CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

October 16, 2003

H.R. 313
Coal Accountability and Retired Employee Act for the 21st Century

As ordered reported by the House Committee on Resources on October 1, 2003

SUMMARY

H.R. 313 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 2004 and in each year thereafter.

If the bill were enacted, CBO estimates that an additional $67 million in 2004 and about $500 million over the 2004-2013 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 2003. 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 have no effect on benefit payments in 2004 and would result in additional benefit payments of $472 million over the 2005-2013 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 $454 million over the 2005-2013 period.

H.R. 313 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. 313 is shown in Table 1. The costs of this legislation fall within budget function 550 (health).

	By Fiscal Year, in Millions of Dollars									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
CHANGES IN DIRECT SPENDING										
Additional Spending from the CBF										
Estimated Budget Authority	0	69	64	60	54	49	46	45	43	41
Estimated Outlays	0	69	64	60	54	49	46	45	43	41
Federal Share of Medicaid										
Estimated Budget Authority	0	-2	-2	-2	-2	-2	-2	-2	-2	-2
Estimated Outlays	0	-2	-2	-2	-2	-2	-2	-2	-2	-2
Net Effect on Federal Spending										
Estimated Budget Authority	0	67	62	58	52	47	44	43	41	39
Estimated Outlays	0	67	62	58	52	47	44	43	41	39

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. 313 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 $500 million over the 2004-2013 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 $67 million would be transferred in 2004 to cover deficits in 2003 and 2004.

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. 313 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 2005 and will need to cut $472 million in benefits over the 2005-2013 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 2003, 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 2013 if H.R. 313 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 $472 million over the 2005-2013 period.

The result would be different if additional appropriations for other purposes were made from the AML Fund after 2003. If appropriations continue at the 2003 level (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. 313 would not add to aggregate spending over the 2005-2013 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 $18 million over the 2005-2013 period.

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' share of those savings would total about $1 million in 2005 and $14 million over the 2005-2013 period.

ESTIMATE PREPARED BY:

Federal Costs:
AML and CBF Funds—Tom Bradley
Medicaid—Eric Rollins
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Cecil McPherson

ESTIMATE APPROVED BY:

Robert A. Sunshine
Assistant Director for Budget Analysis