

FY 2013

CONGRESSIONAL BUDGET JUSTIFICATION

BLACK LUNG DISABILITY TRUST FUND

BLACK LUNG DISABILITY TRUST FUND

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BLACK LUNG DISABILITY TRUST FUND

(Including Transfer of Funds)

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 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 [2012]2013 for expenses of operation and administration of the Black Lung Benefits program, as authorized by section 9501(d)(5): not to exceed \$32,906,000 for transfer to the Office of Workers' Compensation Programs, "Salaries and Expenses"; not to exceed \$25,217,000 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, 2012*)

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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 2011 Enacted		FY 2012 Enacted		FY 2013 Request	
	FTE	Amount	FTE	Amount	FTE	Amount
A. Appropriation	0	\$0	0	\$0	0	\$0
Definite	0	\$59,152	0	\$58,806	0	\$58,806
Indefinite	0	\$238,534	0	\$242,609	0	\$250,043
<i>Subtotal, Appropriation</i>	<i>0</i>	<i>\$297,686</i>	<i>0</i>	<i>\$301,415</i>	<i>0</i>	<i>\$308,849</i>
Bond Repayment and Payment on Advances	0	\$439,286	0	\$502,036	0	\$594,854
B. Gross Budget Authority	0	\$736,972	0	\$803,451	0	\$903,703
Bond Repayment and Payment on Advances	0	-\$439,286	0	-\$502,036	0	-\$594,854
C. Budget Authority Before Committee	0	\$297,686	0	\$301,415	0	\$308,849
Bond Repayment and Payment on Advances	0	\$439,286	0	\$502,036	0	\$594,854
D. Total Budgetary Resources	0	\$736,972	0	\$803,451	0	\$903,703
Other Unobligated Balances	0	\$0	0	\$0	0	\$0
Unobligated Balance Expiring	0	\$0	0	\$0	0	\$0
E. Total, Estimated Obligations	0	\$736,972	0	\$803,451	0	\$903,703

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SUMMARY OF CHANGES

(Dollars in Thousands)

	FY 2012 Enacted	FY 2013 Request	Net Change
Budget Authority			
General Funds	0	0	0
Trust Funds	301,415	308,849	7,434
Total	301,415	308,849	7,434
Full Time Equivalents			
General Funds	0	0	0
Trust Funds	0	0	0
Total	0	0	0

Explanation of Change	FY 2012 Base		Trust Funds		FY 2013 Change General Funds		Total	
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Administrative Expenses	0	\$58,806	0	0	0	0	0	0
Payments on Bond Interest	0	\$37,199	0	\$18,837	0	\$0	0	\$18,837
Payments of Interest on Advances	0	\$115	0	\$699	0	\$0	0	\$699
Built-Ins Subtotal	0	+\$96,120	0	+\$19,536	0	\$0	0	+\$19,536
B. Programs:								
Total Increase	0	+\$96,120	0	+\$19,536	0	\$0	0	+\$19,536
Decreases:								
A. Built-Ins:								
To Provide For:								
Benefit Payments	0	\$205,295	0	-\$12,102	0	\$0	0	-\$12,102
Built-Ins Subtotal	0	+\$205,295	0	-\$12,102	0	\$0	0	-\$12,102
B. Programs:								
Total Decrease	0	+\$205,295	0	-\$12,102	0	\$0	0	-\$12,102
Total Change	0	+\$301,415	0	+\$7,434	0	\$0	0	+\$7,434

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BUDGET AUTHORITY BY OBJECT CLASS				
(Dollars in Thousands)				
	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request	Diff. FY13 Req./ FY12 Enacted
Departmental Management	25,394	25,217	25,217	0
Treasury Administrative Costs	356	356	356	0
Office of Inspector General	327	327	327	0
OWCP- Division of Coal Mine Workers' Compensation	33,075	32,906	32,906	0
<i>Subtotal</i>	<i>59,152</i>	<i>58,806</i>	<i>58,806</i>	<i>0</i>
Benefits	216,765	205,295	193,193	-12,102
Payment of Bond Interest	21,619	37,199	56,036	18,837
Payment of Interest on Advances	150	115	814	699
Total ^{1/}	297,686	301,415	308,849	7,434

¹ Does not include amounts for exchange of assets transactions for: bond principle (\$379,286,000 in FY 2011, \$394,287,000 in FY 2012, and 396,403,000 in FY 2013) and short-term advances (\$60,000 in FY 2011, \$107,749,000 in FY 2012 and 198,451,000 in FY 2013).

