Enron would have disintegrated so quickly would probably have been equally unthinkable in the years prior to 2001.

Mining companies claim that being forced to provide sureties in forms other than the corporate guarantee would tie up their capital that could be used for expansion and job creation in rural areas of our state. I think it is important to note at this point that corporate guarantees are not allowed for mines operating on BLM or Forest Service land. There are representatives here today from those agencies that can explain the rationale behind these policies to you.

You may also hear that the surety market has dried up after the 9/11 disaster and it is very expensive and sometimes not possible to obtain sureties in this era because the surety company is not eager to insure against a risk 20 years down the line. I believe there are experts here representing both points of view who can answer your questions in this regard. I just ask you to keep in mind this question: if the surety companies aren't willing to entertain such a risk, why should the taxpayer take the risk?

In conclusion, I've brought this bill to you with my colleague from Reno's district 24 to let you decide if the taxpayers are adequately protected by the use of corporate guarantees for mining reclamation in Nevada. I hope you'll enjoy hearing from both sides of this important question and I know you'll make the best decision for the people of our great state.

At this point I'd like to turn the presentation over to Assemblyman Geddes, a scientist and a native of Gabbs, Nevada, who will give you more detail about the bill and an idea of the potential cost of eliminating corporate guarantees to the mining industry.