



**U.S. Department
of Transportation**

BUDGET ESTIMATES

FISCAL YEAR 2017

**PIPELINE AND
HAZARDOUS MATERIALS
SAFETY ADMINISTRATION**

**SUBMITTED FOR THE USE OF
THE COMMITTEES ON APPROPRIATIONS**

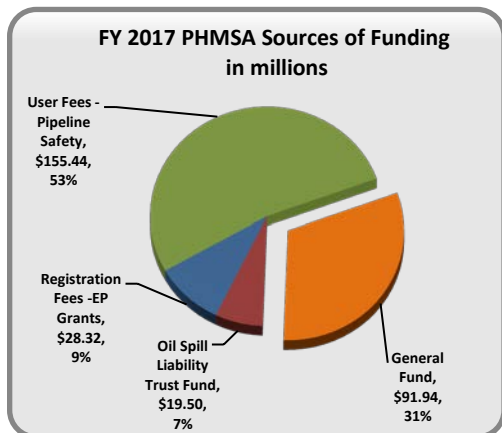
**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
FY 2017 BUDGET REQUEST
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U.S. DEPARTMENT OF TRANSPORTATION PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION FY 2017 BUDGET REQUEST OVERVIEW

The Pipeline and Hazardous Materials Safety Administration (PHMSA) protects people and the environment by advancing the safe transportation of energy and other hazardous materials that are essential to our daily lives. PHMSA's Administrator is leading a transformative change to achieve its vision to be the most innovative transportation safety organization in the world. PHMSA's transformation includes strategic investments and restructuring of the organization and is built upon the three principles of safety, innovation, and trust.



PHMSA's FY 2017 budget proposal requests \$295.20 million, \$45.55 million more than the FY 2016 enacted budget: \$176.44 million for Pipeline Safety, \$68.25 million for Hazardous Materials Safety, \$28.32 million in Emergency Preparedness Grants, and \$22.19 million to fund the Operational Expenses account. Industry user fees make up 69 percent of PHMSA's funding while general funds account for 31 percent of resources (see graphic).

This requested amount supports PHMSA's oversight of more than 40,000 companies involved in the commercial transportation of petroleum products and hazardous materials, and the safe

operation of pipelines that carry natural gas and hazardous liquids serving almost 70 million residential and business customers. In addition, the request funds capabilities to fulfill the requirements of the 2011 Pipeline Safety Act and the 2015 Fixing America's Surface Transportation (FAST) Act.

PHMSA operates in a dynamic environment that continues to increase the scope and complexity of the agency's mission and responsibilities, as well as the public's reliance on our effectiveness. Driven by new technology and market forces, the industries we regulate are changing, as are the ways the American public consumes and interacts with the energy and products that we seek to move safely. In an effort to remain responsive and become more predictive, PHMSA is undertaking a transformation to better align our organization to more effectively deliver on our mission and fill key gaps in mission-critical capabilities.

Given PHMSA's dynamic operating environment, the agency has launched several key initiatives to transform the agency for future mission success, including an organizational assessment and data assessment. Based on preliminary recommendations from these assessments, PHMSA is proposing three key organizational changes that will serve as the foundation for further improvements:

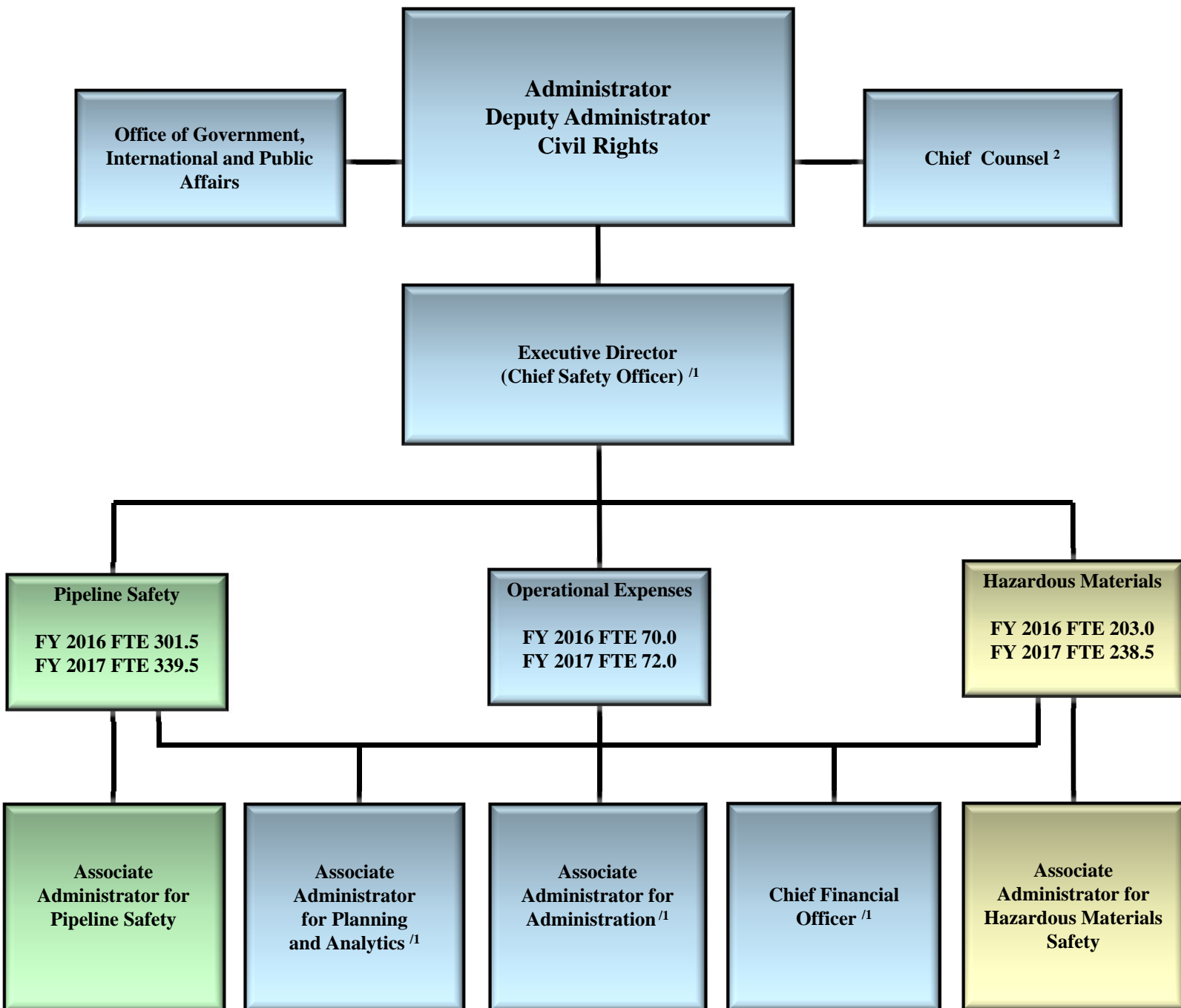
- Establishment of an Office of Planning & Analytics to build and ensure consistency in PHMSA's data and economic analysis capabilities including in data collection, industry and economic analysis, and innovative tools and techniques to analyze and visualize safety data.
- Establishment of a career Executive Director to drive consistent execution and operations across PHMSA's programs. The Executive Director will also serve as the Chief Safety Officer.
- Establishment of a Chief Financial Officer (CFO) separate from the Associate Administrator for Administration (AAA). The CFO will strengthen PHMSA's strategic financial management decision making, while simultaneously opening the AAA's portfolio to focus on critical human resources and information technology functions.

