

FY 2015

CONGRESSIONAL BUDGET JUSTIFICATION

BLACK LUNG DISABILITY TRUST FUND

BLACK LUNG DISABILITY TRUST FUND

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BLACK LUNG DISABILITY TRUST FUND

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APPROPRIATION LANGUAGE

(Including Transfer of Funds)

Such sums as may be necessary from the Black Lung Disability Trust Fund (the "Fund"), to remain available until expended, for payment of all benefits authorized by section 9501(d)(1), (2), (6), and (7) of the Internal Revenue Code of 1986; and repayment of, and payment of interest on advances, as authorized by section 9501(d)(4) of that Act. In addition, the following amounts may be expended from the Fund for fiscal year[2014]2015 for expenses of operation and administration of the Black Lung Benefits program, as authorized by section 9501(d)(5): not to exceed [\$33,033,000]\$33,321,000 for transfer to the Office of Workers' Compensation Programs, "Salaries and Expenses"; not to exceed [\$25,365,000]\$25,543,000 for transfer to Departmental Management, "Salaries and Expenses"; not to exceed \$327,000 for transfer to Departmental Management, "Office of Inspector General"; and not to exceed \$356,000 for payments into miscellaneous receipts for the expenses of the Department of the Treasury.

(Department of Labor Appropriations Act, 2014.)

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ANALYSIS OF APPROPRIATION LANGUAGE

“Such sums as may be necessary from the Black Lung Disability Trust Fund, to remain available until expended, for payment of all benefits authorized by section 9501(d) (1), (2), (6) and (7), of the Internal Revenue Code...”

This language provides indefinite budget authority for the payment of all benefits from the Trust Fund.

“...and repayment of advances and payment of interest on advances, as authorized by section 9501(d)(4) of that Act...”

This language provides for repayment of advances and interest payments on advances from the Trust Fund.

"... for expenses of operation and administration of the Black Lung Benefits program, as authorized by Section 9501(d)(5) of that Act..."

This language provides for the payment of administrative costs associated with the operation and administration of the Trust Fund.

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AMOUNTS AVAILABLE FOR OBLIGATION						
(Dollars in Thousands)						
	FY 2013 Enacted		FY 2014 Enacted		FY 2015 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation						
Definite	0	\$58,806	0	\$59,081	0	\$59,547
Sequestration reduction		-\$2,999		-\$4,254		
Indefinite	0	\$236,862	0	\$248,232	0	\$261,548
<i>Subtotal, Appropriation</i>	<i>0</i>	<i>\$292,669</i>	<i>0</i>	<i>\$303,059</i>	<i>0</i>	<i>\$321,095</i>
Bond Repayment and Payment on Advances	0	\$610,403	0	\$798,383	0	\$937,465
B. Gross Budget Authority	0	\$903,072	0	\$1,101,442	0	\$1,258,560
Bond Repayment and Payment on Advances	0	-\$610,403	0	-\$798,383	0	-\$937,465
C. Budget Authority Before Committee	0	\$292,669	0	\$303,059	0	\$321,095
Bond Repayment and Payment on Advances	0	\$610,403	0	\$798,383	0	\$937,465
D. Total Budgetary Resources	0	\$903,072	0	\$1,101,442	0	\$1,258,560
E. Total, Estimated Obligations	0	\$903,072	0	\$1,101,442	0	\$1,258,560

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2014 Enacted	FY 2015 Request	Net Change
Budget Authority			
General Funds	\$0	\$0	\$0
Trust Funds	\$303,059	\$321,095	\$18,036
Total	\$303,059	\$321,087	\$18,036

