

Progress Illinois

Quick Hit | Ellyn Fortino | Friday June 28th, 2013, 6:30pm |

Report: The Coal Industry Drained Nearly \$20 Million From 2011 Illinois Budget



Illinois' net costs to regulate and support the coal industry chipped away \$19.8 million from the state's budget in fiscal year 2011, a new report by the [Center for Tax and Budget Accountability](#) and [Downstream Strategies](#) shows.

In the same year, tax incentives and grant programs for the coal industry cost the Prairie State \$12.6 million, according to the report, "[The Impact of Coal on the Illinois State Budget](#)" (PDF). Without factoring in coal-related revenues, the state's coal industry expenditures totaled \$66 million in the 2011 budget year, researchers found.



Environmental advocates from the Sierra Club, Prairie Rivers Network, Faith in Place and the Eco-Justice Collaborative, which all helped commission the report, were overall baffled by the findings.

"You have to wonder why in the world we as taxpayers would be giving money to companies that are engaged in activities that directly threaten our environment, and as this report shows, are costing us money," said Jack Darin, director of Illinois' Sierra Club, on a conference call with reporters Thursday.

The state's coal reserves are located in the Eastern Interior coal basin, which includes parts of Illinois, Indiana and Kentucky. Historically, the coal industry has meant jobs and a boon for local economies.

But as Amanda Kass, of the Center for Tax and Budget Accountability and the report's co-author, pointed out, at "the level that the state lawmakers are subsidizing the coal industry in Illinois, it's really not paying off for the state budget or for state residents."

Thirteen out of Illinois' 102 counties produced about 35 million tons of coal in 2010, which directly resulted in the employment of 3,481 miners, managers and upper-level staff, according to the report. The industry also supported another 7,826 jobs indirectly in the same year. Combining those jobs together represents about 0.2 percent of the state's total employment, the report reads. Overall, coal mining and support activities made up a paltry 0.17 percent of the state's private industry economic activity in 2010.

The coal industry does, however, bring in revenue to the state through taxes, which go into the general funds. Illinois raked in \$2.1 million in tax revenue from the coal industry in fiscal year 2011. But overall, that revenue accounted for just .01 percent of the total state-generated revenues for the general funds, according to the report.

Given Illinois' poor fiscal health, including nearly \$100 billion in pension debt, environmentalists argue that the money awarded to the multi-billion dollar coal industry is not worth it, especially at a time when vital state services face the threat of budget cuts.

"This report offers a dose of reality to our elected leaders and all who believe that coal is a good investment," said Lan Richart, co-director of the Eco-Justice Collaborative. "As our state faces a severe budget crisis, Illinois taxpayers must ask why they are giving millions of dollars in subsidies to an industry that provides so little in return."

In addition, the coal companies, some with more than 600 mine permit violations on record, are receiving grants and other subsidies, while at the same time causing serious harm to the environment, said Traci Barkley, water resources scientist at the Prairie Rivers Network. For example, at mine sites where coal washing takes place, up to 2 million gallons of water are used per mine everyday in the state, ultimately leaving behind pits of coal slurry with polluted discharge that can seep into streams and rivers, she said.

"In these uncertain times, and definitely in the face of droughts that we're facing right now, communities can't afford to give up that water and their land to dirty coal companies," she said.

In addition, 40 percent of CO2 emissions from fuel combustion are attributed to coal, Richart added.

The commissioners of the report called on state lawmakers to redirect grants and tax incentives to the state's clean energy economic sector.

Darin said investing in renewable energy would be a far better energy, environmental and job creation strategy than continuing to send money to the coal industry. In the last few years, Darin said some 200,000 jobs have been created in the wind industry alone in central and western Illinois.

"These are jobs that don't come at a price for the environment," he said. "In fact, they don't come at a price for the taxpayers. In fact, they save us money on our electric bills."

He said the solar industry is on track to have a similar take off like the wind industry, "if we get the policies right on our state energy plan."

When asked whether the coal industry in Illinois could survive without various subsidies, Rory McIlmoil, former energy program manager at Downstream Strategies, noted that the total gross production value of Illinois coal in 2011 was over \$3 billion.

"My answer would be yes, they could survive without the subsidies," said McIlmoil, a co-author of the report.

The study's authors laid out a few key recommendations on how to maximize the revenues generated by the industry in order to spur new forms of economic development and strengthen local economies.

The first recommendation involves implementing a state severance tax, such as 1 percent or 5 percent, on coal and then distributing a portion of the revenues to local governments. The report noted that 38 states already have some type of severance tax in place.

"If Illinois had a severance tax in 2011, that would have brought in \$100 million of new, additional revenue to the state," Kass said.

In addition, Illinois implemented [a new sales tax exemption](#) in 2012 for purchases of mine-related items, which is another area of revenue that the state is "losing out on," she said.

Secondly, the state should create a permanent mineral trust fund that would protect against future declines in coal-related jobs and revenues. If a new severance tax on coal was put in place, a portion of

that revenue could go into the fund, which could also help pay for education and health care initiatives or for reclaiming abandoned coal mining lands, among other uses.

The report also called for a detailed cost-benefit analysis of grant programs that support coal-related projects along with greater transparency and oversight.

"Illinois subsidizes big polluters from the coal industry, while citizens pay the price for the impact of dirty coal on our health, the environment and accelerated climate change," Darin said. "Ending state subsidies and tax breaks for the Illinois coal industry will have a positive impact on the Illinois state budget as well as for the future of our families and environment."

Comments

[Login](#) or [register](#) to post comments
[Progress Illinois](#)

© 2008 - 2013 Progressive Illinois LLC, All rights reserved