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## Subsidizing coal costs Illinois budget \$20 million

Report questions Illinois support of coal industry

BY PATRICK YEAGLE



Coal companies have extracted about \$3 billion worth of coal from Illinois so far this year. So why is the state of Illinois giving them subsidies?

That's the question asked by an alliance of environmental groups in a report released June 27. Titled "The Impact of Coal on the Illinois State Budget," the report says Illinois is giving money to an already profitable industry while missing out on millions of dollars in tax revenue.

"At a time when our state's fiscal crisis is threatening ... all kinds of serious impacts, 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 are costing us money," said Jack Darin, executive director of the Sierra Club Illinois Chapter. "Many of these companies are out-of-state companies, and what they're doing is digging up some of the best farm ground on the planet, and in the process polluting the water supplies and the air that we breathe."

The report says subsidies to the coal industry drained \$19.8 million from the Illinois budget in fiscal year 2011. That figure adds the direct and indirect corporate, individual and sales taxes generated by coal extraction in Illinois, then subtracts what the state spent to regulate the coal industry, the tax credits given to coal investors and the grants given to coal companies and coal researchers. Much of the state grant money goes toward safety equipment like dust control sprayers and training for coal miners at Illinois colleges and universities, according to the Illinois Department of Commerce and Economic Opportunity's Office of Coal Development.

Additionally, Illinois does not have a severance tax for coal extraction. Amanda Kass, a research and policy specialist for the Center for Tax and Budget Accountability, estimates that a severance tax on coal extraction would raise an additional \$100 million in annual state revenue.

Traci Barkley, a water resources scientist with the environmental group Prairie Rivers Network, said lax oversight by coal regulators in Illinois has made the state attractive to coal companies from elsewhere. Prairie Rivers Network is currently involved in a legal battle to revoke the permit of the Springfield Coal Company over the 600-plus violations at its Industry Mine near Macomb. Barkley called for an immediate end to coal grants and subsidies.

"We feel that these are losing investments in an industry that does not pay its fair share," she said.

Brian Sauder, policy director for environmental group Faith in Place, said Illinois should not cut social service funding while giving money to an industry that is already profitable. He said Illinois has "both an ethical and a moral obligation ... to spend our tax dollars to support more clean forms of energy and not to spend our tax dollars on dirty forms of energy like coal."

Meanwhile, high-sulfur Illinois coal that can't be burnt in the United States without expensive pollution scrubbers is being shipped overseas to places like China, where pollution controls are lax at best. In the Chinese capital city of Beijing, it's not uncommon to see smog so thick that skyscrapers become invisible, and that nation's rapid industrialization based largely on coal power is partly to blame. Coal exports from Illinois to other countries more than doubled from 2.5 million tons in 2010 to 5.5 million tons in 2011, according to the U.S. Energy Information Administration. The Illinois Department of Commerce and Economic Opportunity says two coal companies operating in Illinois – Peabody Energy and Foresight Energy – are forming partnerships with buyers in China and India to purchase Illinois coal.

Phil Gonet, president of the Illinois Coal Association, said he couldn't comment directly on the report because he hadn't seen the calculations used. However, he defended the coal industry, saying the jobs created and economic benefits are more important than the effect on the state budget in the big picture. Gonet said coal subsidies aren't the only state budget item in tension with social services.

"The General Assembly grapples with this every year," he said. "There's a whole bunch of things in the budget about which you could make the same argument."

UPDATE: In an email sent just prior to publication, Gonet relayed his initial reaction to the report. He pointed to the the construction jobs and economic impact of new coal mines and coal plant projects. The "big ones" Gonet noted are:

- Springfield's City Water, Light and Power spent \$500 million to build its state-of-the-art Dallman 4 plant.
- Prairie State Generating Company (Washington County) spent over \$5 billion on their 1,600 MW power plant and adjacent coal mine. The power plant had over 3,500 construction workers for several years.
- Foresight Energy has spent about \$2 billion in the past 10 years to build 3 new mines and reopen the mine in Carlinville, Gonet said.
- The Futuregen project is a \$1.6 billion commitment.

"There are other sizable coal investments, as well," he said. "This is significant economic activity by the coal industry that is not included in the report. I submit that the report's conclusions would be more favorable for coal if these coal projects were included in their analysis."

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### Report:

<https://content.sierraclub.org/press-releases/2013/06/report-coal-industry-drains-close-20-million-illinois-state-budget-annually>

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