CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 18, 2016

S. 3470
Miners Protection Act of 2016

As reported by the Senate Committee on Finance on November 16, 2016

SUMMARY

S. 3470 would authorize payments for health and pension benefits for certain retired or disabled coal miners and their eligible dependents. Such payments would be made to the United Mine Workers of America (UMWA) Health and Retirement Funds, a group of multiemployer plans that provide benefits to retirees from the coal industry. The bill also would extend the authority to collect and increase the rate of certain customs user fees.

CBO and the staff of the Joint Committee on Taxation (JCT) estimate that enacting the bill would reduce direct spending, on net, by $7 million and increase federal revenues by $67 million over the 2017-2026 period. Considering both the direct spending and revenue effects, we estimate that enacting S. 3470 would reduce budget deficits, on net, by $74 million over the 2017-2026 period.

Pay-as-you-go procedures apply because enacting the legislation would affect direct spending and revenues. CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2027.

CBO has determined that the nontax provisions of the bill contain no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA).

CBO has determined that the nontax provisions of the bill contain private-sector mandates on users of customs services, the trustees of the UMWA 1974 Pension Plan, and administrators of certain associations. CBO estimates that cost of the mandates on trustees and administrators would be small. However, CBO estimates that the incremental cost of the mandate on users of customs services would amount to about $3.1 billion in 2026 and would greatly exceed the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation) in that year.

JCT has determined that the tax provisions of the bill contain no intergovernmental or private-sector mandates.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effects of S. 3470 are shown in the following table. The costs of this legislation primarily fall within budget functions 370 (advancement of commerce), 550 (health), and 600 (income security).

	By Fiscal Year, in Millions of Dollars											
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2017-2021	2017-2026
INCREASES OR DECREASES (-) IN DIRECT SPENDING												
Retiree Health Benefits												
Estimated Budget Authority	146	193	204	210	217	225	232	239	247	255	970	2,168
Estimated Outlays	146	193	204	210	217	225	232	239	247	255	970	2,168
Effects on Federal Health Programs												
Estimated Budget Authority	-14	-49	-51	-53	-55	-56	-58	-59	-61	-63	-222	-519
Estimated Outlays	-14	-49	-51	-53	-55	-56	-58	-59	-61	-63	-222	-519
Pension Benefits												
Estimated Budget Authority	194	55	68	125	128	133	183	171	162	154	570	1,373
Estimated Outlays	194	55	68	125	128	133	183	171	162	154	570	1,373
PBGC Financial Assistance												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	0	0	0
Estimated Outlays	0	-10	-10	-10	-25	-55	-110	-155	415	0	-55	40
Customs Fees												
Estimated Budget Authority	0	0	0	0	0	0	0	0	0	-3,069	0	-3,069
Estimated Outlays	0	0	0	0	0	0	0	0	0	-3,069	0	-3,069
Total Direct Spending												
Estimated Budget Authority	326	199	221	282	290	302	357	351	348	-2,723	1,318	-47
Estimated Outlays	326	189	211	272	265	247	247	196	763	-2,723	1,263	-7
INCREASES IN REVENUES												
VEBA Transfers	47	1	1	1	1	1	1	1	1	1	51	56
Effect on Federal Health Programs	*	1	1	1	1	1	1	1	1	1	5	11
Total Estimated Revenues	47	2	2	2	2	2	2	2	2	2	56	67
NET INCREASE OR DECREASE (-) IN THE DEFICIT FROM CHANGES IN DIRECT SPENDING AND REVENUES												
Impact on Deficit	279	187	209	270	263	245	245	194	761	-2,725	1,207	-74

Notes: Numbers may not add to totals because of rounding; PBGC = Pension Benefit Guarantee Corporation; VEBA = Voluntary Employees' Beneficiary Association; * = less than $500,000.

BASIS OF ESTIMATE

For this estimate, CBO assumes that the bill will be enacted before the end of calendar year 2016.

