# FY 2012 CONGRESSIONAL BUDGET JUSTIFICATION BLACK LUNG DISABILITY TRUST FUND

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(Including Transfer of Funds)

#### **APPROPRIATION LANGUAGE**

In fiscal year 2012, 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 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.

Note. — A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111–242, as amended). The amounts included for 2011 reflect the annualized level provided by the continuing resolution.

#### **EXPLANATION OF LANGUAGE**

The appropriations language changes the citation for repayment of advances, and payment of interest on advances from section 9501(c)(2) to 9501(d)(4) since repayment of the Trust Fund's debt began in FY 2009 through the exchange of assets including the use of zero-coupon bonds.

In addition, the appropriations language is changed to reference the Office of Workers' Compensation Programs. In FY 2010, the Department abolished the former Employment Standards Administration (ESA) and realigned its individual offices within the Department of Labor under the Office of the Secretary. As a result, funding that previously was requested under the "Employment Standards Administration" is requested in FY 2012 for the relevant component offices.

#### ANALYSIS OF APPROPRIATION LANGUAGE

"In fiscal year 2012, 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.

# EMPLOYMENT STANDARDS ADMINISTRATION BLACK LUNG DISABILITY TRUST FUND

AMOUNTS AVAILABLE FOR OBLIGATION							
	F	(Dollars in Thousands)  FY 2010  Comparable		FY 2011 Full Year C.R.		Y 2012 Lequest	
	FTE	Amount	FTE	Amount	FTE	Amount	
A. Appropriation							
Definite	0	\$58,494	0	\$58,494	0	\$58,806	
Indefinite	0	\$240,731	0	\$237,808	0	\$241,689	
Subtotal, Appropriation	0	\$299,225	0	\$296,302	0	\$300,495	
B. Gross Budget Authority	0	\$299,225	0	\$296,302	0	\$300,495	
C. Budget Authority Before Committee	0	\$299,225	0	\$296,302	0	\$300,495	
D. Total Budgetary Resources	0	\$0	0	\$0	0	\$0	
Other Unobligated Balances	0	\$0	0	\$0	0	\$0	
Unobligated Balance Expiring		·		· · · · · · · · · · · · · · · · · · ·		·	
E. Total, Estimated Obligations 1/	0	\$299,225	0	\$296,302	0	\$300,495	

<sup>&</sup>lt;sup>17</sup> Does not include exchange of assets amounts for: bond principal (\$353,424,000 in FY 2010, \$379,286,000 in FY 2011, \$394,287,000 in FY 2012), short-term advances (\$60,000,000 in FY 2011, \$120,768,000 in FY 2012), and interest on short-term advances (\$180,000 in FY 2011, \$1,522,000 in FY 2012).

#### **SUMMARY OF CHANGES**

(Dollars in Thousands)

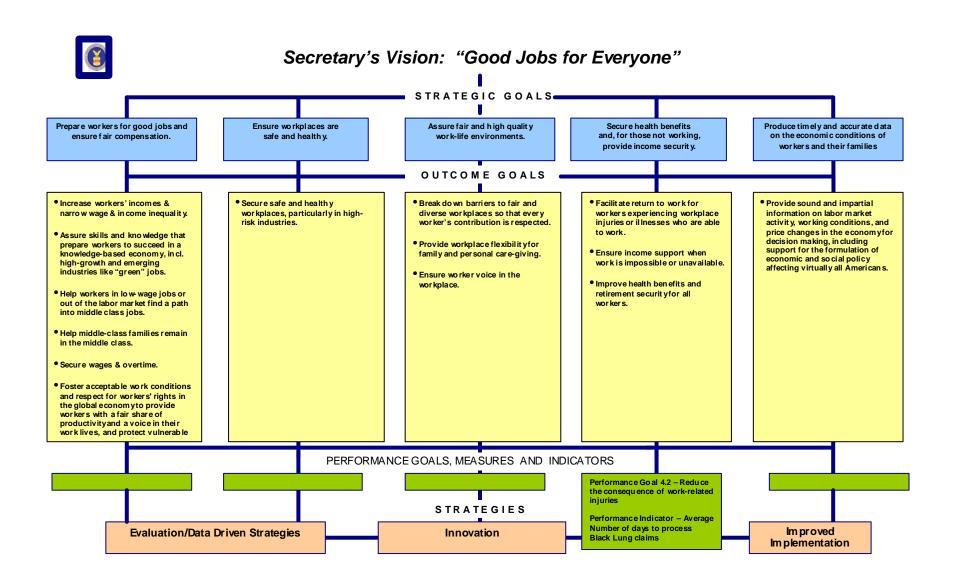
	FY 2011 Full Year C.R.	FY 2012 Request	Net Change
<b>Budget Authority</b>			
General Funds	0	0	0
Trust Funds	296,302	300,495	+4,193
Total <sup>1/</sup>	296,302	300,495	+4,193
Full Time Equivalents			
General Funds	0	0	0
Trust Funds	0	0	0
Total	0	0	0