Full Time Equivalents			
General Funds	0	0	0
Total	0	0	0

Explanation of Change	FY 2014 Base		Trust Funds		FY 2015 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Inflationary built-ins	0	\$54,827	0	\$466	0	\$0	0	\$466
Grants, subsidies, and contributions	0	\$0	0	\$0	0	\$0	0	\$0
Built-Ins Subtotal	0	\$0	0	+\$466	0	\$0	0	+\$466
B. Programs:								
Administrative Program Increases	0	+\$0	0	\$4,254	0	\$0	0	\$4,254
Bond Interest	0	+\$75,466	0	\$21,374	0	\$0	0	\$21,374
Interest on Advances	0	+\$393	0	\$582	0	\$0	0	\$582
Programs Subtotal	0	+\$130,686	0	+\$26,210	0	\$0	0	+\$26,210
Total Increase	0	+\$130,686	0	+\$26,676	0	\$0	0	+\$26,676
Decreases:								
A. Built-Ins:								
To Provide For:								
Built-Ins Subtotal	0	\$0	0	\$0	0	\$0	0	\$0
B. Programs:								
Benefits	0	+\$172,373	0	-\$8,640	0	\$0	0	-\$8,640
Programs Subtotal	0	+\$172,373	0	-\$8,640	0	\$0	0	-\$8,640
Total Decrease	0	\$0	0	-\$8,640	0	\$0	0	-\$8,640
Total Change	0	+\$303,059	0	+\$18,036	0	\$0	0	+\$18,036

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BUDGET AUTHORITY BY OBJECT CLASS				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Departmental Management	23,931	23,539	25,543	2,004
Treasury Administrative Costs	338	330	356	26
Office of Inspector General	310	303	327	24
OWCP- Division of Coal Mine Workers	31,228	30,655	33,321	2,666
<i>Subtotal</i>	<i>55,807</i>	<i>54,827</i>	<i>59,547</i>	<i>4,720</i>
Benefits	180,454	172,373	163,733	-8,640
Payment of Bond Interest	56,036	75,466	96,840	21,374
Payment of Interest on Advances	372	393	975	582
Total¹	292,669	303,059	321,095	18,036

¹ Does not include amounts for exchange of assets transactions for: bond principal (396,403 in FY 2013, and 397,383 in FY 2014, and \$395,769 in FY 2015) and short-term advances (214,000 in FY 2013, 401,000 in FY 2014, and \$541,696 in FY 2015).

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AUTHORIZING STATUTES

Public Law / Act	Legislation	Statute No. / US Code	Volume No.	Page No.	Expiration Date
PUB. L. 91-173	Federal Coal Mine Health and Safety Act of 1969, (now called Federal Mine Safety and Health Act of 1977), Title IV, Black Lung Benefits Act, PUB. L. 91-173, Black Lung Benefits Revenue Act of 1977, PUB. L. 95-227, as amended in 1981 by PUB. L. 97-119	30 U.S.C. 901, et seq.			N/A
PUB. L. 107-275	Black Lung Consolidation of Administrative Responsibility Act and Section 3615 of the Emergency Supplemental Appropriations Act, 2003, PUB. L. 108-83				N/A
PUB. L. 110-343	Emergency Economic Stabilization Act of 2008				N/A

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APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2005					
Base Appropriation	\$1,059,000	\$1,059,000	\$1,059,000	\$1,059,756	0
2006					
Base Appropriation	\$1,068,000	\$1,068,000	\$1,068,000	\$1,056,342	0
2007					
Base Appropriation	\$1,071,000	\$1,070,432	\$1,070,432	\$1,065,434	0
2008					
Base Appropriation	\$1,068,000	\$0	\$0	\$1,066,000	0
2009					
Base Appropriation...1/	\$1,074,000	\$0	\$1,072,000	\$9,320,683	0
2010					
Base Appropriation...2/	\$300,099	\$302,408	\$302,408	\$302,494	0
2011					
Base Appropriation...3/	\$367,452	\$297,686	\$297,686	\$296,152	0
2012					
Base Appropriation...4/	\$300,495	\$301,415	\$301,415	\$295,000	0
2013					
Base Appropriation...5/	\$307,806	\$0	\$0	\$292,669	0
2014					
Base Appropriation...6/	\$316,559	\$0	\$0	\$303,059	0
2015					
Base Appropriation...7/	\$321,095	\$0	\$0	\$0	0

^{1/} Appropriation includes \$6,497,989 for a one-time intergovernmental transfer to Treasury for repayment on the BLDTF debt.