Background

Under current law, the Surface Mining Control and Reclamation Act of 1977 (SMCRA) authorizes the Office of Surface Mining Reclamation and Enforcement (OSMRE) to make annual payments to three multiemployer plans that provide health benefits for certain retirees from the coal industry and to award grants to certain states and Indian tribes that have completed all of their outstanding coal mine reclamation projects. Payments made from the general fund of the Treasury for such purposes cannot exceed a combined annual limit of $490 million (statutory cap).

The plans that currently receive payments for retiree health benefits under SMCRA, collectively referred to as the “UMWA health plans,” are the Combined Benefit Fund, the 1992 Benefit Plan, and the 1993 Benefit Plan. (Those payments cover a portion of the plans’ costs to provide health care to eligible retirees.) SMCRA also authorizes the annual transfer of interest earned on the Abandoned Mine Reclamation Fund, a federal fund consisting of accrued collections of certain taxes on coal producers, to the UMWA health plans to pay a portion of the health benefits of certain retirees enrolled in those plans. Under current law, if the transferred interest is insufficient to cover the expected health-related costs for certain enrollees for a given year, OSMRE makes supplemental payments from the general fund of the Treasury to cover the remaining costs, subject to the statutory cap.

Under current law, CBO estimates that over the 2017-2026 period OSMRE will transfer $676 million in interest earnings to the UMWA health plans. Because those transfers are not expected to fully cover the health care costs of enrollees, OSMRE will also make supplemental payments totaling $916 million to those plans and another $500 million for certain states and Indian tribes. Those payments will total about $1.4 billion—about $3.5 billion less than the maximum amount authorized over the next 10 years.

Effects on Direct Spending

Enacting the bill would affect federal spending for health benefits for certain retired coal miners, increase financial assistance for certain pension plans, and increase customs user fees.

CBO estimates that enacting the bill would:

- Increase net spending for health benefits and programs by about $1.6 billion over the 2017-2026 period,

- Increase net assistance for pension plans by $1.4 billion over the 2017-2026 period, and

- Increase custom user fees (which are recorded in the budget as reductions in direct spending) by $3.1 billion over the 2017-2026 period.

Retiree Health Benefits. The bill would expand the number of people eligible for the UMWA 1993 Benefit Plan. The health benefits of people affected by the bill would be taken into account when determining the subsidy amount OSMRE transfers to that plan each year. CBO expects that supplemental payments from the Treasury to the 1993 Benefit Plan would be necessary to cover those additional health care costs but the total payments would not exceed the statutory cap.

Under the bill and based on an analysis of information from UMWA, CBO estimates that OSMRE would make new contributions to the 1993 Benefit Plan for health benefits on behalf of about 22,500 retired coal miners and their dependents. That number comprises:

- 19,000 people whose health benefits would otherwise be denied or reduced as a result of a qualifying bankruptcy proceeding commenced in 2012 or 2015, and

- 3,500 people who became eligible for nonfederal benefits under the 1993 Benefit Plan after December 31, 2006, and were enrolled in the plan as of the date of enactment of the bill (excluding those enrolled under the terms of a participation agreement).

Based on historical data on health care spending for those people, CBO estimates that the average federal contribution (for benefits and administrative costs) would be about $8,000 per person in 2017. We expect that those contributions would increase at an average annual rate of between 5.0 percent and 5.5 percent over the 2017-2026 period. In total, CBO estimates that federal transfers to the UMWA 1993 Benefit Plan authorized under the bill would increase direct spending by about $2.2 billion over the 2017-2026 period.

Effects on Federal Health Programs. CBO expects that some retirees affected by the bill will either participate in Medicaid or receive subsidies for coverage offered through the health insurance marketplaces absent the legislation. As a result, some health benefits provided under the bill would reduce spending for those purposes. CBO estimates that, under current law, about 20 percent of retirees affected by the legislation will receive health benefits through Medicaid and an additional 10 percent of retirees will receive subsidies for coverage through the marketplaces. The subsidies for health insurance premiums in the marketplaces are structured as refundable tax credits. The portions that exceed taxpayers' other income tax liability are classified as outlays; those that reduce tax payments are classified as reductions in revenues (and are discussed later in this estimate). CBO and JCT estimate that enacting the bill would reduce direct spending by Medicaid and lower outlays for subsidies for insurance purchased through the marketplaces by a total of $0.5 billion over the 2017-2026 period.

