CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

Peter R. Orszag, Director

September 27, 2008

Honorable John M. Spratt Jr.
Chairman
Committee on the Budget
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman,

As you requested, CBO has reviewed H.R. 7174, the James Zadroga 9/11 Health and Compensation Act of 2008, as introduced on September 27, 2008. The legislation would provide:

- Health care benefits for eligible emergency personnel who responded to the terrorist attacks in New York City on September 11, 2001, and for recovery and clean-up workers following the attacks;

- Health care benefits to eligible residents and others present in the part of New York City that was affected by those attacks; and

- Monetary compensation to newly eligible individuals for death and physical injury claims resulting from the attacks.

In addition, the legislation would raise revenues by altering various provisions of the tax code as described below.

CBO estimates that enacting H.R. 7174 would increase direct spending by just under $11 billion over the 2009-2018 period. The Joint Committee on Taxation (JCT) estimates that the tax provisions in the bill would increase revenues by about $11 billion over the same period. On balance, CBO and JCT estimate that the direct spending and revenue effects from enacting the legislation would reduce deficits by about $230 million over the 2009-2013 period and by $35 million over the 2009-2018 period (see enclosed table).

CBO has not completed an estimate of spending under the bill subject to appropriation.

The draft legislation contains no intergovernmental mandates as defined in the Unfunded Mandates Reform Act (UMRA). The bill would place conditions of assistance on the city of New York for participating in the health program authorized by the bill, but those conditions would not be intergovernmental mandates as defined in UMRA. Overall, the city would benefit from the programs established by the bill.

By limiting the liability of New York City, any entity with a property interest in the World Trade Center on September 11, 2001, and any contractors and subcontractors thereof, the bill would impose a private-sector mandate, as defined in UMRA, on entities that would file claims for compensatory damages or other relief arising from or related to debris removal from sites of the September 11 terrorist attacks. Because of uncertainty about the number of claims and the potential amount of the awards in the absence of this legislation, CBO cannot determine the costs of complying with the mandates or whether those costs would exceed the annual threshold established in UMRA ($136 million in 2008, adjusted annually for inflation).

Health Care Benefits

Title I would provide health care monitoring and treatment benefits for workers who were engaged in emergency response, recovery and clean-up operations related to the September 11th attacks on the World Trade Center (WTC). The bill would also provide the same treatment benefits to certain residents and others working, visiting, or residing near the WTC during the year following the attacks. The health care program would be administered by the National Institute for Occupational Safety and Health (NIOSH).

CBO estimates that providing the health care benefits described in the bill would cost $1.8 billion over the 2009-2013 period and $4.6 billion over the 2009-2018 period. Those amounts are net of payments by New York City to NIOSH to cover a 10 percent share of the benefit costs, and also net of any health insurance, worker's compensation benefits, or other medical benefits paid by third parties.

Under the legislation, CBO estimates that about 80,000 people would receive health benefits—primarily for respiratory and related illnesses, and for mental health illnesses. That estimate is based on information provided by the New York City Department of Health and Mental Hygiene, labor industry representatives, medical and population experts, as well as research on the health effects that have been observed following the clean-up efforts at the WTC.

Compensation Payments

Title II would reauthorize payments from the September 11th Victim Compensation Fund, which provided compensation for fatalities and injuries related to the September 11th terrorist attacks. The bill would broaden the eligibility criteria needed to receive a compensation payment and set new filing deadlines for such claims. (The original deadline to file a claim was December 22, 2003. The fund paid out $7 billion to those injured and representatives of those killed in the terrorist attacks on September 11, 2001, before terminating operations in 2004.) The bill's expanded eligibility criteria would significantly increase the number of individuals who could seek compensation from the fund.

Under the bill, CBO estimates that the fund would pay $6.4 billion in new awards over the 2009-2018 period, with about 85 percent ($5.5 billion) of those payments made in the first five years following enactment. We estimate that about 13,000 emergency responders and recovery/clean-up workers, along with about 5,000 residents and area workers, would receive awards from the fund, averaging about $350,000 each.

The estimated number of beneficiaries is based largely on the number of injured and chronically sick individuals participating in existing treatment programs provided for the September 11th responders, area residents, and area workers, and on an estimate of the number of additional claims for compensation that we expect would be received under this bill. The estimated average award size is based on the payments previously made to injured victims by the Special Master for the Victim Compensation Fund.

Tax Provisions

In total, JCT estimates that enacting the legislation would increase revenues by approximately $7.5 billion over the 2009-2013 period and $11 billion over the 2009-2018 period. Title III would increase revenues by changing tax provisions that in some cases allow a U.S. subsidiary of a foreign parent corporation to avoid U.S. withholding tax on payments to a related subsidiary in another country that has a tax treaty with the United States. In addition, the title would increase revenue by clarifying the economic substance doctrine that disallows tax reductions resulting from certain transactions that do not have economic substance or that lack a business purpose other than reducing taxes.

The legislation also would shift revenues between 2013 and 2014. For corporations with at least $1 billion in assets, the bill would increase the portion of corporate estimated payments due in July through September of 2013. That shift would move an estimated $2.8 billion forward into fiscal year 2013.

CBO Staff Contacts

If you wish further details on this estimate, we would be pleased to provide them. The CBO staff contacts are Stephanie Cameron (for health care costs), Leigh Angres (for the September 11th Victim Compensation Fund), and Mark Booth (for revenues).

Sincerely,

Peter R. Orszag
Director

Enclosure

cc: Honorable Paul Ryan
Ranking Member

Honorable Carolyn B. Maloney

Honorable John Conyers Jr.
Chairman
Committee on the Judiciary

Honorable Lamar S. Smith
Ranking Member

Honorable John D. Dingell
Chairman
Committee on Energy and Commerce

Honorable Joe Barton
Ranking Member

Honorable Charles B. Rangel
Chairman
Committee on Ways and Means

Honorable Jim McCrery
Ranking Republican

ESTIMATED IMPACT ON DIRECT SPENDING AND REVENUES FOR H.R. 7174, AS INTRODUCED ON SEPTEMBER 27, 2008

	By Fiscal Year, in Millions of Dollars											
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2009-2013	2009-2018
CHANGES IN DIRECT SPENDING												
Title I - Health Care Benefits												
Estimated Budget Authority	210	295	365	420	460	490	520	570	610	650	1,750	4,590
Estimated Outlays	210	295	365	420	460	490	520	570	610	650	1,750	4,590
Title II - Victim Compensation Payments												
Estimated Budget Authority	0	200	1,000	4,100	200	200	200	200	150	100	5,500	6,350
Estimated Outlays	0	200	1,000	4,100	200	200	200	200	150	100	5,500	6,350
Total Changes												
Estimated Budget authority	210	495	1,365	4,520	660	690	720	770	760	750	7,250	10,940
Estimated Outlays	210	495	1,365	4,520	660	690	720	770	760	750	7,250	10,940
CHANGES IN REVENUES												
Title III - Tax Provisions												
Estimated Revenues	664	859	950	1,058	3,952	-1,609	1,222	1,256	1,292	1,330	7,483	10,975
NET CHANGES IN BUDGET DEFICIT OR SURPLUS FROM CHANGES IN REVENUES AND DIRECT SPENDING												
Estimated Increase or Decrease (-) in Deficits [a]	-454	-364	415	3,462	-3,292	2,299	-502	-486	-532	-580	-233	-35

Sources: Congressional Budget Office and Joint Committee on Taxation.

a. Negative numbers indicate decreases in deficits (or increases in surpluses); positive numbers indicate increases in deficits (or decreases in surpluses).