

**Statement of Dean A. Rhoads, Nevada State Senator
Rural Nevada Senatorial District**

Regarding H.R. 2262 — Hardrock Mining and Reclamation Act of 2007

**Before the Subcommittee on Energy and Mineral Resources
United States House of Representatives**

**Western Folk Life Center
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Chairman Costa and members of the Subcommittee, my name is Dean Rhoads. I have been a Nevada State Senator since 1985 and also served in the Nevada State Assembly in the late 1970s and early 1980s. I am grateful for this opportunity to speak before you today and I welcome you to northeastern Nevada, where we treasure and respect our natural resources and appreciate a rather peaceful and quiet lifestyle. I know, Mr. Chairman, with your vast experience as a state legislator in California for nearly 25 years, you can appreciate my position in representing the needs of a diverse constituency spread across thousands of miles.

Indeed, my State Senatorial district is the largest in the United States outside of Alaska. Comprised of over 73,000 square miles, it is larger than 34 states and represents about two-thirds of the land area in the State of Nevada. Also, my legislative district is home to almost all of the active mining operations in the State. Many of my constituents are directly employed by the mining industry and thousands more work for businesses that support critical mining activities. As you know, Nevada is the nation's leading producer of precious metals, producing approximately 70 percent of U.S. gold and over 40 percent of U.S. silver. From a broader perspective, it is important to remind the Subcommittee that mining benefits each American citizen who uses a motor vehicle, owns a computer or appliance, participates in sports, wears jewelry, and uses a telephone. Additionally, mining is a vital element to the nation's national defense. Given these impressive mining statistics, it is fitting that you are here today to discuss reforms to the General Mining Law of 1872 as proposed in House Resolution (H.R.) 2262.

This proposed legislation seeks to address current practices concerning the issuance of patents for certain mining operations, proposes an 8 percent "net smelter return" royalty on all future production of locatable minerals on federal lands, limits and revises existing practices for mining permits, and changes standards for reclamation and bonding. On the surface, these reforms seem logical and we may be experiencing the best political climate in years to address these

issues. However, I want to urge the Committee to tread carefully when considering such reforms. First, we must ensure that any reforms to the 1872 mining law do not cause significant job losses within the mining industry, result in mine closures, or discourage future investment in or exploration for new mines.

One of the biggest concerns of my constituents and the mining industry is the proposed 8 percent net smelter royalty on mineral production. As you may know, the State of Nevada already assesses a “net proceeds of minerals and patented mines tax,” which is determined annually based on the actual production of minerals from all operating mines. Most of these proceeds benefit our local governments and rural schools. I question the wisdom of imposing any additional tax on the mining industry, and especially one that does not allow deductions for direct mining production costs. According to the National Mining Association, many studies have shown that this type of royalty would result in job losses and substantial revenue losses to state and federal treasuries and discourage mineral exploration.

Any reforms should protect existing strong and sensible state-level mining regulations and current federal mining regulations that already do a good job of protecting the environment and monitoring key mining activities. For example, Nevada’s mining regulations are well-known for their comprehensive bonding and reclamation requirements, unmatched health and safety standards, widespread mine reporting and record keeping mandates, and stringent permitting requirements. Nevada also has a very active and successful abandoned mine lands program and Nevada’s Division of Environmental Protection recently established cutting-edge regulations regarding mercury emissions. In addition, the Legislature just passed legislation further supporting the functions of the Nevada Mercury Air Emissions Control Program. I would encourage you and your staff to review Nevada’s comprehensive set of statutes and administrative regulations concerning mining to assist in the Subcommittee’s reform efforts. Copies of these laws and regulations have been provided to you today. (See Title 46 of the *Nevada Revised Statutes* and Chapters 512, 513, 517, and 519A of the *Nevada Administrative Code*.)

Reforms to the 1872 mining law should not allow the blanket closure of large tracts of federal land from mining unless the closure can be justified in the national interest. The Bureau of Land Management’s Minerals Policy Statement clearly states that mineral exploration and development can coexist with other resource uses. While today’s modern mining techniques have reduced the “footprint” on the landscape, many existing federal laws and programs have already restricted mining on over half of all federally owned public lands. In addition, reforms should

guarantee and protect economic investment in mining. Such reforms, referred to by the National Mining Association as “Security of Title,” are critical to ensuring that capital investment can occur at a mine throughout the life of the mine. Without these economic assurances, necessary long-term capital commitments may be jeopardized.

In conclusion, I would like to again thank you for making the trip to Elko County and the heart of American mining. Mining is critical to our economy and serves as the “lifblood” for so many rural communities in the West. I urge you to consider the impacts that overzealous and widespread mining reform could have on our already economically fragile communities. I am sure you will agree that the possible unintended consequences of job losses and economic collapse are not the objective of mining reform. These are real possibilities for rural Nevada and the West if mining reforms are not fully debated and carefully analyzed.

As I noted earlier, today’s political climate is ripe for some reform of the 1872 mining law. As policymakers, we should never reject efforts to improve upon current practices in any industry. However, we certainly should proceed with caution when enhancing such a strong framework of existing state and federal mining laws that protect the environment, rural communities, and the ever-important mining industry that contributes unselfishly to our rural schools and local governments and touches the lives of every American in many ways.

Thank you again for the generous opportunity to speak to you today.

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