The FY 2017 Budget requests new strategic investments in the following key areas to support PHMSA's transformation:

- **Using Data to Improve Safety:** PHMSA requests \$9.02 million to support the implementation of the recommendations identified in the data and organizational assessments. Specifically, these investments will enable PHMSA to build its data and analytic capabilities to better analyze and identify industry and market trends, conduct rigorous economic analysis, develop and improve collection of relevant data, build skills and tools for advanced risk modeling, and improve data visualization. Strengthening these skill sets will allow PHMSA to develop stronger, more economically feasible regulations, move towards more data-driven, risk-based inspection and enforcement approaches, and better communicate with stakeholders.
- **Expansion of Existing Programs including the Safe Transport of Energy Products:** PHMSA requests \$5.31 million to add needed inspectors and assorted subject matter experts to address emerging trends and challenges in hazardous materials transportation. A crucial component of PHMSA's ability to achieve its safety mission is to engage hazmat shippers in training and other outreach aimed at increasing compliance. PHMSA requests funding to increase our technical capability and capacity to improve the agency's oversight activities and engagement with shippers and others around the world transporting hazardous materials into the U.S.
- **Enterprise Risk Management:** PHMSA requests \$2.81 million in the Hazardous Materials Safety program to enhance risk and data management capabilities to inform hazardous materials inspection and enforcement activities. Additionally, PHMSA requests \$5.89 million in the Pipeline Safety program to establish the Information Sharing System to enable information sharing among government officials, emergency responders and other stakeholders to better identify safety risks. These efforts operationalize the strategic implementation of the Using Data to Improve Safety initiative as led by the proposed Office of Planning & Analytics.

This budget request funds PHMSA's continuous improvement efforts to become a predictive safety agency informed by data and risk analysis. It enables PHMSA to invest in the capabilities and skills necessary to utilize data to provide timely and effective regulations, enforcement, implementation of innovative technology, research and development investments, and public outreach.

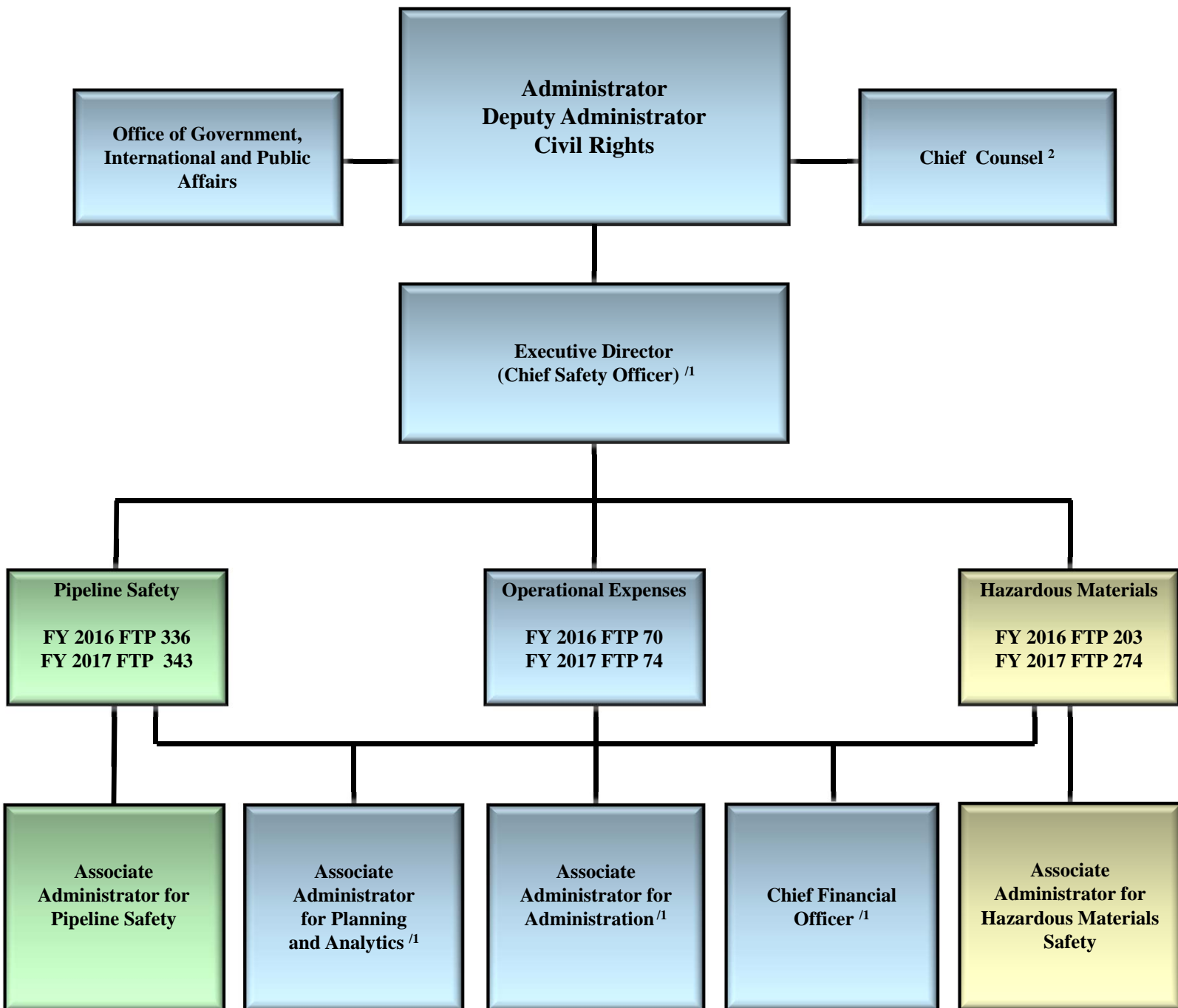
**Exhibit I: Pipeline and Hazardous Materials Safety Administration (PHMSA)
Full-Time Equivalents (FTEs) for FY 2016 and FY 2017 Budget Request
Totals: FY 2016 FTE – 574.5 / FY 2017 FTE – 650.0**



¹ The Executive Director/Chief Safety Officer is broken out from the Administrator’s office, creation of a new Office of Planning and Analytics, and a breakout of the CFO from the AA for Administration represent organizational changes that strengthen PHMSA’s safety posture.

² Chief Counsel also oversees attorneys from the Pipeline Safety and Hazardous Materials Safety Programs.

**Exhibit I: Pipeline and Hazardous Materials Safety Administration (PHMSA)
 Full-Time Permanents (FTPs) for FY 2016 and FY 2017 Budget Request
 Totals: FY 2016 FTP – 609 / FY 2017 FTP – 691**



¹ The Executive Director/Chief Safety Officer is broken out from the Administrator’s office, creation of a new Office of Planning and Analytics, and a breakout of the CFO from the AA for Administration represent organizational changes that strengthen PHMSA’s safety posture.