^{2/} Appropriation does not include amount for exchange of assets transactions of \$353,424 for bond principal.

^{3/} Appropriation does not include amounts for exchange of assets transactions of \$379,286 for bond principal and \$60,000 for short-term advances.

^{4/} Appropriation does not include amounts for exchange of assets transactions of \$394,297 for bond principal and \$107,749 for short-term advances.

^{5/} Appropriation includes sequestration amount of -\$2,999 and does not include amounts for exchange of assets transactions of \$396,403 for bond principal and \$214,000 for short-term advances.

^{6/} Appropriation includes sequestration amount of -\$4,254 and does not include amounts for exchange of assets transactions of \$397,383 for bond principal and \$401,000 for short-term advances.

^{7/} Budget Estimate does not include amounts for exchange of assets transactions of \$395,769 for bond principal and \$541,696 for short-term advances.

BLACK LUNG DISABILITY TRUST FUND

Overview

The Black Lung Disability Trust Fund (BLDTF) was established by the Black Lung Benefits Revenue Act of 1977, as amended December 29, 1981, companion legislation to the Black Lung Benefits Reform Act of 1977, to implement the shift of fiscal responsibility for Black Lung benefit payments from the Federal Government to the coal industry. The BLDTF is jointly administered by the Secretaries of Labor, Treasury, and Health and Human Services and provides for payment of benefits, administrative expenses, and interest on advances related to the operation of the program. Resources for the Trust Fund are derived from an excise tax on each ton of coal sold or used; reimbursements from responsible mine operators for interim payments; interest, fines and penalties assessed to responsible mine operators; and short-term advances from the Treasury. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), enacted April 7, 1986, raised excise tax rates from \$1.00 to \$1.10 per ton on underground-mined coal and from 50 to 55 cents per ton on surface-mined coal, in either case not to exceed 4.4 percent of the sale price, through December 31, 1995. The legislation also provided for a five-year moratorium on interest payments that ended on September 30, 1990. The Omnibus Budget Reconciliation Act of 1987 continued that tax structure until 2014.

The Emergency Economic Stabilization Act of 2008 (the EES Act), enacted on October 3, 2008, authorized the restructuring of the BLDTF debt by (1) extending current coal excise tax rates of \$1.10 per ton on underground-mined coal and \$0.55 per ton on surface-mined coal until December 31, 2018 (and then reverting to the 1978 levels, or \$0.50 per ton on underground coal, and \$0.25 per ton on surface coal); (2) providing a one-time appropriation for the BLDTF to repay the market value of parts of the outstanding repayable advances and accrued interest; and (3) refinancing the remainder of the outstanding debt through the issuance of zero-coupon bonds. Pursuant to the Act, these amounts are to be retired using the BLDTF's annual operating surpluses until all of its remaining obligations have been paid. Pre-payments will be made when operating surpluses exceed the amount of the zero-coupon bond, and short-term borrowing authority will be utilized if operating surpluses are not sufficient. Based on the current law estimates for coal tax receipts, \$685,087,000 in short-term borrowing authority will be required in FY 2015 to fund obligations and exchange of assets amounts. This amount plus estimated interest of \$3,836,000 will be repaid in FY 2016.

The payment of benefits directly supports the Secretary's vision of *Promoting and Protecting Opportunity* and the Department's *Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security*, and *Strategic Objective 4.1: Provide income support when work is impossible or unavailable and facilitate return to work* by providing income support and medical care for beneficiaries who are unable to perform their previous coal mine work due to occupational lung disease.