				FY 2012 Change				
<b>Explanation of Change</b>	FY 20	011 Base	Trus	t Funds	Genera	al Funds	T	otal
	FTE	Amount	FTE	Amount	FTE	Amount	FTE	Amount
Increases:								
A. Built-Ins:								
To Provide For:								
Administrative Expenses	0	58,494	0	312	0	0	0	312
Payments on Bond Interest		21,619		15,580				15,580
Built-Ins Subtotal	0	80,113	0	15,892	0	0	0	15,892
B. Program: C. Financing:								
Total Increase	0	80,113	0	+15,892	0	0	0	+15,892
Decreases:								
A. Built-Ins:								
To Provide For:								
Benefit Payments	0	216,189	0	-11,699	0	0	0	-11,699
Built-Ins Subtotal	0	216,189	0	-11,699	0	0	0	-11,699
B. Program: C. Financing:								
Total Decrease	0	216,189	0	<b>-</b> 11,699	0	0	0	-11,699
Total Change 1/	0	296,302	0	+4,193	0	0	0	+4,193

<sup>&</sup>lt;sup>1</sup>/Does not include exchange of assets amounts for: bond principal (\$353,424,000 in FY 2010, \$379,286,000 in FY 2011, \$394,287,000 in FY 2012), short-term advances (\$60,000,000 in FY 2011, \$120,768,000 in FY 2012), and interest on short-term advances (\$180,000 in FY 2011, \$1,522,000 in FY 2012).

BUDGET AUTHORITY by OBJECT CLASS (Dollars in Thousands)							
	FY 2010 Full Year FY 2012 Enacted C.R. Request E						
Other Services	\$58,494	\$58,494	\$58,806	\$312			
Benefits Payment on Bond Interest	\$229,398 \$11,333	\$216,189 \$21,619	\$204,490 \$37,199	-\$24,908 \$25,866			
Total <sup>1/</sup>	\$299,225	\$296,302	\$300,495	\$1,270			

<sup>&</sup>lt;sup>17</sup>Does not include exchange of assets amounts for: bond principal (\$353,424,000 in FY 2010, \$379,286,000 in FY 2011, \$394,287,000 in FY 2012), short-term advances (\$60,000,000 in FY 2011, \$120,768,000 in FY 2012), and interest on short-term advances (\$180,000 in FY 2011, \$1,522,000 in FY 2012).



### PERFORMANCE STRUCTURE

Strategic and Outcome Goals Supporting Secretary Solis' Vision of Good Jobs for Everyone	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.	

# **AUTHORIZING STATUTES**

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

APPROPRIATION HISTORY (Dollars in Thousands)							
	Budget Estimates to Congress	House Allowance	Senate Allowance	Appropriations	FTE		
20021/2/	1,036,000	1,036,115	1,036,115	1,035,878	0		
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		
20093/	1,072,000	0	1,072,000	7,167,133	0		
20104/	299,225	299,225	299,225	299,225	0		
20115/	296,302	0	0	0	0		
20126/	300,495	0	0	0	0		

 $<sup>^{1/2}</sup>$ Reflects a reduction of \$181,000 pursuant to P.L. 107-116.

A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

 $<sup>\</sup>frac{2}{2}$  Reflects a reduction of \$51,000 pursuant to P.L. 107-206.

<sup>&</sup>lt;sup>3/</sup> Appropriation includes \$6,497,989 for a one-time intergovernmental transfer to Treasury for repayment on the BLDTF debt.

<sup>&</sup>lt;sup>4/</sup> Does not include exchange of assets amount of \$353,424,000 for bond principal.

<sup>&</sup>lt;sup>5</sup>/Does not include exchange of assets amounts of: \$379,286,000 for bond principal, \$60,000,000 for short-term advances, and \$180,000 for interest on short-term advances. The FY 2011 Appropriations bill has not been passed by either the Full House or the Full Senate.

<sup>&</sup>lt;sup>6</sup>/Does not include exchange of assets amounts of: \$394,287,000 for bond principal, \$120,768,000 for short-term advances, and \$1,522,000 for interest on short-term advances.

#### 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 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, \$179,072,000 in short-term borrowing authority will be required in FY 2012 to fund obligations. This amount plus interest of \$5,301,000 will be repaid in FY 2013.

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 had been awarded benefits at the time of their death, 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.

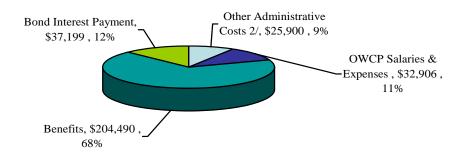
The payment of benefits directly supports the Secretary's vision of "good jobs for everyone", Strategic Goal 4: Secure health benefits and, for those not working, provide income security, and Outcome Goal 4.2: Ensure income support when work is impossible or unavailable by providing income support and medical care for beneficiaries who are unable to perform their previous coal mine work due to occupational lung disease. Enhancements to the claims processing and benefit delivery system will incorporate the Departmental budget theme of accelerated IT modernization.

#### **Cost Model**

The Office of Workers' Compensation Program (OWCP) requests a total of \$300,495,000, an increase of \$4,193,000 over the FY 2011 Full Year Continuing Resolution (C.R.) level. The level of funding will enable OWCP to meet FY 2012 obligations for Part C of the Black Lung benefits program. This request includes \$204,490,000 for benefit payments; \$37,199,000 for bond interest payments; \$32,906,000 for the Division of Coal Mine Workers' Compensation (DCMWC) Salaries and Expenses costs; \$25,217,000 for the administrative costs of the Solicitor, Office of Administrative Law Judges, and Benefits Review Board; \$327,000 for the Office of Inspector General; and \$356,000 for the Department of Treasury. Pursuant to the debt restructuring provisions in the EES Act, transactions referred to as "exchange of assets" including operating surpluses from coal excise tax revenues and short term borrowing authority will be used to retire zero-coupon bonds. Based on current coal excise tax and other revenue estimates, \$179,072,000 in short-term borrowing authority will be needed in FY 2012 to cover obligations and amounts for exchange of assets.

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

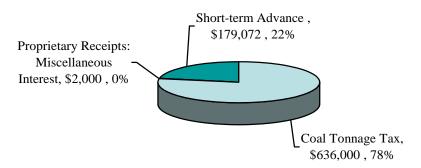
# BLACK LUNG DISABILITY TRUST FUND Total BLDTF Annual Expenditures \$300,495<sup>1/</sup> (Dollars in Thousands)



<sup>&</sup>lt;sup>1/</sup> This figure does not include exchange of assets amounts of: \$394,287,000 for bond principal, \$120,768,000 for short-term advances, and \$1,522,000 for interest on short-term advances.

<sup>&</sup>lt;sup>2</sup> Includes amounts transferred to: Departmental Management (\$25,217,000); Office of Inspector General (\$327,000); Treasury (\$356,000).