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PERFORMANCE STRUCTURE

Strategic and Outcome Goals Supporting Secretary Solis' Vision of <i>Good Jobs for Everyone</i>	Supporting Budget Activities
Strategic Goal 1 – Prepare Workers for Good Jobs and Ensure Fair Compensation	
1.1 Increase workers' incomes and narrowing wage and income inequality.	
1.2 Assure skills and knowledge that prepare workers to succeed in a knowledge-based economy, including in high-growth and emerging industry sectors like "green" jobs.	
1.3 Help workers who are in low-wage jobs or out of the labor market find a path into middle class jobs.	
1.4 Help middle-class families remain in the middle class.	
1.5 Secure wages and overtime.	
1.6 Foster acceptable work conditions and respect for workers' rights in the global economy to provide workers with a fair share of productivity and protect vulnerable people.	
Strategic Goal 2 – Ensure Workplaces Are Safe and Healthy	
2.1 Secure safe and healthy workplaces, particularly in high-risk industries.	
Strategic Goal 3 – Assure Fair and High Quality Work-Life Environments	
3.1 Break down barriers to fair and diverse work places so that every worker's contribution is respected.	
3.2 Provide workplace flexibility for family and personal care-giving.	
3.3 Ensure worker voice in the workplace.	
Strategic Goal 4 – Secure Health Benefits and, for Those Not Working, Provide Income Security	
4.1 Facilitate return to work for workers experiencing workplace injuries or illnesses who are able to work.	
4.2 Ensure income support when work is impossible or unavailable.	X
4.3 Improve health benefits and retirement security for all workers.	
Strategic Goal 5 – Assure the Production of Timely and Accurate Data on Social and Economic Conditions of Workers and their Families	
5.1 Provide sound and impartial information on labor market activity, working conditions, and price changes in the economy for decision making, including support for the formulation of economic and social policy affecting virtually all Americans.	

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APPROPRIATION HISTORY					
(Dollars in Thousands)					
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE
2003	\$1,035,000	\$1,035,000	\$1,035,000	\$1,043,247	0
2004	1,043,000	1,043,000	1,043,000	1,055,000	0
2005	1,059,000	1,059,000	1,059,000	1,059,701	0
2006	1,068,000	1,068,000	1,068,000	1,068,000	0
2007	1,070,432	1,070,432	1,070,432	1,070,432	0
2008	1,066,000	0	0	1,066,000	0
2009...1/	1,072,000	0	1,072,000	7,167,133	0
2010...2/	302,408	302,408	302,408	302,408	0
2011...3/	297,686	297,686	297,686	297,686	0
2012...4/	301,415	301,415	301,415	301,415	0
2013...5/	308,849	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 \$353,424,000 for bond principal.

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

^{4/} Appropriation does not include amounts for exchange of assets transactions of \$394,297,000 for bond principal and \$107,749,000 for short-term advances.

^{5/} Budget Estimate does not include amounts for exchange of assets transactions of \$396,403,000 for bond principal and \$198,451,000 for short-term advances.

BLACK LUNG DISABILITY TRUST FUND

Overview

Introduction

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 and interest, fines and penalties assessed responsible mine operators, and short-term advances from the Treasury. The Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA), enacted April 7, 1986, through December 31, 1995, 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. 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 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 of \$602,000,000, \$301,703,000 in short-term borrowing authority will be required in FY 2013 to fund obligations and exchange of assets amounts. This amount plus estimated interest of \$2,896,000 will be repaid in FY 2014.

The Patient Protection and Affordable Care Act (PPACA) 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 these provisions, including automatic entitlement to benefits for survivors of miners who have been awarded, 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 even in the absence of a negative x-ray, are favorable to claimants.

The payment of benefits directly supports the Secretary's vision of "*good jobs for everyone*", *Strategic Goal 4: Secure health benefits and, for those not working, provide income security*, and *Outcome Goal 4.2: Ensure income support when work is impossible or unavailable* by providing

