CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

September 5, 2002

H.R. 3813
Coal Accountability and Retired Employee Act for the 21st Century

As ordered reported by the House Committee on Resources on June 26, 2002

SUMMARY

H.R. 3813 would require the Office of Surface Mining to transfer any remaining interest credited to the Abandoned Mine Reclamation (AML) Fund to the United Mine Workers of America Combined Benefit Fund (CBF) in the case of a deficit of net assets in that fund (that is, when expenditures exceed revenues in a particular year). CBO estimates that the CBF will record a deficit of net assets in 2002 and in each year thereafter.

If the bill were enacted, CBO estimates that an additional $71 million in 2003 and about $500 million over the 2003-2012 period would be transferred to the CBF, assuming that the reclamation fees paid by coal companies to the AML Fund expire in 2004 as scheduled and that no discretionary appropriations are made from the fund after fiscal year 2002. By themselves, the transfers, from one federal budget account to another, would not affect the budget totals. The transfers would, however, provide additional resources to the CBF, which would otherwise run out of money to pay health benefits to retired mine workers and their dependents. CBO estimates that those transfers would result in additional benefit payments of $4 million in 2004 and $421 million over the 2004-2012 period.

In addition, because of the increased payments from the CBF, federal Medicaid spending would decline by about $2 million a year beginning in 2005. Therefore, CBO estimates that the net change in direct spending would be an increase of $405 million over the 2004-2012 period. Because implementing H.R. 3813 would affect direct spending, pay-as-you-go procedures would apply.

H.R. 3813 contains no private-sector or intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would reduce Medicaid spending by state governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 3813 is shown in Table 1. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars					
	2002	2003	2004	2005	2006	2007
CHANGES IN DIRECT SPENDING						
Additional Spending from the CBF						
Estimated Budget Authority	0	0	4	63	60	58
Estimated Outlays	0	0	4	63	60	58
Federal Share of Medicaid						
Estimated Budget Authority	0	0	*	-2	-2	-2
Estimated Outlays	0	0	*	-2	-2	-2
Net Effect on Federal Spending						
Estimated Budget Authority	0	0	4	61	58	56
Estimated Outlays	0	0	4	61	58	56

NOTE: * = Reduction of less than $500,000.

BASIS OF ESTIMATE

The Abandoned Mine Reclamation Fund is supported by a fee on domestically produced coal, and a portion of the interest credited to that fund each year is transferred to the Combined Benefit Fund to provide health benefits for certain retired mine workers and their dependents. Under current law, the transfer of interest earnings is capped at $70 million a year. H.R. 3813 would remove that cap and would allow interest transfers to be made to offset any deficits in the CBF. CBO estimates that the CBF will run a deficit of more than $450 million over the 2003-2012 period because the cost of providing health benefits has been growing more rapidly than the premiums collected by the fund. If the bill is enacted, CBO estimates that an additional $71 million would be transferred in 2003 to cover deficits in 2002 and 2003.

Although the CBF is privately administered, revenues to the fund and outlays from the fund are recorded on the federal budget. The payments to the fund—health insurance premiums paid by certain coal producers—are mandated by the government, and the benefits paid by the fund are a federal entitlement program. Therefore, the transfer of funds from the AML to the CBF is an intragovernmental transaction and, by itself, has no net budgetary effect.

The budgetary impact of H.R. 3813 would not be the transfer itself, but the additional benefits that would be paid from the CBF as a result of the transfer. In the event of a deficit, the trustees of the CBF will first try to balance the fund by reducing spending on items and services other than health benefits. But if the deficit is large enough, they will have to cut benefits. CBO estimates that the fund will have to reduce benefits starting in 2004 and will need to cut $421 million in benefits over the 2004-2012 period under current law—that is, with transfers limited to $70 million a year.

This cost estimate assumes that no appropriations are made from the AML Fund after 2002, and that the fund receives no additional income after 2004 from taxes on companies producing coal. (Under current law, those taxes expire on September 30, 2004.) On that basis, CBO estimates that there would be enough interest available in the AML Fund to cover net deficits in the CBF so that no benefits would be cut through 2012 if H.R. 3813 were enacted. Thus, the transfer of interest from the AML Fund to cover net deficits in the CBF would enable the CBF to avoid reducing benefits, and therefore, would increase direct spending by $421 million over the 2004-2012 period.

The result would be different if additional appropriations for other purposes were made from the AML Fund after 2002. If appropriations continue at current levels (without extension of the taxes), the AML Fund would gradually be depleted and the sums available for transfer to the CBF would decline over time. After a few years, benefit payments would have to be reduced. Under that scenario, enactment of H.R. 3813 would not add to aggregate spending over the 2004-2012 period.

For beneficiaries who are also enrolled in Medicaid, a loss of benefits from the CBF would shift costs to the Medicaid program. Because this legislation would eliminate the need to reduce health benefits paid from the CBF, it would reduce the health care costs that would have to be paid by Medicaid. CBO estimates that this change would decrease federal Medicaid spending by $2 million in 2005 and $16 million over the 2005-2012 period.

PAY-AS-YOU-GO CONSIDERATIONS

Section 252 of the Balanced Budget and Emergency Deficit Control Act sets up pay-as-you-go procedures for legislation affecting direct spending or receipts. The net changes in outlays that are subject to pay-as-you-go procedures are shown in the following table. For the purposes of enforcing pay-as-you-go procedures, only the effects through 2006 are counted.

	By Fiscal Year, in Millions of Dollars										
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Changes in outlays	0	0	4	61	58	56	53	50	45	41	36
Changes in receipts	Not applicable										

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill contains no new intergovernmental or private-sector mandates as defined in UMRA. Because additional resources in the Combined Benefit Fund would provide health benefits to eligible beneficiaries, Medicaid spending would decrease. Consequently, CBO estimates that states would save over $1 million in 2005 and $12 million over the 2003-2012 period in the Medicaid program.

ESTIMATE PREPARED BY:

Federal Costs:
AML and CBF Funds—Alexis Ahlstrom
Medicaid—Eric Rollins
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Lauren Marks

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis