



GAO Report Finds Lax Government Oversight Allowed Coal Mine Executives to Dump Nearly \$1 Billion in Debt on U.S. Taxpayers

Background

Under federal law, coal mine operators are required to provide cash assistance and medical care for miners they employ who become disabled by black lung disease. But in cases where the liable coal company goes bankrupt, closes, or is otherwise unable to pay, miners and their families receive benefits from the Black Lung Disability Trust Fund (Trust Fund), which is funded by an excise tax on coal production.

Over the past decade, a combination of factors has forced the Trust Fund to cover a growing share of miners' benefits. Coal production has declined, coal companies have gone bankrupt, and miners have suffered a resurgence in black lung disease. Of the 25,700 miners and survivors receiving benefits last year, 69 percent received compensation and health care paid out of the Trust Fund, and 31 percent received benefits that were covered by the liable mine operator.

When the Trust Fund does not have enough money to cover benefits for disabled miners, it borrows money from U.S. taxpayers. The Trust Fund is currently approximately \$5.8 billion in debt and the debt is expected to rise to more than \$15 billion by 2050.

The financial pressure on the Trust Fund has been accelerated by lax oversight by the federal government. The Department of Labor is responsible for certifying that coal companies take out enough insurance to cover their full share of miners' benefits in the event of a bankruptcy. If they don't, their share of benefits is shifted to the Trust Fund and, by extension, taxpayers.

In 2016, Chairman Scott asked the GAO to review whether the Department was meeting its responsibility to protect taxpayers by enforcing the requirement for coal companies to be adequately insured.

Methodology

The Government Accountability Office (GAO) report examines (1) how coal mine operator bankruptcies have impacted the Trust Fund and (2) how the Department managed coal mine operator insurance to limit financial risk financial risk to the Trust Fund.

What GAO Found

Since 2014, the bankruptcies of just three coal companies – Alpha Natural Resources, James River Coal, and Patriot Coal – has shifted \$865 million in liabilities to the Trust Fund, and ultimately the taxpayer. In each case, the Department of Labor failed to make sure these companies had enough collateral to fully cover what they owed to the Trust Fund.

In fact, the collateral put up by those three companies covered just 3 percent of what they owed to cover miners' benefits.

The GAO's report demonstrates how the Department permitted mine operators to self-insure without making sure they had sufficient collateral or assets to cover their liability to the Trust Fund. Specifically, the GAO found that DOL failed to:

- Estimate future liability when setting collateral and regularly review operators to monitor their changing financial conditions;
- Use enforcement tools available to them to protect the financial interest of the Trust Fund;
- Establish a procedure for appeals so that companies could not permanently delay DOL's enforcement when it found a coal company is not sufficiently insured; and
- Monitor whether operators who opt to buy commercial insurance—instead of self-insurance—maintain adequate and continuous commercial insurance coverage, as required by law.

In response from Congressional oversight, the GAO also identified serious flaws in the Department of Labor's recent attempt change the new self-insurance oversight process. In fact, the new process could potentially undermine DOL's enforcement tools that help protect the financial security of the Trust Fund.

Recommendations

GAO made three recommendations to protect taxpayers and secure access to benefits for miners and their families.

1. Establish new procedures for monitoring self-insurance
2. Establish a streamlined process for coal operators to appeal DOL findings of inadequate self-insurance, and
3. Develop a process to monitor whether commercially insured operators maintain adequate and continuous coverage.