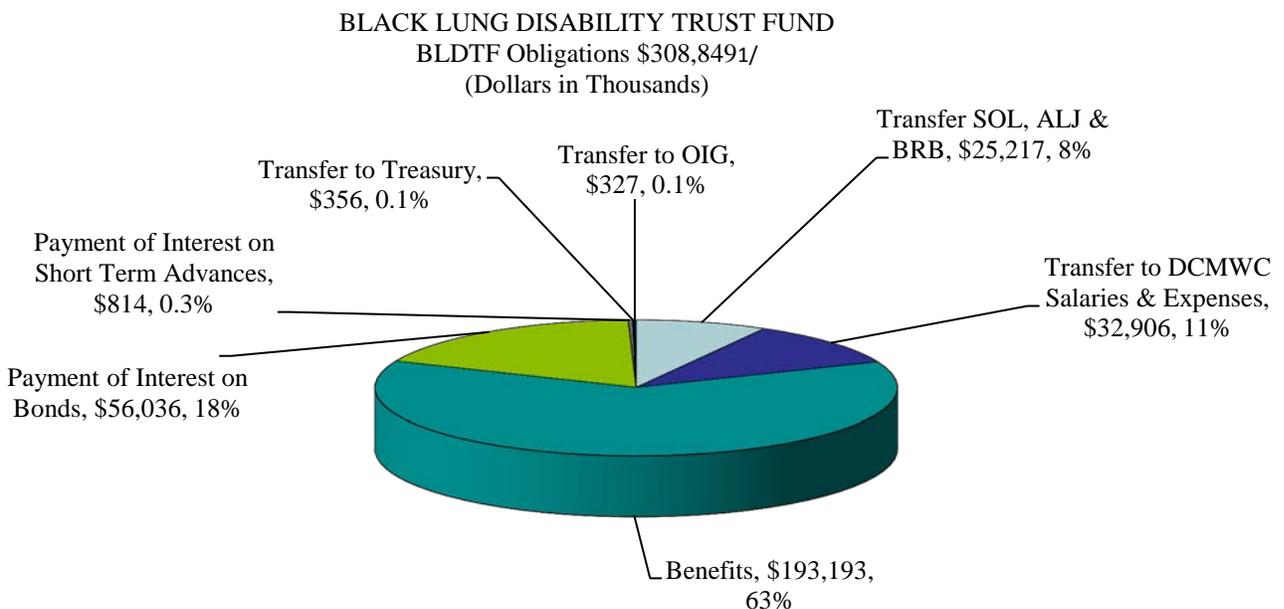
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income support and medical care for beneficiaries who are unable to perform their previous coal mine work due to occupational lung disease.

Cost Model

The Office of Workers' Compensation Program (OWCP) requests a total of \$308,849,000, an increase of \$7,434,000 over the FY 2012 Enacted level. This level of funding will enable the BLDTF to meet FY 2013 estimated obligations for Part C of the Black Lung Program. The request includes \$193,193,000 for benefit payments; \$56,036,000 for bond interest payments; \$814,000 for interest on those advances; \$32,906,000 for transfer to the Division of Coal Mine Workers' Compensation (DCMWC) Salaries and Expenses costs; \$25,217,000 for transfer to the Departmental Management costs of the Solicitor, Office of Administrative Law Judges, and Benefits Review Board; \$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 of \$602,000,000, \$301,703,000 in short-term borrowing authority will be needed in FY 2012 to cover obligations and amounts for exchange of assets which include bond principal and short-term advances transactions.

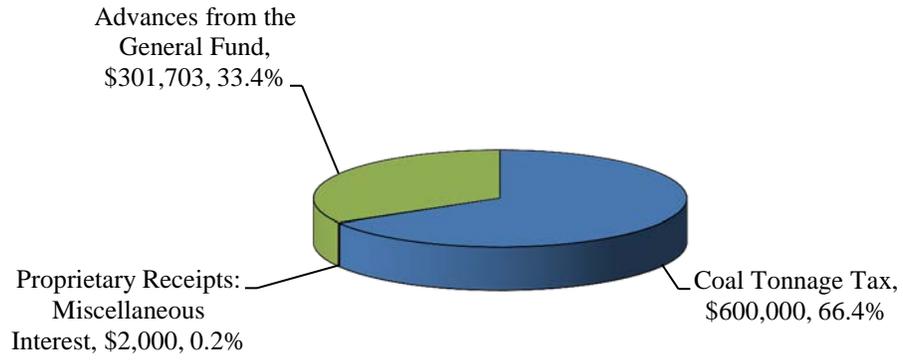
The spread of requested funds across all components of the BLDTF is displayed below.



^{1/} This figure does not include amounts for exchange of assets transactions of \$396,403,000 for bond principal and \$198,451,000 for short-term advances.

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Total BLDTF Annual Income \$903,703
(Dollars in Thousands)



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BUDGET AUTHORITY BEFORE THE COMMITTEE				
(Dollars in Thousands)				
	FY 2011 Enacted	FY 2012 Enacted	FY 2013 Request	Diff. FY 13 Req. / FY 12 Enacted
Budget Authority	297,686	301,415	308,849	7,434
FTE	0	0	0	0

Introduction

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 and interest, fines and penalties assessed responsible mine operators, and short-term advances from the Treasury.