# BLACK LUNG DISABILITY TRUST FUND Total BLDTF Annual Income \$817,072 (Dollars in Thousands)



BUDGET AUTHORITY BEFORE THE COMMITTEE (Dollars in Thousands)								
FY 2010 Full Year Enacted C.R. FY 2012 Diff. FY 12 Request Enacted								
Activity Appropriation 1/	\$299,225	\$296,302	\$300,495	\$1,270				
Benefits	\$229,398	\$216,189	\$204,490	-\$24,908				
Admin. Expenses 2/	\$58,494	\$58,494	\$58,806	\$312				
Payments on Bond Interest	\$11,333	\$21,619	\$37,199	\$25,866				

<sup>&</sup>lt;sup>1</sup>/Does not include exchange of assets amounts for: bond principal (\$353,424,000 in FY 2010, \$379,286,000 in FY 2011, \$394,287,000 in FY 2012), short-term advances (\$60,000,000 in FY 2011, \$120,768,000 in FY 2012), and interest on short-term advances (\$180,000 in FY 2011, \$1,522,000 in FY 2012).

#### **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.

<sup>&</sup>lt;sup>2/</sup>These amounts are definite appropriations.

#### **Five-Year Budget Activity History**

Fiscal Year	<b>Funding</b>	<b>FTE</b>
	(Dollars in Thousands)	
2007	\$1,070,432	0
2008	\$1,066,000	0
2009	\$7,167,133	0
2010	\$299,225	0
2011	\$0	0

NOTE: A full-year 2011 appropriation for this account was not enacted at the time the budget was prepared.

#### **FY 2012**

A total of \$300,495,000 is requested to meet FY 2012 estimated obligations for Part C. This includes the following amounts for definite obligations: \$32,906,000 for OWCP 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. Amounts for indefinite obligations include: \$204,490,000 for benefit payments and \$37,199,000 for zero-coupon bond interest payments. The requested amount does not include amounts for exchange of assets transactions of: \$394,287,000 for bond principal, \$120,768,000 for short-term advances, and \$1,522,000 for interest on short-term advances.

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**

Amounts shown for FY 2011 reflect the annualized Continuing Resolution level as a full-year appropriation was not enacted by the time the budget was produced.

#### **FY 2010**

The FY 2010 Enacted Level is \$299,225,000 for FY 2010 obligations for Part C. Definite amounts include: \$32,720,000 for DCMWC Salaries and Expenses costs and \$25,774,000 for the administrative costs of the Departmental Management account, the Inspector General, and the Department of Treasury. Indefinite amounts include \$229,398,000 for benefit payments and \$11,333,000 for zero-coupon bond interest payments. The requested amount does not include \$353,424,000 for exchange of assets transactions for bond principal.

In FY 2010, monthly compensation and ongoing medical treatment benefits were paid to an average of 28,610 recipients under Part C. The program monitored cash and medical treatment benefits disbursed by coal mine operators in the private sector to an average of 4,861 additional recipients under Part C, and processed 7,044 incoming claims.

DETAILED WORKLOAD AND PERFORMANCE					
	FY 2010 Enacted		FY 2011 Estimate	FY 2012 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	6,800	7,044	7,200	6,600	
Claims in Payment Status					
Trust Fund Beneficiaries	26,900	26,648	24,100	21,400	
Beneficiaries Paid by Responsible Operators	5,000	4,861	4,650	4,400	
Medical benefits only recipients	1,975	1,962	1,650	1,450	

In FY 2012, monthly compensation and ongoing medical treatment benefits will be paid to an estimated 22,850 recipients from the BLDTF. The program will monitor cash and medical treatment payments disbursed by coal mine operators in the private sector to approximately 4,400 additional recipients under Part C; and will process an estimated 6,600 incoming claims. Based on the provisions of the PPACA, the program anticipates claim filings to continue at a high level through FY 2012 and is expecting 7,200 filings in FY 2011, an increase of 65 percent over FY 2009 levels.