CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

June 6, 2006

S. 2803
Mine Improvement and New Emergency Response Act of 2006

As passed by the Senate on May 24, 2006

SUMMARY

The Mine Improvement and New Emergency Response Act of 2006 would require operators of underground coal mines to improve accident preparedness. The legislation would require mining companies to develop an emergency response plan specific to each mine they operate, and require that every mine have at least two rescue teams located within one hour. S. 2803 would also limit the legal liability of rescue team members and the companies that employ them. The act would increase both civil and criminal penalties for violations of federal mining safety standards and would give the Mine Safety and Health Administration (MSHA) the ability to temporarily close a mine that fails to pay the penalties or fines. In addition, the act calls for several studies into ways to enhance mine safety, as well as the establishment of a new office within the National Institute for Occupational Safety and Health devoted to improving mine safety. Finally, the legislation would establish new scholarship and grant programs devoted to training individuals with respect to mine safety.

By increasing civil and criminal penalties, CBO estimates S. 2803 would increase federal revenues by $1 million in 2006 and $27 million over the 2006-2011 period. (Civil and criminal penalties are recorded by the federal budget as revenues.) Funds collected through increases in criminal penalties are deposited in the Crime Victims Fund and subsequently spent. CBO estimates that enacting S. 2803 would increase direct spending by about $5 million over the 2007-2011 period. Assuming appropriation of the necessary amounts, CBO estimates that implementing the act would cost an additional $2 million in 2007 and $17 million over the 2007-2011 period.

S. 2803 would provide liability protection for members of mine rescue teams. Because such liability protection would preempt state liability laws and limit the ability of state and local governments to seek damages in certain cases, it would be an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA). However, CBO estimates that the costs of the mandate would be minimal.

S. 2803 would impose private-sector mandates, as defined in UMRA, on operators of coal mines. CBO cannot determine the cost of all the private-sector mandates in S. 2803 because some of the requirements established by the act would hinge on future regulatory action about which information is not available. While CBO cannot estimate the cost of each mandate, we expect that the total cost of private-sector mandates in the act would exceed the annual threshold established in UMRA ($128 million in 2006, adjusted annually for inflation) in at least one of the first five years the mandates are in effect. That conclusion is based on CBO's analysis of the incremental cost of implementing new mining communication, tracking, and rescue systems.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 2803 is shown in the following table. The costs of this legislation fall within multiple budget functions.

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2011
CHANGES IN REVENUES						
Estimated Revenues	1	5	5	5	5	5
CHANGES IN DIRECT SPENDING						
Estimated Budget Authority	0	1	1	1	1	1
Estimated Outlays	0	*	1	1	1	1
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Estimated Authorization Level	0	5	3	3	3	4
Estimated Outlays	0	2	5	3	3	4

Note: * = less than $500,000.

BASIS OF ESTIMATE

Revenues and Direct Spending

Under current law, civil penalties for mine safety violations are capped at $60,000 per violation. This legislation would raise that ceiling to $220,000. It also would raise minimum civil penalties for certain violations from $60 to $2,000. Further, the act would increase criminal penalties from $25,000 to $250,000 for a first conviction and from $50,000 to $500,000 for successive violations.

CBO estimates that enacting these changes would increase federal revenues by $1 million in 2006 and by $27 million over the 2006-2011 period. Civil penalties are recorded in the federal budget as revenues. Criminal penalties are recorded in the budget as revenues, deposited in the Crime Victims Fund, and later spent. CBO estimates that the additional criminal penalties collected as a result of the act would increase direct spending from the Crime Victims Fund by about $5 million over the 2007-2011 period.

Spending Subject to Appropriation

S. 2803 would authorize the creation of several programs intended to improve the health and safety of workers in coal mines. Assuming appropriation of the necessary amounts, CBO estimates that implementing the act would cost $2 million in 2007 and $17 million over the 2007-2011 period.

National Institute of Mine Safety. The act would authorize the permanent creation of the National Institute of Mine Safety within the National Institute of Occupational Safety and Health (NIOSH). The office would be responsible for developing new technologies and equipment designed to improve mine safety. It would be responsible for establishing an interagency working group devoted to mine safety and would have the power to make grants to encourage development of safety equipment. Since NIOSH already performs many of these functions, CBO estimates implementing this provision would cost less than $500,000 annually.

Study Panel on Belt Air. S. 2803 would authorize the creation of a technical study panel to provide scientific information on the utilization of belt air (a method for ventilating mine shafts). The panel would be required to issue a report one year after its members are appointed. Based on the cost of similar studies, CBO estimates this provision would cost $1 million over the 2007-2008 period.