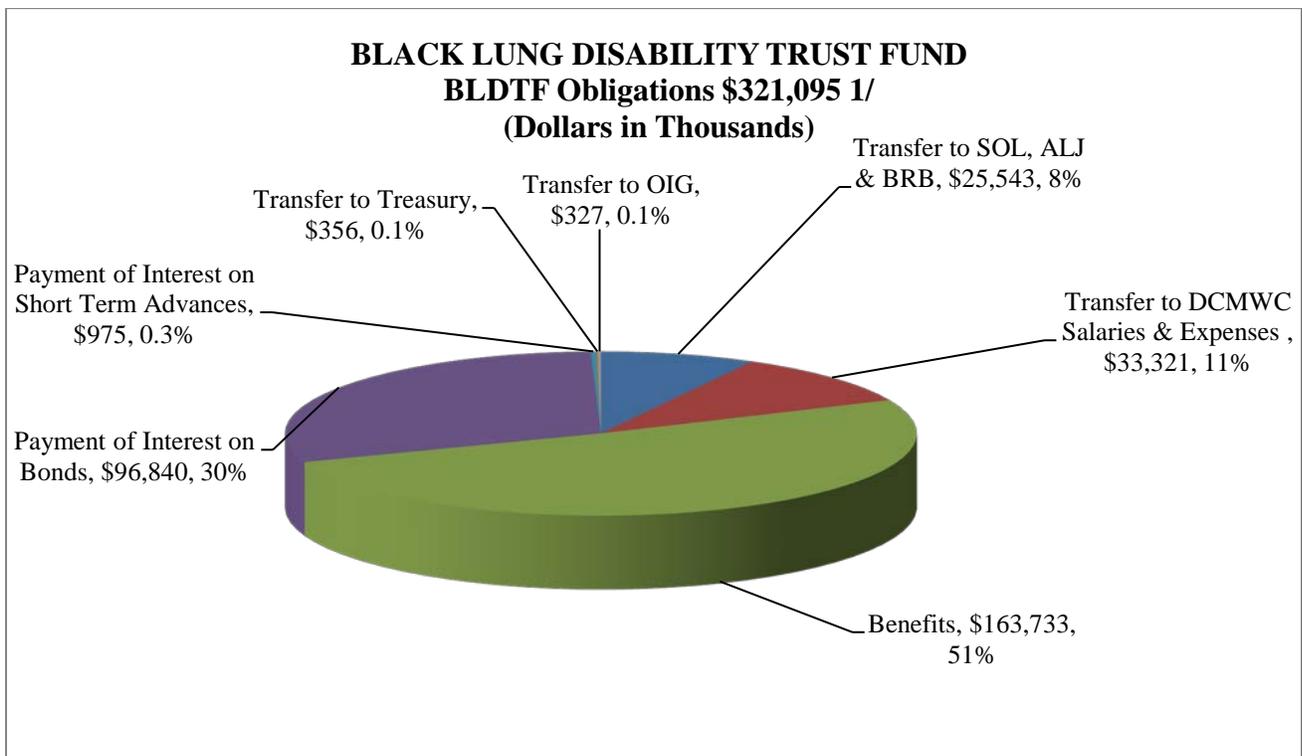
Cost Model

The Office of Workers' Compensation Programs (OWCP) requests a total of \$321,095,000, an increase of \$18,036,000 over the FY 2014 Enacted level. This level of funding will enable the BLDTF to meet FY 2015 estimated obligations for Part C of the Black Lung Program. The request includes \$163,733,000 for benefit payments; \$96,840,000 for bond interest payments;

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\$975,000 for interest on advances; \$33,321,000 for transfer to the Division of Coal Mine Workers' Compensation (DCMWC) Salaries and Expenses; \$25,543,000 for transfer to the Office of the Solicitor, Office of Administrative Law Judges, and Benefits Review Board within the Departmental Management appropriation; \$327,000 for transfer to the Office of Inspector General; and \$356,000 for transfer to the Department of Treasury. Pursuant to the debt restructuring provisions in the Emergency Economic Stability (EES) Act of 2008, operating surpluses from coal excise tax revenues and short term borrowing authority when necessary will be used to retire zero-coupon bonds. Based on current coal excise and other revenue estimates, \$685,087,000 in short-term borrowing authority will be needed in FY 2015 to cover obligations and amounts for exchange of assets which include bond principal and short-term advances transactions.