Pension Benefits. Under the bill, if annual payments to the states, tribes, and the UMWA health plans authorized by SMCRA, as amended by the legislation, are less than the $490 million cap, OSMRE would pay the remainder of the amount available under the statutory cap to the UMWA 1974 Pension Plan. As noted earlier, CBO estimates that actual obligations authorized under current law will total about $3.5 billion less than the maximum amount authorized over the next 10 years. We estimate that transfers to the 1993 Benefit Plan by OSMRE for the health benefits of retirees authorized under the bill would total $2.1 billion over the 2017-2026 period. As discussed below under the heading "Revenues," other provisions of the bill also would transfer money to the UMWA plans; therefore, actual amounts transferred by OSMRE to pay benefits under the 1993 Benefit Plan would be $0.1 billion less than the outlays for the health care costs of the affected retirees. Thus, CBO estimates that new payments to the UMWA pension plan would total almost $1.4 billion over the 2017-2026 period.

Pension Benefit Guarantee Corporation (PBGC) Financial Assistance. Transfers to the UMWA pension plan under the bill would reduce financial assistance paid by PBGC through 2024 and increase it in 2025. On net, total outlays for financial assistance would increase by $40 million, CBO estimates.

PGBC provides financial assistance to insolvent pension plans. The additional funding provided under the bill would reduce the chance that the UMWA plan would become insolvent and need financial assistance from PBGC during the next 10 years. Based on a model that estimates the probability that the UMWA plan will become insolvent in any given year, CBO estimates that enacting the bill would result in net savings of $375 million through 2024.

CBO projects that under current law, PBGC's multiemployer revolving fund will be exhausted in 2025. If that fund ran out, PBGC's financial assistance would be limited to its current income and PBGC would not be able to pay claims in full. Any policy that reduces the need for financial assistance from the revolving fund in the period before the exhaustion date would allow the fund to pay additional financial assistance in 2025 (and potentially in later years, if the savings were sufficient). In addition, the revolving fund is credited with interest on its holdings, so the estimated additional spending in 2025 would equal the sum of any savings from earlier years plus credited interest.

CBO estimates that the sum of the reduced financial assistance to the UMWA pension plan and the associated interest credited to the revolving fund would total $415 million by 2025—$375 million from reduced spending in earlier years and $40 million in credited interest. Thus, PBGC would be able to pay an additional $415 million in financial assistance to insolvent plans that would otherwise go unpaid under current law.

Customs Fees. In 2016, collections from merchandise processing fees collected by Customs and Border Protection totaled about $2.3 billion. CBO estimates those collections will total about $4.8 billion in 2025.

Under current law, the authority to charge merchandise processing fees will expire after September 30, 2025. The bill would extend that authority through May 6, 2026. The bill also would raise the rate of the merchandise processing fee from 0.21 percent to 0.3464 percent of the value of goods entering the U.S. for the period beginning October 1, 2025, and ending May 6, 2026.

CBO expects that the proposed increase in the fee rate would have a very minor effect on the value of goods entering the United States and estimates that the bill would increase offsetting receipts by $3.1 billion in 2026.

Revenues

S. 3470 would affect revenues in two ways. First, the bill would direct that amounts received by certain Voluntary Employees' Beneficiary Associations (VEBAs) be transferred to the UMWA 1993 Benefit Plan. (A VEBA is a tax-advantaged trust fund created under existing law to finance an employee benefit, such as retiree health insurance benefits.) CBO expects that amounts transferred from the VEBAs would be recorded in the budget as federal revenues. Also, by extending health insurance coverage to certain groups of coal industry retirees, the legislation would reduce the number of people purchasing health insurance through the marketplaces. As a result, the bill would reduce federal subsidies for such coverage, part of which would take the form of an increase in revenues. Taken together, CBO and JCT estimate that the bill would increase federal revenues by $67 million over the 2017-2026 period.