² Chief Counsel oversees attorneys from the Pipeline Safety and Hazardous Materials Safety Programs.

Pipeline and Hazardous Materials Safety Administration Summary of Changes: FY 2017 Request Highlights

PHMSA-wide

Using Data to Improve Safety \$9,021,000 including 18 FTPs/ 9.0 FTEs

This increase supports the Administrator's pledge to make PHMSA synonymous with safety, trust and innovation by building its data and analytic strength to become more predictive in the development and enforcement of safety regulations based on risk.

Pipeline Safety

Information Sharing System \$5,894,000

Oversight and enforcement call for the right tools to do the jobs effectively. Sharing findings about pipeline materials, conditions and operations takes the next step toward enhancing safety through preventive measures. The proposed Information Sharing System helps better inform PHMSA's inspections, enforcement, regulations and focus on reducing the likelihood of future pipeline incidents. The Information Sharing System enables more real-time collection and sharing of results that can be mapped, analyzed and acted upon along the nation's pipeline networks.

Design Review Fund \$2,000,000

The Design Review Fund enables DOT to assess fees to recover from companies costs associated with conducting reviews on pipeline-related projects with design and construction costs of at least \$2.5 billion, or when projects use new or novel technologies or design. PHMSA proposes a technical modification to the authorization language regarding the collection of Design Review fees.

Expansion of Existing Programs \$5,608,000

This is a request to provide funding for three essential Pipeline Safety programs. They are Pipeline Safety Grants, which would receive a \$3.68 million increase for a proposed total of \$49.02 million; Information Grants to Communities, which would receive \$1.5 million; and a \$433 thousand increase for Research and Development activities, total request of \$12.55 million.

Hazardous Materials Safety

Risk & Data Management \$2,806,000 including 12 FTPs/ 6.0 FTEs

This initiative supports the development and launch of PHMSA's move toward improving safety through the use of data. It includes comprehensive studies of the flow of hazardous materials across the nation. The results will be used to target outreach and enforcement, inform rulemaking, and provide areas of focus and improvement to hazmat programs.

Research, Development & Innovation \$1,600,000 including 2 FTPs/ 1.0 FTE

This increase funds the continuation of collaborative research with the Department of Energy and the Federal Railroad Administration to better understand the energy product transportation safety problem including the issue of vapor pressure, a measure of crude oil volatility during transport and potential options for stabilizing crude prior to transfer and costs associated with each option.

Advancing Field Enforcement Activities \$1,600,000 including 10 FTPs/ 5.0 FTE

This increase closes an inspection gap with personnel to conduct inspections at U.S. ports of entry as well as abroad; to stem the tide of unapproved hazardous materials entering the United States; to fill critical gaps in completing inspections of shippers and package manufacturers; and to expand our ability to conduct accident investigations.

Expansion of Existing Programs including Safe Transport of Energy Products \$5,306,000 including 40 FTPs/ 20.0 FTE

PHMSA proposes to take action to prevent accidents involving flammable liquids and to address findings by the National Transportation Safety Board and the Canadian Transportation Safety Board for recent incidents in North Dakota, Quebec and Alabama. This initiative will also increase the inspection and enforcement workforce to address the increasing volume of hazardous materials being transported across our nation. It also provides subject matter experts to facilitate multi-million dollar rulemakings and accurately assess the benefits and costs of regulations.

Operational Expenses

Improving Program Evaluation \$605,000

This increase promotes continuous improvement in PHMSA's safety programs. Independent safety program evaluations will be conducted on specific safety program elements, to include an evaluation of the effectiveness of OHMS and OPS enforcement approaches and activities, and their impacts on operator compliance, safety improvement, and the reduction of systemic risk.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
SUMMARY OF CHANGE FY 2016 TO FY 2017

	<u>\$000</u>	<u>FTE</u>
FY 2016 Enacted	\$249,647	574.5
Administrative Adjustments to Base:		
Annualization of 2016 Pay Raise	281	0.0
Annualization of FY 2015 FTE	7,590	34.5
Two Less Compensable Days	(664)	0.0
2017 Pay Raise	1,034	0.0
GSA Rent	175	0.0
Working Capital Fund	(400)	0.0
Non-pay Inflation	1,182	0.0
Subtotal, Administrative Adjustments to Base	\$9,198	34.5
New or Expanded Programs		
<u>Pipeline Safety</u>		
1. Information Sharing System	\$5,894	0.0
2. Pipeline Safety Grants	3,675	0.0
3. Research & Development	433	0.0
4. Information Grants to Communities	1,500	0.0
5. Pipeline Design Review	2,000	0.0
6. Using Data to Improve Safety, 7 FTP	7,470	3.5
Subtotal, Pipeline Safety	\$20,972	3.5
<u>Emergency Preparedness Grants</u>		
1. Sequestration	1,913	0.0
Subtotal, Emergency Preparedness Grants	1,913	0.0
<u>Hazardous Materials Safety</u>		
1. Risk & Data Management, 12 FTP	2,806	6.0
2. Research, Development and Innovation, 2 FTP	1,600	1.0
3. Advancing Field Enforcement Activities, 10 FTP	1,600	5.0
4. Expansion of Existing Programs including Safe Transport of Energy Products, 40 FTP	5,306	20.0
5. Using Data to Improve Safety, 7 FTP	1,070	3.5
Subtotal, Hazardous Materials Safety	\$12,382	35.5
<u>Operational Expenses</u>		
1. Using Data to Improve Safety, 4 FTP	481	2.0
2. Improving Program Evaluations	605	0.0
Subtotal, Operational Expenses	\$1,086	2.0
Subtotal, New or Expanded Programs	\$36,353	41.0
FY 2017 Request	\$295,198	650.0

EXHIBIT II-1

**FY 2017 COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>
Pipeline Safety			
Pipeline Safety Fund	124,500	124,500	153,443
Oil Spill Liability Trust Fund	19,500	22,123	19,500
Design Review Fund	0 ¹	0	2,000
General Fund	1,500	0	1,500
Subtotal	\$145,500	\$146,623	\$176,443
Hazardous Materials Safety			
General Fund	52,000	55,619	68,249
Special Permit and Approvals Fund	0	0	0
Subtotal	\$52,000	\$55,619	\$68,249
Emergency Preparedness Grants			
Emergency Preparedness Fund (Mandatory)	26,077 ²	26,217	28,318
Emergency Preparedness Fund (Discretionary)	188	188	0
Subtotal	\$26,265	\$26,405	\$28,318
Operational Expenses			
General Fund	20,725	21,000	22,188
Subtotal	\$20,725	\$21,000	\$22,188
TOTAL	\$244,490	\$249,647	\$295,198

¹ The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (P.L. 112-90) authorizes PHMSA to recover from companies the costs of conducting pipeline facility design reviews of projects with design and construction costs totaling over \$2.5 billion, or uses new or novel technologies or design. The legislation allows for the collection of the fee as a mandatory receipt, after finalizing implementing regulations, with the spending subject to appropriations. No fees have been collected to date pursuant to this authority. The Consolidated Appropriations Act of 2014 and the Consolidated and Further Continuing Appropriations Act of 2015 provided the authority to retain fees collected in FY 2014 and 2015 pursuant to P.L. 112-90. However, since the Administration would like to use these fees as an offset for discretionary spending and therefore does not wish to collect them as a mandatory receipt, the Administration proposes collection of this fee pursuant to appropriations language.

² Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014.

EXHIBIT II-2

**FY 2017 TOTAL BUDGETARY RESOURCES BY APPROPRIATION ACCOUNT
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

<u>ACCOUNT NAME</u>	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
Pipeline Safety			
Pipeline Safety Fund	124,500	124,500	153,443
Oil Spill Liability Trust Fund	19,500	22,123	19,500
Design Review Fund	0 ¹	0 ¹	2,000
General Fund	1,500	0	1,500
	\$145,500	\$146,623	\$176,443
Hazardous Materials Safety			
General Fund	52,000	55,619	68,249
	\$52,000	\$55,619	\$68,249
Emergency Preparedness Grants	\$26,265 ²	\$26,405 ³	\$28,318
Operational Expenses			
General Fund	20,725	21,000	22,188
Pipeline Safety Fund	0	0	0
	\$20,725	\$21,000	\$22,188
TOTAL	\$244,490	\$249,647	\$295,198

¹ The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (P.L. 112-90) authorizes PHMSA to recover from companies the costs of conducting pipeline facility design reviews of projects with design and construction costs totaling over \$2.5 billion, or uses new or novel technologies or design. The legislation allows for the collection of the fee as a mandatory receipt, after finalizing implementing regulations, with the spending subject to appropriations. No fees have been collected to date pursuant to this authority. The Consolidated Appropriations Act of 2014 and the Consolidated and Further Continuing Appropriations Act of 2015 provided the authority to retain fees collected in FY 2014 and 2015 pursuant to P.L. 112-90. However, since the Administration would like to use these fees as an offset for discretionary spending and therefore does not wish to collect them as a mandatory receipt, the Administration proposes collection of this fee pursuant to appropriations language.

² Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014.

³ Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2016, February 2, 2015.

EXHIBIT II-3

**BUDGET REQUEST BY STRATEGIC AND PERFORMANCE GOALS
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligations, and Exempt Obligations
(\$000)**

STRATEGIC & PERFORMANCE GOALS by Performance Measure	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
SAFETY			
a. Reduce the number of natural gas and hazardous liquid pipeline incidents involving death or major injury	\$157,104	\$159,173	\$189,476
b. Reduce the number of hazardous materials transportation incidents involving death or major injury	\$87,386	\$90,474	\$105,722
Total - Safety Strategic Goal	\$244,490	\$249,647	\$295,198

EXHIBIT II-3a

**FY 2017 BUDGET REQUEST BY DOT OUTCOMES
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
(\$000)**

DOT Outcome	Program	FY 2017 Request
SAFETY		
Reduction in transportation-related deaths and injuries	Pipeline Safety	\$189,476
Reduction in transportation-related deaths and injuries	Hazardous Materials Safety	\$105,722

EXHIBIT II-4

**FY 2017 BUDGET AUTHORITY
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<i>Mandatory/ Discretionary</i>	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
Pipeline Safety	<i>D</i>	145,500 ¹	146,623	176,443
Hazardous Materials Safety	<i>D</i>	52,000	55,619	68,249
Emergency Preparedness Grants	<i>M</i>	26,077 ²	26,217 ³	28,318
	<i>D</i>	188	188	-
		<u>26,265</u>	<u>26,405</u>	<u>28,318</u>
Operational Expenses	<i>D</i>	20,725	21,000	22,188
TOTAL		\$244,490	\$249,647	\$295,198
<i>Mandatory</i>		26,077	26,217	28,318
<i>Discretionary</i>		218,413	223,430	266,880
<u>PROPRIETARY AND OTHER GOVERNMENTAL RECEIPTS</u>				
Pipeline Safety User fees	<i>D</i>	124,500	124,500	153,443
Pipeline Safety Design Review Fee	<i>D</i>	0	0	2,000
Hazardous Materials Registration Program	<i>M</i>	800	800	800
Hazardous Materials Transportation Registration, Filing, and Permits	<i>M</i>	26,265	26,405	28,318
TOTAL		\$151,565	\$151,705	\$184,561

1 The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (P.L. 112-90) authorizes PHMSA to recover from companies the costs of conducting pipeline facility design reviews of projects with design and construction costs totaling over \$2.5 billion, or uses new or novel technologies or design. The legislation allows for the collection of the fee as a mandatory receipt, after finalizing implementing regulations, with the spending subject to appropriations. No fees have been collected to date pursuant to this authority. The Consolidated Appropriations Act of 2014 and the Consolidated and Further Continuing Appropriations Act of 2015 provided the authority to retain fees collected in FY 2014 and 2015 pursuant to P.L. 112-90. However, since the Administration would like to use these fees as an offset for discretionary spending and therefore does not wish to collect them as a mandatory receipt, the Administration proposes collection of this fee pursuant to appropriations language.

² Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014.

³ Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2016, February 2, 2015.

EXHIBIT II-5

**FY 2017 OUTLAYS
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>
Pipeline Safety			
Pipeline Safety Fund	\$92,982	\$142,877	\$155,497
Design Review Fund	\$0	0	\$1,000
Transfer from Operational Expenses	\$1,041	0	\$1,500
Trust Fund Share of Pipeline Safety	\$23,114	18,328	\$20,433
Subtotal, Pipeline Safety	<u>\$117,137</u>	<u>\$161,205</u>	<u>\$178,431</u>
 Hazardous Materials Safety			
General Fund	\$44,534	\$61,909	\$64,207
Subtotal, Hazardous Materials Safety	<u>\$44,534</u>	<u>\$61,909</u>	<u>\$64,207</u>
 Emergency Preparedness Grants			
Mandatory	\$23,099	\$38,345	\$37,314
Discretionary	\$223	122	\$53
Subtotal, Emergency Preparedness Grants	<u>\$23,322</u>	<u>\$38,467</u>	<u>\$37,367</u>
 Operational Expenses	\$19,987	\$22,805	\$21,792
 Research and Special Programs	\$0	\$329	\$0
	<u> </u>	<u> </u>	<u> </u>
TOTAL	\$204,980	\$284,715	\$301,796
<i>Discretionary</i>	<i>\$181,881</i>	<i>246,370</i>	<i>\$264,482</i>
<i>Mandatory</i>	<i>\$23,099</i>	<i>38,345</i>	<i>\$37,314</i>

EXHIBIT II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 Appropriations, Obligation Limitations, and Exempt Obligations
 (\$000)

