



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

September 20, 2010

H.R. 5479 **Coal Accountability and Retired Employee Act of 2010**

*As ordered reported by the House Committee on Natural Resources
on June 22, 2010*

SUMMARY

H.R. 5479 would require the Office of Surface Mining (OSM) to make annual payments to the 1974 United Mine Workers Association (UMWA) pension plan for retired coal miners. Based on information provided by OSM, CBO estimates that enacting the legislation would increase direct spending by \$2.3 billion over the 2011-2020 period; therefore, pay-as-you-go procedures apply. Enacting the legislation would not affect revenues.

H.R. 5479 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA) and would not affect the budgets of state, local, or tribal governments.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of H.R. 5479 is shown in the following table. The costs of this legislation fall within budget functions 300 (natural resources and environment) and 550 (health).

	By Fiscal Year, in Millions of Dollars										2011-	2011-
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
CHANGES IN DIRECT SPENDING												
Estimated Budget Authority	40	116	114	135	321	335	335	266	266	336	726	2,264
Estimated Outlays	40	116	114	135	321	335	335	266	266	336	726	2,264

BASIS OF ESTIMATE

For this estimate, CBO assumes that the legislation will be enacted in 2010.

Under current law, OSM is obligated to make payments to certain states and private pension plans. Those obligations include grants to states where significant coal production occurred in the past and to states that have completed all of their outstanding coal reclamation projects, so-called certified states. OSM also makes annual payments derived from the general fund of the Treasury to certain pension plans for retired coal miners; however, the size of those payments depend on the interest credited to balances in the Abandoned Mine Reclamation Fund. Under current law, total obligations derived from the general fund for those purposes cannot exceed \$490 million a year.

Under the bill, if those annual obligations are less than the \$490 million cap, OSM would pay the 1974 UMWA pension plan the difference between that cap and its existing obligations to the states and other pension plans. Based on information from OSM and UMWA, CBO estimates that actual obligations authorized under current law will total about \$2.3 billion less than the maximum amount authorized over the next 10 years. Thus, we estimate that enacting H.R. 5479 would increase direct spending by about \$2.3 billion over that period. (Because the bill's provisions would be permanent, direct spending would continue after 2020.)

Estimated Payments to States

Under current law, OSM must obligate \$187 million a year over the 2011-2014 period to states where significant coal production occurred in the past. (Those payments end after 2014.) In addition, based on information from OSM, CBO estimates that the agency will obligate \$100 million a year, on average, over the 2011-2020 period to certified states, based on those states' share of coal production in the U.S in the prior year. In total, CBO estimates that OSM will obligate about \$1.7 billion to coal-producing states over the 2011-2020 period. (We estimate that outlays from those obligated amounts will occur over the 2011-2023 period).

Estimated Payments to UMWA Pension Plans

CBO estimates that, under current law, OSM will pay an average of \$190 million a year to certain UMWA pension plans over the 2011-2020 period. Those payments are derived from the general fund of the Treasury and from interest earned on balances in the Abandoned Mine Reclamation Fund, a federal fund consisting of accrued collections of certain taxes on coal producers. Considering historical interest earnings on balances, CBO estimates that the fund will be credited with about \$100 million a year in interest over the next 10 years that will be paid to the pension plans. In addition, we estimate that the OSM

will spend \$90 million a year—or about \$900 million over the 2011-2020 period—to cover the remaining required contributions to those pension plans.

Estimated New Direct Spending

As described above, OSM currently is obligated to make payments to certain states and UMWA pension plans that CBO estimates will total \$2.6 billion over the next 10 years (\$1.7 billion for grants to states and \$900 million for payments to UMWA pension plans). The general fund payment to the UMWA pension plans will vary depending on the amount of interest credited to the Abandoned Mine Reclamation Fund in future years. The total amount of obligations derived from the general fund for those purposes cannot exceed \$4.9 billion over the 2011-2020 period. Over the next 10 years, the difference between the \$4.9 billion cap and the required OSM obligations over that period will total \$2.3 billion; thus, CBO estimates that, under the bill, OSM would make payments totaling \$2.3 billion to the 1974 UMWA pension plan over the 2011-2020 period. Those payments would constitute new direct spending over that period.

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 H.R. 5479, the Coal Accountability and Retired Employee Act of 2010, as ordered reported by the House Committee on Natural Resources on July 22, 2010

	By Fiscal Year, in Millions of Dollars											2010-	2010-
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2015	2020
NET INCREASE OR DECREASE (-) IN THE DEFICIT													
Statutory Pay-As-You-Go Impact	0	40	116	114	135	321	335	335	266	266	336	726	2,264

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

H.R. 5479 contains no intergovernmental or private-sector mandates as defined in UMRA and would not affect the budgets of state, local, or tribal governments.

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