VEBA Transfers. The bill would require that the administrator of particular VEBAs for retired or disabled coal miners transfer certain amounts to the UMWA 1993 Benefit Plan. Under the bill, VEBAs established as a result of qualifying bankruptcy proceedings that commenced in 2012 or 2015 must transfer to the 1993 Benefit Plan the monies in those VEBAs on the date of enactment and all future inflows, less administrative expenses. CBO expects that the transfer of VEBA balances would be recorded in the budget as federal revenues. The legislation would require that OSMRE reduce the required payment to the 1993 Benefit Plan by the amount of the VEBA transfer to the plan for that year. Based on information from UMWA regarding current and projected balances in the affected VEBAs, CBO estimates that those transfers would increase revenues by $47 million in 2017 and by $56 million over the 2017-2026 period.

Effect on Federal Health Programs. The bill would extend health insurance coverage to certain groups of retired coal miners (and their eligible dependents). As noted earlier, CBO and JCT expect that the legislation would reduce the number of people purchasing health insurance through the marketplaces who receive tax subsidies for such coverage. Because the subsidies for health insurance premiums in the marketplaces are structured as refundable tax credits, lower subsidy payments under the bill would increase federal revenues by $11 million over the 2017-2026 period, CBO and JCT estimate.

PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays and revenues that are subject to those pay-as-you-go procedures are shown in the following table.

CBO Estimate of Pay-As-You-Go Effects for S. 3470, as reported by the Senate Committee on Finance on November 16, 2016

	By Fiscal Year, in Millions of Dollars												
	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2016-2021	2016-2026
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	279	187	209	270	263	245	245	194	761	-2,725	1,207	-74
Memorandum:													
Changes in Outlays	0	326	189	211	272	265	247	247	196	763	-2,723	1,263	-7
Changes in Revenues	0	47	2	2	2	2	2	2	2	2	2	56	67

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than $5 billion in any of the four consecutive 10-year periods beginning in 2027.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

CBO has determined that the nontax provisions of the Miners Protection Act of 2016 contain no intergovernmental mandates as defined in UMRA. The bill's effect on Medicaid spending would result in savings to states of about $110 million over the 2017-2026 period.

JCT has determined that the tax provisions of the bill also contain no intergovernmental mandates.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

CBO has determined that the nontax provisions of the Miners Protection Act of 2016 contain private-sector mandates on users of customs services, the trustees of the UMWA 1974 Pension Plan, and administrators of certain VEBAs. CBO estimates that the cost of the mandates on trustees and administrators would be small. However, based on the estimated incremental amount paid by users of customs services in 2026, CBO estimates that the aggregate cost of the mandates would greatly exceed the annual threshold established in UMRA for private-sector mandates ($154 million in 2016, adjusted annually for inflation) in that year.

Under current law, the authority of the Customs and Border Patrol to collect merchandise processing fees on goods entering the United States will expire after September 30, 2025. The legislation would extend the authority to collect those fees through May 6, 2026. The bill also would raise the rate of the merchandise processing fee from 0.21 percent to 0.3464 percent of the value of goods for the period beginning October 1, 2025, and ending May 6, 2026. CBO estimates that incremental cost of the fees for users of customs services would amount to about $3.1 billion in 2026.

The legislation also would impose a private-sector mandate by requiring the trustees of the UMWA 1974 Pension Plan to comply with additional reporting requirements. The Plan trustees would be required to file with the Secretary of the Treasury and the PBGC an annual report (certified by the plan actuary) that provides information about plan solvency, assets, earnings, investments and other financial measures. Because the pension plan is already required to provide numerous reports with similar information to the government, CBO estimates that the cost to provide this additional report would not be significant.

In addition, the bill would impose a private-sector mandate by requiring the administrators of VEBAs established as a result of qualifying bankruptcy proceedings to transfer to the 1993 Benefit Plan the monies in those VEBAs on the date of enactment and all future inflows (less administrative expenses). The funds transferred to the 1993 Benefit Plan would be used for the purpose of providing health benefits to retired or disabled miners. Based on information from UMWA regarding existing practices and current and projected balances in the affected VEBAs, CBO estimates that the cost to comply with the required transfers would be small.

JCT has determined that the tax provisions of the bill contain no private-sector mandates.

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