PHMSA SUMMARY	FY 2016 Enacted	Adjustment	Annualization of 2016 Pay Raises	Annualization of FY 2016 FTE	Baseline Changes				FY 2017 Baseline Estimate	Program Increases/Decreases	FY 2017 Request
					Two Less Compensable Days	2017 Pay Raises	GSA Rent	WCF Increase/Decrease			
PERSONNEL RESOURCES (FTE)	574.5			34.5					609.0	41.0	650.0
Direct FTE	574.5			34.5					609.0	41.0	650.0
Reimbursable FTE	0.0								0.0		0.0
FINANCIAL RESOURCES											
ADMINISTRATIVE EXPENSES											
Salaries and Benefits	\$81,497		\$281	\$5,106	(\$664)	\$1,034			\$87,254	\$6,068	\$93,322
Travel	\$6,463			\$414				\$68	\$6,945	\$492	\$7,437
GSA Rent	\$8,274			\$449		\$175			\$8,898	\$534	\$9,431
Communications & Utilities	\$915							\$8	\$923		\$923
Printing	\$285							\$2	\$287		\$287
Other Services:									\$0		\$0
- Other	\$11,567			\$1,311				\$93	\$12,971	\$1,634	\$14,605
- WCF	\$8,488						(\$400)		\$8,088		\$8,088
Supplies	\$105								\$105		\$105
Equipment	\$1,390			\$311				\$16	\$1,717	\$370	\$2,086
Subtotal, Administrative	\$118,984	\$0	\$281	\$7,590	(\$664)	\$1,034	(\$400)	\$187	\$127,187	\$9,097	\$136,284
PROGRAMS											
Contract Programs											
Pipeline Safety	\$22,506							\$224	\$22,730	\$14,594	\$37,324
Hazardous Materials Safety	\$10,015							\$100	\$10,115	\$3,191	\$13,306
Emergency Preparedness Grants	\$910	(\$188)							\$722	\$52	\$774
Operational Expenses	\$5,750								\$5,750	\$646	\$6,396
Subtotal, Programs	\$39,181	(\$188)	\$0	\$0	\$0	\$0	\$0	\$324	\$39,317	\$18,483	\$57,800
Research and Development											
Pipeline Safety	\$12,000							\$120	\$12,120	\$433	\$12,553
Hazardous Materials Safety	\$7,570							\$76	\$7,646	\$1,380	\$9,026
Subtotal, Research and Development	\$19,570	\$0	\$0	\$0	\$0	\$0	\$0	\$196	\$19,766	\$1,813	\$21,579
Grants											
Pipeline Safety	\$47,452							\$475	\$47,927	\$5,175	\$53,102
Emergency Preparedness Grants	\$24,460	\$188							\$24,648	\$1,785	\$26,433
Subtotal, Grants	\$71,912	\$188	\$0	\$0	\$0	\$0	\$0	\$475	\$72,575	\$6,960	\$79,535
Subtotal, Programs	\$130,664	\$0	\$0	\$0	\$0	\$0	\$0	\$995	\$131,659	\$27,256	\$158,915
TOTAL FINANCIAL RESOURCES	\$249,647	\$0	\$281	\$7,590	(\$664)	\$1,034	(\$400)	\$1,182	\$258,845	\$36,353	\$295,198

EXHIBIT II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 Appropriations, Obligation Limitations, and Exempt Obligations
 (\$000)

Baseline Changes

PIPELINE SAFETY	FY 2016 Enacted	Annualization of 2016 Pay Raises	Annualization of FY 2015 FTE	Two Less Compensable Days	2017 Pay Raises	GSA Rent	WCF Increase/Decrease	1.0% Inflation	FY 2017 Baseline Estimate	Program Increases/Decreases	FY 2017 Request
PERSONNEL RESOURCES (FTE)	301.5		34.5						336.0	3.5	339.5
Direct FTE	301.5		34.5						336.0	3.5	339.5
Reimbursable FTE	0.0								0.0		0.0
FINANCIAL RESOURCES											
ADMINISTRATIVE EXPENSES											
Salaries and Benefits	\$43,054	\$157	\$5,106	(\$369)	\$575				\$48,523	\$518	\$49,041
Travel	\$4,505		\$414					\$49	\$4,968	\$42	\$5,010
GSA Rent	\$4,788		\$449		\$105				\$5,342	\$46	\$5,387
Communications & Utilities	\$446							\$4	\$450		\$450
Printing	\$76							\$1	\$77		\$77
Other Services:											
- Other	\$6,403		\$1,311					\$77	\$7,791	\$133	\$7,924
- WCF	\$4,223						(\$174)		\$4,049		\$4,049
Supplies	\$37								\$37		\$37
Equipment	\$1,133		\$311					\$14	\$1,458	\$32	\$1,489
Subtotal, Administrative	\$64,665	\$157	\$7,590	(\$369)	\$575	\$105	(\$174)	\$145	\$72,694	\$770	\$73,464
PROGRAMS											
Contract Programs											
Compliance/Pipeline Integrity Management	\$10,635							\$106	\$10,741		\$10,741
Training, Information, & Community Assist. Services	\$8,501							\$85	\$8,586		\$8,586
Mapping and Information Systems	\$1,821							\$18	\$1,839	\$5,894	\$7,733
Implementing the Oil Pollution Act	\$1,549							\$15	\$1,564		\$1,564
Pipeline Design Review	\$0								\$0	\$2,000	\$2,000
Using Data to Improve Safety	\$0								\$0	\$6,700	\$6,700
Subtotal, Contract Programs	\$22,506	\$0	\$0	\$0	\$0	\$0	\$0	\$224	\$22,730	\$14,594	\$37,324
Research & Development											
Subtotal, Research and Development	\$12,000	\$0	\$0	\$0	\$0	\$0	\$0	\$120	\$12,120	\$433	\$12,553
Grants											
State Pipeline Safety Grants	\$44,894							\$449	\$45,343	\$3,675	\$49,018
State One-call Grants	\$1,058							\$11	\$1,069		\$1,069
State Damage Prevention Grants	\$1,500							\$15	\$1,515		\$1,515
Information Grants to Communities	\$0								\$0	\$1,500	\$1,500
Subtotal, Grants	\$47,452	\$0	\$0	\$0	\$0	\$0	\$0	\$475	\$47,927	\$5,175	\$53,102
Subtotal, Programs	\$81,958	\$0	\$0	\$0	\$0	\$0	\$0	\$819	\$82,777	\$20,202	\$102,979
TOTAL FINANCIAL RESOURCES	\$146,623	\$157	\$7,590	(\$369)	\$575	\$105	(\$174)	\$964	\$155,471	\$20,972	\$176,443