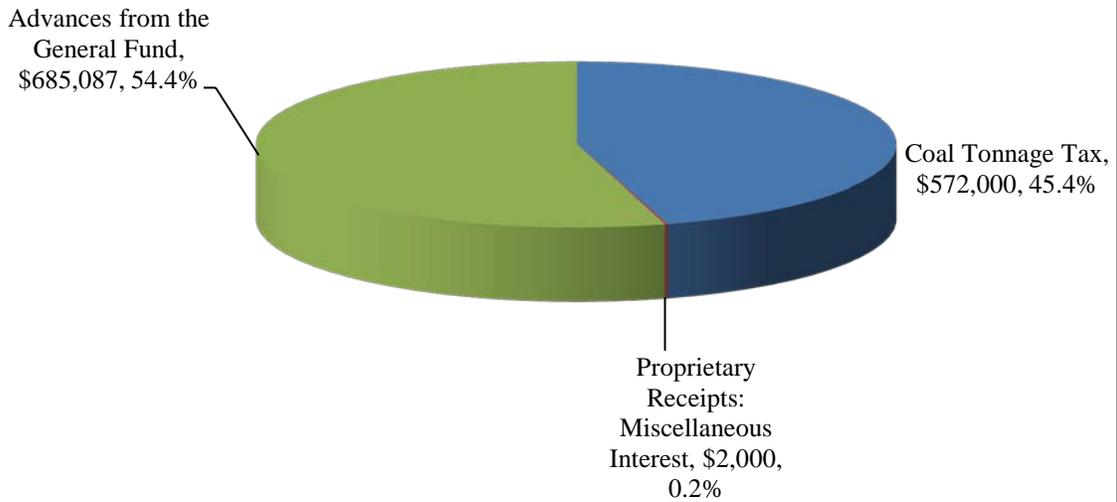
The spread of requested funds across all components of the BLDTF is displayed below.



^{1/} This figure does not include amounts for exchange of assets transactions of \$395,769 for bond principal and \$541,696 for short-term advances.

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BLACK LUNG DISABILITY TRUST FUND Total BLDTF Annual Income \$1,259,087 (Dollars in Thousands)



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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2013 Enacted	FY 2014 Enacted	FY 2015 Request	Diff. FY15 Request / FY14 Enacted
Activity Appropriation	292,669	303,059	321,095	18,036
FTE (not included in this exhibit)	0	0	0	0

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2010	\$302,494	0
2011	\$296,152	0
2012	\$295,000	0
2013	\$292,669	0
2014	\$303,059	0

FY 2015

The FY 2015 Request is \$321,095,000 to meet estimated obligations for Part C of the Black Lung Program. The amounts for definite obligations include the following amounts to be transferred, which represent a total increase of \$4,720,000 from FY 2014 Enacted: \$33,321,000 for DCMWC Salaries and Expenses costs, \$25,543,000 for the administrative costs of the Departmental Management account, \$327,000 for administrative costs of the Inspector General, and \$356,000 for the Department of Treasury. Estimated amounts for indefinite obligations include: \$163,733,000 for benefit payments, \$96,840,000 for payments of bond interest and \$975,000 for interest on short-term advances. The requested amount does not include amounts for exchange of assets transactions of \$395,769,000 for payment of bond principal and \$541,696,000 for repayment of estimated short-term advances. In addition to coal tax receipts and other income, an estimated \$685,087,000 in short-term advances will be required to fund obligations and exchange of assets transactions.

The Affordable Care Act (ACA) of 2010 had a significant effect on the Black Lung Benefits Act, as it reinstated two provisions in the Act that had been removed in 1981 for claims filed on or after January 1, 1982. Both of these provisions, including automatic entitlement to benefits for survivors of miners who have been awarded benefits, and a presumption that a miner who has at least 15 years of qualifying coal mine employment and has a totally disabling lung condition has pneumoconiosis (black lung disease) even in the absence of a negative x-ray, are favorable to claimants.

