



Highlights of [GAO-05-377](#), a report to the Ranking Minority Member, Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

Since the General Mining Act of 1872, billions of dollars in hardrock minerals, such as gold, have been extracted from federal land now managed by the Department of the Interior's Bureau of Land Management (BLM). For years, some mining operators did not reclaim land, creating environmental, health, and safety risks. Beginning in 1981, federal regulations required all operators to reclaim BLM land disturbed by these operations. In 2001, federal regulations began requiring operators to provide financial assurances before they began exploration or mining operations. GAO was asked to determine the (1) types, amount, and coverage of financial assurances operators currently use; (2) extent to which financial assurance providers and others have paid to reclaim land not reclaimed by the operator since BLM began requiring financial assurances; and (3) reliability and sufficiency of BLM's automated information system (LR2000) for managing financial assurances for hardrock operations.

What GAO Recommends

GAO recommends that BLM strengthen its management of financial assurances by requiring its state office directors to develop an action plan for ensuring operators have adequate financial assurances and improving the reliability and sufficiency of LR2000. Interior did not concur with the recommendations; GAO believes they are needed to ensure adequate financial assurances.

www.gao.gov/cgi-bin/getrpt?GAO-05-377.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robin M. Nazzaro at (202) 512-3841 or nazzaror@gao.gov.

HARDROCK MINING

BLM Needs to Better Manage Financial Assurances to Guarantee Coverage of Reclamation Costs

What GAO Found

According to GAO's survey of BLM state offices, as of July 2004, hardrock operators were using 11 types of financial assurances, valued at about \$837 million, to guarantee reclamation costs for existing hardrock operations on BLM land. Surety bonds, letters of credit, and corporate guarantees accounted for most of the assurances' value. However, these financial assurances may not fully cover all future reclamation costs for these existing hardrock operations if operators do not complete required reclamation. BLM reported that, as of July 2004, some existing hardrock operations do not have financial assurances and some have no or outdated reclamation plans and/or cost estimates, on which financial assurances should be based.

BLM identified 48 hardrock operations on BLM land that had ceased and not been reclaimed by operators since it began requiring financial assurances. BLM reported that the most recent cost estimates for 43 of these operations totaled about \$136 million, with no adjustment for inflation; it did not report reclamation cost estimates for the other 5 operations. However, as of July 2004, financial assurances had paid or guaranteed \$69 million and federal agencies and others had provided \$10.6 million to pay for reclamation, leaving \$56.4 million in reclamation costs unfunded. Financial assurances were not adequate to pay all estimated costs for required reclamation for 25 of the 48 operations because (1) some operations did not have financial assurances, despite BLM efforts in some cases to make the operators provide them; (2) some operations' financial assurances were less than the most recent reclamation cost estimates; and (3) some financial assurance providers went bankrupt. Also, cost estimates may be understated for about half of the remaining 23 operations because the estimates may not have been updated to reflect inflation or other factors.

BLM's LR2000 is not reliable and sufficient for managing financial assurances for hardrock operations because BLM staff do not always update information and LR2000 is not currently designed to track certain critical information. Specifically, staff have not entered information on each operation, and for those operations that are included, the information is not always current. Also, LR2000 does not track some critical information—operations' basic status, some types of allowable assurances, and state- and county-held financial assurances. Given these limitations, BLM's reliance on LR2000 to manage financial assurances is mixed: headquarters does not always rely on it and BLM state offices' reliance varies. To compensate for LR2000's limitations, some BLM offices use informal record-keeping systems to help manage hardrock operations and financial assurances. BLM has taken some steps and identified others to improve LR2000 for managing financial assurances for hardrock operations.