EXHIBIT II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

Baseline Changes											
	FY 2016 Enacted	Annualization of 2016 Pay Raises	Annualization of FY 2016 FTE	Two Less Compensable Days	2017 Pay Raises	GSA Rent	WCF Increase/Decrease	1.0% Inflation	FY 2017 Baseline Estimate	Program Increases/Decreases	FY 2017 Request
HAZARDOUS MATERIALS SAFETY											
PERSONNEL RESOURCES (FTE)	203.0								203.0	35.5	238.5
Direct FTE	203.0								203.0	35.5	238.5
FINANCIAL RESOURCES											
ADMINISTRATIVE EXPENSES											
Salaries and Benefits ¹	\$27,640	\$89		(\$212)	\$330			\$19	\$27,847	\$5,254	\$33,101
Travel ¹	\$1,899								\$1,918	\$426	\$2,344
GSA Rent ¹	\$2,445				\$49				\$2,494	\$462	\$2,956
Communications & Utilities	\$409							\$4	\$413		\$413
Printing	\$142							\$1	\$143		\$143
Other Services:											
- Other ¹	\$1,616							\$16	\$1,632	\$1,349	\$2,981
- WCF	\$3,611						(\$226)		\$3,385		\$3,385
Supplies ²	\$23								\$23		\$23
Equipment ¹	\$249							\$2	\$251	\$320	\$571
Subtotal, Administrative	\$38,034	\$89	\$0	(\$212)	\$330	\$49	(\$226)	\$42	\$38,106	\$7,811	\$45,917
PROGRAMS											
Contract Programs											
Hazmat Information and Analysis	\$2,436							\$24	\$2,460	\$1,486	\$3,946
Investigation and Enforcement ¹	\$2,900							\$29	\$2,929	\$500	\$3,429
Outreach, Training & Compliance ¹	\$3,898							\$39	\$3,937	\$905	\$4,842
Using Data to Improve Safety	\$0								\$0	\$300	\$300
Hazmat Registration Program	\$781							\$8	\$789	\$789	\$789
Subtotal, Contract Programs	\$10,015	\$0	\$0	\$0	\$0	\$0	\$0	\$100	\$10,115	\$3,191	\$13,306
Research & Development											
Subtotal, Research and Development¹	\$7,570	\$0	\$0	\$0	\$0	\$0	\$0	\$76	\$7,646	\$1,380	\$9,026
Subtotal, Programs	\$17,585	\$0	\$0	\$0	\$0	\$0	\$0	\$176	\$17,761	\$4,571	\$22,332
TOTAL FINANCIAL RESOURCES	\$55,619	\$89	\$0	(\$212)	\$330	\$49	(\$226)	\$218	\$55,867	\$12,382	\$68,249

¹Supports efforts highlighted in the safe transport of energy products initiatives by expanding existing PHMSA programs and workforce.

EXHIBIT II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 Appropriations, Obligation Limitations, and Exempt Obligations
 (\$000)

	Baseline Changes											
	FY 2016 Enacted ³	Adjustment ⁴	Annualization of 2016 Pay Raises	Annualization of FY 2016 FTE	Two Less Compensable Days	2017 Pay Raises	GSA Rent	WCF Increase/Decrease	1.0% Inflation	FY 2017 Baseline Estimate	Program Increases/Decreases	FY 2017 Request ⁵
PERSONNEL RESOURCES (FTE)	0.0									0.0		0.0
FINANCIAL RESOURCES												
ADMINISTRATIVE EXPENSES												
Other Services:												
- Other	\$1,035	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,035	\$76	\$1,111
Subtotal, Administrative	\$1,035	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,035	\$76	\$1,111
PROGRAMS												
Mandatory Programs												
Grants	\$24,460	\$188								\$24,648	\$1,785	\$26,433
Technical Assistance	\$140									\$140	\$10	\$150
Emergency Response Guidebook (WCF) ¹	\$583									\$583	\$42	\$625
Subtotal, Mandatory Programs	\$25,183	\$188	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,371	\$1,837	\$27,208
Subtotal, Mandatory Budget Authority	\$26,217	\$188	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,405	\$1,913	\$28,318
Discretionary Programs												
Training Curriculum Guidelines	\$188	(\$188)								\$0		\$0
Subtotal, Discretionary Budget Authority	\$188	(\$188)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Subtotal, Programs	\$25,371	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$25,371	\$1,837	\$27,208
TOTAL FINANCIAL RESOURCES	\$26,405	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$26,405	\$1,913	\$28,318

¹PHMSA's FY 2017 WCF request is \$8,088 million, of which \$8,713 million will be used for FY 2017 WCF expenses and \$625,000 will be used toward the printing of the Emergency Response Guidebook in FY 2020. The Emergency Response Guidebooks are printed once every four years.

²Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014

³Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2016, February 2, 2015.

⁴Reflects changes requested to the FY 2017 appropriations language for alignment with the FAST Act to change the \$188,000 from discretionary to mandatory.

⁵The FY 2017 budget request is the obligation limitation level authorized in the 2016 Fixing America's Surface Transportation (FAST) Act

EXHIBIT II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 Appropriations, Obligation Limitations, and Exempt Obligations
 (\$000)

Baseline Changes											
	FY 2016 Enacted	Annualization of 2016 Pay Raises	Annualization of FY 2016 FTE	Two Less Compensable Days	2017 Pay Raises	GSA Rent	WCF Increase/ Decrease	1.0% Inflation	FY 2017 Baseline Estimate	Program Increases/ Decreases	FY 2017 Request
OPERATIONAL EXPENSES											
PERSONNEL RESOURCES (FTE)	70.0								70.0	2.0	72.0
Direct FTE	70.0								70.0	2.0	72.0
Reimbursable FTE	0.0								0.0	0.0	0.0
FINANCIAL RESOURCES											
ADMINISTRATIVE EXPENSES											
Salaries and Benefits	\$10,803	\$35		(\$83)	\$129				\$10,884	296	\$11,180
Travel	\$59								\$59	24	\$83
GSA Rent	\$1,041					\$21			\$1,062	26	\$1,088
Communications & Utilities	\$60								\$60		\$60
Printing	\$67								\$67		\$67
Other Services:											
- Other	\$2,513								\$2,513	76	\$2,589
- WCF	\$654								\$654		\$654
Supplies	\$45								\$45		\$45
Equipment	\$8								\$8	18	\$26
Subtotal, Administrative	\$15,250	\$35	\$0	(\$83)	\$129	\$21	\$0	\$0	\$15,352	440	\$15,792
PROGRAMS											
Contract Programs											
Information Technology	\$5,750								\$5,750		\$5,750
Improving Program Evaluations	\$0								\$0	605	\$605
Using Data to Improve Safety	\$0								\$0	41	\$41
Subtotal, Contract Programs	\$5,750	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$5,750	646	\$6,396
TOTAL FINANCIAL RESOURCES	\$21,000	\$35	\$0	(\$83)	\$129	\$21	\$0	\$0	\$21,102	1,086	\$22,188

EXHIBIT II-7

**WORKING CAPITAL FUND
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
(\$000)**

<u>ACCOUNT NAME</u>	FY 2015¹ ACTUAL	FY 2016² ENACTED	FY 2017³ REQUEST	CHANGE
Pipeline Safety	4,105	4,223	4,049	(174)
Hazardous Materials Safety	3,516	3,611	3,385	(226)
Emergency Preparedness Grants	[579]	2,377	[625]	(2,377)
Operational Expenses	654	654	654	0
TOTAL	\$8,275	\$10,865	\$8,088	(\$2,777)

Note: Bracketed figures are excluded from the table's calculations.

¹ PHMSA's FY 2015 WCF request is \$8.85 million, of which \$8.28 million will be used for FY 2015 WCF expenses and \$579,000 will be used toward the printing of the Emergency Response Guidebook in FY 2016. The Emergency Response Guidebooks are printed once every four years.

² In FY 2016, OST's cost estimate is \$10.87 million for Working Capital Fund (WCF) Services. Of this amount, \$2.38 million is for the printing of the Emergency Response Guidebook (ERG), of which PHMSA has obligated \$1.75 million in previous years at the rate of \$592,930 in 2013, \$580,000 in 2014 and \$579,375 in 2015, resulting in a FY 2016 request by PHMSA of \$9.12 million.

