Lull in Mining Means $88M Less in Coal Tax Revenue

ROGER ALFORD,Associated Press

FRANKFORT, Ky. (AP) — Some local governments in Kentucky's coalfields could be forced to postpone their planned construction projects because a slowdown in the mining industry has sent revenue plummeting from the state's coal severance tax, state lawmakers were told Thursday.

Deputy State Budget Director John Hicks told members of the Interim Joint Committee on Energy and Environment that coal tax revenue is projected at $245 million this year. That's $88 million less than was expected when lawmakers passed the budget five months ago.

Hicks said the state budget can absorb the shortfall, but it will hit county governments hard.

State Sen. Dorsey Ridley, D-Henderson said the shortfall will mean local governments will have to prioritize infrastructure projects that are on the drawing boards and will likely have no choice other than to delay some.

Greg Harkenrider, deputy director of the Governor's Office for Policy Research, said the financial woes could be long-lasting.

"If there's a rebound in the offing, we haven't seen it," said Harkenrider, an adviser to a group of state economist charged with monitoring trends for the governor and lawmakers.

An unseasonably warm winter left power plants with huge stockpiles of unused coal because consumers were using less electricity to heat their homes, contributing to a steep decline in the price of coal. That long stretch of mild weather combined with other factors that led to the layoffs of some 2,000 coal miners in Kentucky's Appalachian region.

State Sen. Brandon Smith, R-Hazard, charged that federal regulations cracking down on coal-fired power plants have added to the problem, forcing utility companies to look to cleaner-burning natural gas or other alternatives to generate electricity. Smith, co-chairman of the Interim Committee on Energy and Environment, accused the U.S. Environmental Protection Agency of declaring war on coal.

"We're one of the victims," Smith said.

State Rep. Jim Gooch, D-Providence, said the economic recession's impact on manufacturing also has hurt Kentucky's mining industry because many of the major

industrial plants that are heavy users of electricity haven't fully rebounded.

Gooch said all those factors have combined to leave county governments in the coalfields in a cash crunch that will force them to wait on projects that were expected to be completed over the next two years. That includes extensions of water and sewer services, expansions of fire departments, purchases of equipment, paving of roads, even operating local jails.

Judge-Executive Joe Grieshop said Harlan County received about $3.3 million in coal severance revenue last year. This year, he expects that amount to drop to about $2.6 million.

"We're trying to brace ourselves for it," he said.

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