While beneficiary counts have been declining in the Black Lung Program, the requirements associated with maintaining benefit payments for those beneficiaries make up just 25 percent of work performed, while the remaining work is dedicated to the adjudication of claims. The average number of incoming claims received over the last four years since reinstatement of

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provisions in the ACA was 6,225, a 36 percent increase over the average number of claims received during the preceding four years (4,575). The requested increase for administrative costs in FY 2015 will provide necessary funding to keep up with claims workload.

FY 2014

The FY 2014 Enacted funding level is \$303,059,000 to meet estimated obligations for Part C of the Black Lung Program. The amounts for definite obligations include the following amounts transferred: \$30,655,000 for DCMWC Salaries and Expenses costs, \$23,539,000 for the administrative costs of the Departmental Management account, \$303,000 for administrative costs of the Inspector General, and \$330,000 for the Department of Treasury. Estimated amounts for indefinite obligations include: \$172,373,000 for benefit payments, \$75,466,000 for payments of bond interest and \$393,000 for interest on short-term advances. The requested amount does not include amounts for exchange of assets transactions of \$397,383,000 for payment of bond principal and \$401,000,000 for repayment of short-term advances. In addition to coal tax receipts and other income, an estimated \$541,696,000 in short-term advances will be required to fund obligations and exchange of assets transactions.

FY 2013

The FY 2013 enacted level was \$292,669,000 to meet obligations for Part C of the Black Lung Program. The amounts for definite obligations include the following transferred amounts: \$31,228,000 for DCMWC Salaries and Expenses costs, \$23,931,000 for the administrative costs of the Departmental Management account, \$310,000 for administrative costs of the Inspector General, and \$338,000 for the Department of Treasury. Amounts for indefinite obligations include: \$180,454,000 for benefit payments, \$56,036,000 for payments of bond interest and \$372,000 for interest on short-term advances. The enacted amount does not include amounts for exchange of assets transactions of \$396,403,000 for payment of bond principal and \$214,000,000 for repayment of short-term advances. In addition to coal tax receipts and other income, \$401,000,000 in short-term advances was required to fund obligations and exchange of assets transactions.

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DETAILED WORKLOAD AND PERFORMANCE				
	FY 2013 Enacted		FY 2014 Enacted	FY 2015 Request
	Target	Result	Target	Target
Black Lung Disability Trust Fund				
Strategic Goal 4 - Secure retirement, health, and other employee benefits and, for those not working, provide income security				
Strategic Objective 4.1 - Provide income support when work is impossible or unavailable and facilitate return to work				
BLDTF Claims Received WL 1	6,000	6,420	7,300	7,300
BLDTF Trust Fund Beneficiaries WL 2	20,370	20,720	18,800	17,580
BLDTF Beneficiaries Paid by Responsible Operators WL 3	4,500	4,670	4,500	4,370
BLDTF Medical benefits only recipients WL 4	1,200	1,150	1,100	1,100

Legend: (r) Revised (e) Estimate (base) Baseline -- Not Applicable TBD - To Be Determined [p] - Projection

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In FY 2015, the Trust Fund request will continue to provide for the payment of benefits and ongoing medical treatment costs and the administrative expenses of Part C program operations, adjudicatory and litigation costs in support of the Secretary's vision of *Promoting and Protecting Opportunity* and the Department's *Strategic Goal 4: Secure retirement, health, and other employee benefits and, for those not working, provide income security, and Strategic Objective 4.1: Provide income support when work is impossible or unavailable and facilitate return to work*. Monthly compensation and ongoing medical treatment benefits will be paid to an estimated average of 17,580 recipients from the BLDTF. The program will monitor cash and medical treatment payments disbursed by coal mine operators in the private sector to approximately 4,370 additional recipients under Part C; and will process an estimated 7,300 incoming claims.