³ PHMSA's FY 2017 WCF request is \$8.71 million, of which \$8.09 million will be used for FY 2017 WCF expenses and \$625,000 will be used toward the printing of the Emergency Response Guidebook in FY 2020. The Emergency Response Guidebooks are printed once every four years.

EXHIBIT II-8

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PERSONNEL RESOURCES - SUMMARY
TOTAL FULL-TIME EQUIVALENTS**

	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Pipeline Safety	215	302	340
Hazardous Materials Safety	169	203	239
Operational Expenses	60	70	72
SUBTOTAL, DIRECT FUNDED	444	575	650
TOTAL FTEs	444	575	650

EXHIBIT II-9

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
RESOURCE SUMMARY - STAFFING
FULL-TIME PERMANENT POSITIONS**

	FY 2015 ACTUAL	FY 2016 ENACTED	FY 2017 REQUEST
<u>DIRECT FUNDED BY APPROPRIATION</u>			
Pipeline Safety	336	336	343
Hazardous Materials Safety	203	203	274
Operational Expenses	70	70	74
SUBTOTAL, DIRECT FUNDED	<u>609</u>	<u>609</u>	<u>691</u>
<u>TOTAL POSITIONS</u>	<u>609</u>	<u>609</u>	<u>691</u>

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
RESEARCH AND SPECIAL PROGRAMS
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-0104-0-1-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Research and special programs	132	130	0
0900 Total new obligations (object class 25.3)	132	130	0
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	262	130	0
1021 Recoveries of prior year unpaid obligations	0	0	0
1050 Unobligated balance (total)	262	130	0
Budget authority:			
Appropriations, discretionary:			
1101 Appropriation (special or trust fund)	0	0	0
1160 Appropriation, discretionary (total)	0	0	0
1900 Budget authority (total)	0	0	0
1910 Total budgetary resources available	262	130	0
Memorandum (non-add) entries:			
1941 Unexpired unobligated balance, end of year	130	0	0
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	68	199	0
3010 Obligations incurred, unexpired accounts	132	130	0
3020 Outlays (gross)	0	-329	0
3040 Recoveries of prior year unpaid obligations, unexpired	0	0	0
3050 Unpaid obligations, end of year	199	0	0

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
RESEARCH AND SPECIAL PROGRAMS
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-0104-0-1-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	68	199	0
3200 Obligated balance, end of year	199	0	0
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	0	0	0
4010 Outlays from new discretionary authority	0	0	0
4011 Outlays from discretionary balances	0	329	0
4020 Outlays, gross (total)	0	329	0
4070 Budget authority, net (discretionary)	0	0	0
4080 Outlays, net (discretionary)	0	329	0
4180 Budget authority, net (total)	0	0	0
4190 Outlays, net (total)	0	329	0

APPROPRIATIONS LANGUAGE

OPERATIONAL EXPENSES

(INCLUDING TRANSFER OF FUNDS)

For necessary operational expenses of the Pipeline and Hazardous Materials Safety Administration, [~~\$21,000,000~~]~~\$23,688,000~~: *Provided*, [That no later than 90 days after the date of enactment of this Act, the Secretary of Transportation shall initiate a rulemaking to expand the applicability of comprehensive oil spill response plans, and shall issue a final rule no later than one year after the date of enactment of this Act] *That \$1,500,000 shall be transferred to “Pipeline Safety” in order to fund “Pipeline Safety Information Grants to Communities” as authorized under section 60130 of title 49, United States Code.*
(Department of Transportation Appropriations Act, 2016)

EXHIBIT III-1

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OPERATIONAL EXPENSES
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>	<u>CHANGE FY 2016- FY2017</u>
Operations/ Contract Programs	\$20,725	\$21,000	\$22,188	\$1,188
TOTAL	\$20,725	\$21,000	\$22,188	\$1,188
FTEs				
Direct Funded	60.1	70.0	72.0	2.0

Program and Performance Statement

The success of the Pipeline and Hazardous Materials Safety Administration (PHMSA) safety programs depends on the performance of support organizations that empower the program offices to meet their safety mandate. PHMSA's support organizations include the Administrator, Deputy Administrator, Executive Director/Chief Safety Officer, Associate Administrator for Planning and Analytics, Chief Counsel, Governmental, International and Public Affairs, Associate Administrator for Administration, Chief Financial Officer, Information Technology Services, Administrative Services, Budget and Finance, Acquisition Services, Human Resources and Civil Rights.

EXHIBIT III-1a

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Summary Analysis of Change from FY 2016 to FY 2017
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

	Change from FY 2016 to FY 2017 \$000	Change from FY 2016 to FY 2017 FTE
<u>OPERATIONAL EXPENSES</u>		
FY 2016 Enacted	\$21,000	70.0
Administrative Adjustments to Base:		
Annualization of 2016 Pay Raise	\$35	0.0
Two Less Compensable Days	(83)	0.0
2017 Pay Raise	129	0.0
GSA Rent	21	0.0
Non-pay Inflation	0	0.0
Subtotal, Administrative Adjustments to Base	\$102	0.0
New or Expanded Programs		
1. Using Data to Improve Safety, 4 FTP	\$481	2.0
<i>a. Program Costs</i>	<i>[41]</i>	<i>[0.0]</i>
<i>b. Personnel</i>	<i>[440]</i>	<i>[2.0]</i>
2. Improving Program Evaluations	\$605	0.0
<i>a. Program Costs</i>	<i>[605]</i>	<i>[0.0]</i>
Subtotal, New or Expanded Programs	\$1,086	2.0
FY 2017 Request*	\$22,188	72.0

*Reflects the exclusion of \$1,500,000 to be transferred to Pipeline Safety for the Information Grants to Communities program.

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION OPERATIONAL EXPENSES

ANNUAL PERFORMANCE RESULTS AND TARGETS

The Operational Expenses account supports both the offices of Pipeline Safety and Hazardous Materials Safety to ensure the safe movement of hazardous materials within and entering the United States. It reinforces the Secretary's safety goal to improve public health and safety by reducing transportation-related fatalities and injuries.

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OPERATIONAL EXPENSES
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-1400-0-1-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Operations	20,619	21,000	22,164
0799 Total direct program	20,619	21,000	22,164
0801 Reimbursable program	0	0	0
0900 Total new obligations	20,619	21,000	22,164
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	0	0	0
1011 Unobligated balance transfer from other accts	0	0	0
1012 Unobligated balance transfers between expired \$ unexpired accts	0	0	0
1050 Unobligated balance (total)	0	0	0
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	22,225	21,000	23,664
1120 Appropriation transferred to other accounts (69-5172)	-1,500	0	-1,500
1160 Appropriation, discretionary (total)	20,725	21,000	22,164
1700 Collected	5	0	0
1750 Spending auth from offsetting collections, disc - (total)	5	0	0
1900 Budget authority (total)	20,730	21,000	22,164
1930 Total budgetary resources available	20,730	21,000	22,164
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-111	0	0
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	8,415	8,633	6,828
3010 Obligations incurred, unexpired accounts	20,619	21,000	22,164
3011 Obligations incurred, expired accounts	77	0	0
3020 Outlays (gross)	-20,004	-22,805	-21,792
3041 Recoveries of prior year unpaid obligations, expired	-473	0	0
3050 Unpaid obligations, end of year	8,633	6,828	7,200