The Trust Fund pays all Part C Black Lung benefits, including income maintenance and medical benefits, when no coal mine operator can be held liable for payments. Income maintenance payments are based on thirty-seven and a half percent of the GS-2, Step 1 salary level. The payment of benefits directly supports the Secretary’s vision of “*good jobs for everyone*”, *Strategic Goal 4: Secure health benefits and, for those not working, provide income security*, and *Outcome Goal 4.2: Ensure income support when work is impossible or unavailable* by providing income support and medical care for beneficiaries who are unable to perform their previous coal mine work due to occupational lung disease. The Trust Fund also pays all Social Security Administration costs in administering Part C of the Black Lung benefits program, the costs incurred by the Department of the Treasury in the collection of the coal excise tax and for managing the Trust Funds, for the costs of the appeals process to the Office of Administrative Law Judges (ALJ) and the Benefits Review Board (BRB), legal costs associated with the Solicitor of Labor (SOL), and for costs incurred by the Office of the Inspector General.

Five-Year Budget Activity History

<u>Fiscal Year</u>	<u>Funding</u> (Dollars in Thousands)	<u>FTE</u>
2008	\$1,066,000	0
2009	\$7,167,133	0
2010	\$302,408	0
2011	\$297,686	0
2012	\$301,415	0

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FY 2013

A total of \$308,494,000 is requested to meet FY 2013 estimated obligations for Part C of the Black Lung Program. The amounts for definite obligations include the following amounts to be transferred: \$32,906,000 for DCMWC Salaries and Expenses costs, \$25,217,000 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: \$193,193,000 for benefit payments, \$56,036,000 for payments of bond interest and \$814,000 for interest on short-term advances. The requested amount does not include amounts for exchange of assets transactions of \$396,403,000 for payment of bond principal and \$198,451,000 for repayment of estimated short-term advances. In addition to coal tax receipts and other income, an estimated \$301,703,000 in short-term advances will be required to fund obligations and exchange of assets transactions.

In FY 2013, 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, *Strategic Goal 4: Secure health benefits and, for those not working, provide income security*, and *Outcome Goal 4.2: Ensure income support when work is impossible or unavailable*.

FY 2012

The FY 2012 enacted level is \$301,415,000 to meet estimated obligations for Part C of the Black Lung Program. The amounts for definite obligations include the following transferred amounts: \$32,906,000 for DCMWC Salaries and Expenses costs, \$25,217,000 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: \$205,295,000 for benefit payments, \$37,199,000 for payments of bond interest and \$115,000 for interest on short-term advances. The enacted amount does not include amounts for exchange of assets transactions of \$394,287,000 for payment of bond principal and \$107,749,000 for repayment of short-term advances. In addition to coal tax receipts and other income, an estimated \$198,451,000 in short-term advances will be required to fund obligations and exchange of assets transactions.

In FY 2012, 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, *Strategic Goal 4: Secure health benefits and, for those not working, provide income security*, and *Outcome Goal 4.2: Ensure income support when work is impossible or unavailable*.

FY 2011

The FY 2011 enacted level was \$297,686,000 to meet estimated obligations for Part C of the Black Lung Program. The amounts for definite obligations include the following transferred amounts: \$33,075,000 for DCMWC Salaries and Expenses costs, \$25,394,000 for the administrative costs of the Departmental Management account, \$327,000 for administrative costs

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of the Inspector General, and \$356,000 for the Department of Treasury. Estimated amounts for indefinite obligations included: \$216,765,000 for benefit payments, \$21,619,000 for payments of bond interest and \$150,000 for interest on short-term advances. The enacted amount did not include amounts for exchange of assets transactions of \$379,286,000 for payment of bond principal and \$60,000,000 for repayment of short-term advances. In addition to coal tax receipts and other income, 107,749,000 in short-term advances was required to fund obligations and exchange of assets transactions.

DETAILED WORKLOAD AND PERFORMANCE				
	FY 2011 Enacted		FY 2012 Enacted	FY 2013 Request
	Target	Result	Target	Target
Black Lung Disability Trust Fund				
Strategic Goal 4 - Secure health benefits and, for those not working, provide income security	--		--	--
Outcome Goal 4.2 - Ensure income support when work is impossible or unavailable	--		--	--
Claims Received	7,200	6,059	5,000	4,800
Claims in Payment Status	--	0	--	--
Trust Fund Beneficiaries	24,100	24,648	22,300	20,370
Beneficiaries Paid by Responsible Operators	4,650	4,717	4,450	4,000
Medical benefits only recipients	1,650	1,650	1,400	1,200

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

In FY 2013, monthly compensation and ongoing medical treatment benefits will be paid to an estimated average of 20,370 recipients from the BLDTF. The program will monitor cash and medical treatment payments disbursed by coal mine operators in the private sector to approximately 4,000 additional recipients under Part C; and will process an estimated 4,800 incoming claims.