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**Assembly Natural Resources, Agriculture & Mining Committee
AB 321 (BDR 46-358)**

Limits types of surety that may be filed for permit to engage in exploration project or mining operation.

Testimony of April 2, 2003

Assemblyman Jason Geddes, District 24 – Washoe County

The mining industry is a vital part of the Nevada economy and has been since the founding of our great state. The citizens of Nevada benefit greatly from the direct impact of the industry on our economy as well as indirectly through all of the products they create. The mining industry has and continues to be great community partners. In my hometown of Gabbs, the mine built our swimming pool, parks, athletic fields and other infrastructure. This occurs throughout Nevada communities and I have seen the mines contribute to the construction of schools, parks and other common facilities.

AB 321 is not an anti-mining bill, but taxpayer protection legislation. The current procedures for establishing a bond to ensure reclamation occurs allows for up to 75% of the calculated bond to be posted through a corporate guarantee. The corporate guarantee allows a company to demonstrate through their financial strength that they are good for the clean up. In the case of a bankruptcy, the state would be left with two options; either not clean up the site or transfer the liability to the taxpayers. AB321 seeks to phase out the corporate guarantee over the next five years. The total amount of corporate bonding is \$242 million.

Actual costs to mining industry of switching to letter of credit, as allowed in NRS 519A.130, which requires 0.5 to 1.5% per a Northern Nevada Bank Executive.

| <u>Year</u> | <u>Industry total</u> | <u>Smallest member</u> | <u>Largest member</u> |
|------------------------------|-----------------------|------------------------|-----------------------|
| 2003 | \$0 | \$0 | \$0 |
| 2004 | \$0 | \$0 | \$0 |
| 2005 | \$0 | \$0 | \$0 |
| 2006 | \$218-439,000 | \$25-75,000 | \$167-333,000 |
| 2007 | \$436-878,000 | \$50-150,000 | \$333-667,000 |
| 2008 and annually thereafter | \$654-1,317,000 | \$75-225,000 | \$500-1,000,000 |

The cost of a large haul truck on a mine site can be upwards of \$1 million dollars. In comparison to this expense and using the high-end estimate for conversion to letters of credit, it is reasonable to limit a \$242 million financial liability faced by Nevada taxpayers through those that are generating the profit as a cost of doing business.