Refuge Chambers. The act would require NIOSH to conduct a study on the use of refuge chambers in coal mines. The agency would be required to issue a report on the subject within 18 months. Based on the cost of similar studies, CBO estimates this provision would cost $1 million over the 2007-2008 period.

Scholarships. The act would authorize the creation of a scholarship program to be administered by the Department of Education. Scholarships would be granted for undergraduate and graduate level education to coal miners, those who wish to become coal miners, and public-sector employees responsible for mine safety. Assuming several hundred scholarships would be awarded each year, CBO estimates this program would cost $1 million in 2007 and $10 million over the 2007-2011 period.

Sago Mine Safety Grants. The act would authorize the Department of Labor to award grants to fund education and training programs devoted to improving mine safety. Based on the cost of similar programs, CBO estimates this provision would cost $1 million annually over the 2007-2011 period.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 2803 would provide liability protection for members of mine rescue teams. No person would be able to sue for property damages or personal injuries that were sustained as a result of mine accident rescue or recovery operations. Because this limitation on liability would preempt state liability laws and limit the ability of state and local governments to seek damages, it would be an intergovernmental mandate as defined in the Unfunded Mandates Reform Act. However, the preemption of state liability laws would not affect the budgets of state, local or tribal governments, and the likelihood of such suits by governments is quite small. Consequently, the costs of the mandate would be minimal and thus would not exceed the threshold established in UMRA ($64 million in 2006, adjusted annually for inflation).

ESTIMATED IMPACT ON THE PRIVATE SECTOR

S. 2803 would impose private-sector mandates, as defined in UMRA, on operators of coal mines. The act would require operators to:

(1) Install communication systems and tracking systems in their mines;
(2) Provide an additional supply of air for miners for use in emergencies;
(3) Establish rescue teams within one hour’s distance from each mining facility with more than 36 workers;
(4) Use fire-resistant lifelines as replacements for existing lifelines; and

(5) Comply with standards to be established for sealing abandoned areas in underground mines.

CBO cannot determine the cost of all the mandates in the act because some of the requirements established by the act would hinge on future regulatory action about which information is not available. While CBO cannot estimate the cost of each mandate, we expect that the total cost of private-sector mandates in the act would exceed the annual threshold established in UMRA ($128 million in 2006, adjusted annually for inflation) in at least one of the first five years the mandates are in effect. That conclusion is based on CBO's analysis of the incremental costs associated with implementing mining communication, tracking, and rescue systems.

The act would require operators, within three years of enactment, to install two-way communication systems and miner tracking systems in their mines. Government sources have estimated that prototypes could cost about $100,000 for each system per mine on average. Industry experts, however, expect those costs could be higher for a large proportion of the mines if regulations require the use of technology that adapts to the unique conditions of each mine.

The act also would require operators to provide each miner with an additional supply of available breathable air within three years of enactment. Under current law established by the Department of Labor's Emergency Temporary Standards, operators are required to provide miners with two hours of breathable air. The act would require that operators provide miners with an additional two hours of breathable air. The mining industry expects operators would need to supply miners with an additional 35,000 Self-Contained Self-Rescuer units at about $600 per unit to comply with the mandate.

For mines with greater than 36 underground employees, operators would be required to establish rescue teams within a one hour's distance of ground time. Current law requires operators to designate rescue teams within a proximity of two hours of ground time. According to government and industry sources, reducing the response time of rescue teams would require operators of about 260 mines to establish and maintain more rescue teams at an annual maintenance cost of about $165,000 per team. The incremental number of rescue teams required under the act would constitute a new mandate.

The act also would mandate that all new lifelines purchased and installed by operators be fire-resistant. Current law does not require replacement lifelines to be fire-resistant. According to government and industry sources, it is unknown how much more fire-resistant lifelines would cost and how many replacement lifelines would have to be bought in the future. Consequently, CBO has no basis to estimate the costs of this mandate.

In addition, the act would require the Secretary of Labor to promulgate new regulations regarding the type of material used to seal abandoned areas in underground mines. The Department of Labor does not know what the new requirements would be beyond the act's requirement that such material be able to withstand more than the current regulation of 20 pounds per square inch. If the new regulations compel operators to meet more stringent requirements for sealing abandoned areas, then that would constitute a new mandate.

ESTIMATE PREPARED BY:

Federal Revenues: Emily Schlect
Federal Spending: Geoffrey Gerhardt
Impact on State, Local, and Tribal Governments: Leo Lex
Impact on the Private Sector: Craig Cammarata

ESTIMATE APPROVED BY:

Peter H. Fontaine
Deputy Assistant Director for Budget Analysis

G. Thomas Woodward
Assistant Director for Tax Analysis