United States Senate

COMMITTEE ON THE BUDGET

WASHINGTON, DC 20510-6100

July 25, 2006

Dear Republican Colleague,

I want to make you aware of an amendment that is likely to be attached to the Pensions Conference Report that creates a new, mandatory, $5 billion deficit-spending funding stream.

Currently, conferees are considering making changes to the Abandoned Mine Land (AML) fund. This measure would shift costs from coal companies to the American taxpayer, to the tune of almost $5 billion over 10 years, or $2.1 billion over 5 years.

Specifically, the Congressional Budget Office has estimated that AML legislation increases direct spending by $4.9 billion over 10 years, but only increases revenues by $1.0 billion over that same time period.

This amendment changes annual AML funding from discretionary to mandatory spending. This change to mandatory creates a new automatic funding stream that cannot be controlled through annual spending review and appropriations.

At a time of record spending, Republicans should not support efforts to create new mandatory spending – especially mandatory spending that is not offset. As we know, unchecked mandatory spending is the greatest contributor to the deficit.

Under the proposal, beneficiaries will become more reliant on American taxpayer contributions, rather than coal company contributions. The amendment gives the same low-cost health benefits to two new groups of beneficiaries not originally included in the United Mine Workers Combined Benefit Fund (CBF), and adds new mandatory payments to these three health funds**.** Instead of trying to reform this system, which provides health benefits to coal company retirees, to make it more efficient, this legislation encourages these funds to come directly to the federal government if they need to be bailed out.

In addition, the amendment reduces the fees that coal companies have to pay by 10% through FY 2012, and by 20% thereafter. Ironically, this reduction in fees for coal companies is coupled with an increase to the federal deficit of almost $4 billion. The legislation increases what the American taxpayer has to pay for reclamation and health benefits of coal worker retirees – health benefits that are more generous than what most Americans themselves receive.

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Finally, while the legislation does include a cap on general fund (i.e. federal treasury) contributions, many believe this cap will most likely be waived in the future. Therefore, this cap is not likely to be a successful mechanism to control spending and it leaves the American taxpayer potentially on the hook for much more than the $5 billion cost that CBO estimated.

To put the huge cost of this special interest protection in perspective, the Senate-passed Pension bill, which guarantees all pension plans for 44 million workers, would have **reduced** the deficit by $2.5 billion over 10 years; the AML legislation alone would **increase** the deficit by almost $4 billion over 10 years. The Senate-passed Pension fix for the airline industry would cost a mere $805 million over 10 years, compared to the $5 billion cost under this proposal.

The bottom line is that this amendment:

- **Creates a new mandatory funding stream**
- **Increases direct spending by $5 billion**
- **Increases the deficit by almost $4 billion**
- **Shifts costs for reclamation and coal retiree benefits from coal companies to the American taxpayer**

I encourage my colleagues to oppose efforts to add new, mandatory, deficit spending to the Conference. As Republicans we simply should not be in the business of creating new mandatory funding streams and embarking on multi-billion dollar deficit spending.

If you would like more information on the CBO analysis of this proposal or other information regarding the costs of this proposal, please feel free to contact Vanessa Green of my staff at (202) 224-0642.

Sincerely,

Judd Gregg

Judd Gregg
Chairman