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OPERATIONAL EXPENSES
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-1400-0-1-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-120	-108	-108
3071 Change in uncollected pymts, Fed sources, expired	12	0	0
3090 Uncollected pymts, Fed sources, end of year	-108	-108	-108
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	8,295	8,525	6,720
3200 Obligated balance, end of year	8,525	6,720	7,092
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	20,730	21,000	22,164
4010 Outlays from new discretionary authority	13,339	14,280	15,072
4011 Outlays from discretionary balances	6,665	8,525	6,720
4020 Outlays, gross (total)	20,004	22,805	21,792
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-253	0	0
4033 Non-Federal sources	236	0	0
4040 Offsets against gross budget authority and outlays (total)	-18	0	0
Additional offsets against gross budget authority only:			
4051 Offsetting collections credited to expired accounts	12	0	0
4060 Additional offsets against budget authority only (total)	12	0	0
4070 Budget authority, net (discretionary)	20,725	21,000	22,164
4080 Outlays, net (discretionary)	19,987	22,805	21,792
4180 Budget authority, net (total)	20,725	21,000	22,164
4190 Outlays, net (total)	19,987	22,805	21,792

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OPERATIONAL EXPENSES
OBJECT CLASSIFICATION AND PERSONNEL SUMMARY
(In thousands of dollars)**

Identification code 69-1400-0-1-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	\$6,556	\$7,822	\$8,110
11.3 Other than full-time permanent	323	505	510
11.5 Other personnel compensation	98	113	114
11.9 Total personnel compensation	6,976	\$8,440	\$8,734
12.1 Civilian personnel benefits	2,045	2,363	2,446
13.1 Benefits to former personnel	0	0	0
21.0 Travel and transportation of persons	80	57	83
23.1 Rental payments to GSA	1,025	1,031	1,088
23.2 Rental payments to others	8	0	0
23.3 Communications, utilities, and miscellaneous charges	111	159	160
24.0 Printing and reproduction	42	42	67
25.1 Advisory and assistance services	2,398	2,170	2,736
25.2 Other services	194	191	193
25.3 Other purchases of goods and services from government accounts	1,178	828	836
25.4 Operation and maintenance of facilities	121	0	0
25.7 Operation and maintenance of equipment	5,865	5,578	5,600
26.0 Supplies and materials	252	24	45
31.0 Equipment	270	116	176
42.0 Insurance claims and indemnities	55	0	0
Subtotal, Direct obligations	\$20,619	\$21,000	\$22,164
99.0 Subtotal, Reimbursable obligations	0	0	0
99.9 Total new obligations	\$20,619	\$21,000	\$22,164

EMPLOYMENT SUMMARY

Identification code 69-1400-0-1-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
10.01 Direct civilian full-time equivalent employment	60.1	70.0	72.0
20.01 Reimbursable civilian full-time equivalent employment	0.0	0.0	0.0

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HISTORY OF APPROPRIATIONS**

Operational Expenses

<u>YEAR</u>	<u>REQUEST</u>	<u>ENACTED</u>
2007	\$17,721,000	\$18,031,000 ^{1/}
2008	\$18,130,000	\$18,130,000
2009	\$18,130,000 ^{2/}	\$18,130,000 ^{2/}
2010	\$18,968,000 ^{2/}	\$20,132,000 ^{2/}
2011	\$21,383,000 ^{2/}	\$20,455,000 ^{1/, 2/ & 3/}
2012	\$21,158,000 ^{2/}	\$20,360,000 ^{2/}
2013	\$20,047,000 ^{2/}	\$19,295,000 ^{2/, 3/ & 4/}
2014	\$20,154,000 ^{5/}	\$20,154,000 ^{5/}
2015	\$20,725,000 ^{5/}	\$20,725,000 ^{5/}
2016	\$21,000,000 ^{5/}	\$21,000,000
2017	\$22,188,000 ^{5/}	

1/ Reflects the funding levels provided by a full-year continuing resolution.

2/ Reflects the exclusion of \$1,000,000 to be transferred to Pipeline Safety for the Information Grants to Communities program.

3/ Reflects reduction of \$40,992 for a 0.2% across-the-board cut (Sec. 1119 of Division B of P.L. 112-10).

4/ Reflects reductions from sequestration (Sec. 1113 of Division B of P.L. 113-6).

5/ Reflects the exclusion of \$1,500,000 to be transferred to Pipeline Safety for the Information Grants to Communities program.

Detailed Justification for the Operational Expenses Program

What Is This Program, Its Current Spending and Budget Request?

FY 2017 – Operational Expenses Budget Request (\$000)

Program Activity	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Difference From FY 2016 Enacted
Administrative Expenses	\$15,032	\$15,250	\$15,792	\$542
Programs	5,693	5,750	6,396	646
Total	\$20,725	\$21,000	\$22,188	\$1,188

Overview

The FY 2017 President’s Budget requests \$22.19 million for Operational Expenses, an increase of \$1.19 million from the FY 2016 enacted level. PHMSA Operations sustains the successful implementation of programs in both the Office of Pipeline Safety and the Office of Hazardous Materials Safety. Operations supports the entire PHMSA workforce, who work to implement new pipeline operator and hazmat shipper safety guidelines and regulations, provide legal support to their development, promote public understanding of the movement of hazardous materials in, around and to their homes and businesses, and whatever is needed to ensure the good management of resources entrusted to PHMSA.

This budget request funds PHMSA’s continuous improvement efforts to become a predictive safety agency informed by data and risk analysis. It enables PHMSA to invest in the capabilities and skills necessary to utilize data more effectively to provide timely and effective regulations, enforcement, implementation of innovative technology, research and development investments, and public outreach.

Below are examples of initiatives and assessments supported by offices within Operational Expenses in FY 2016.

- Organizational Assessment: PHMSA completed an agency-wide organizational assessment to analyze PHMSA's operating model, organizational structure, capabilities, processes and culture. The evaluation provided recommendations and an implementation strategy to leverage PHMSA’s strengths, fill gaps, and improve organizational effectiveness.

This implementation strategy includes a reorganization of PHMSA, proposing an Office of Planning and Analytics to consolidate planning, policy and procedures to support PHMSA’s strategic vision by developing and implementing innovative policies, programs and practices across pipeline and hazardous materials transportation. This new office will leverage resources from the Offices of Pipeline Safety and Hazardous Materials Safety to develop PHMSA’s regulatory agenda, inform the research and development program, and evaluate PHMSA’s

performance and safety outcomes. It will facilitate lessons learned across the program offices while ensuring consistency in data collection, use, analysis and performance management. Based on data analysis and research, it will make policy and program recommendations that leverage technology to improve safety in the regulated industry.

In addition, PHMSA proposes an Executive Director that also serves as the Chief Safety Officer to drive consistency and continuity across PHMSA, oversee daily operations and implementation of the Administrator's strategic priorities, and to ensure the timely implementation of safety recommendations.

Finally, a separate Office of the Chief Financial Officer is proposed that recognizes the unique skillsets needed to manage the complex financial resources, to include multiple accounts and fees, managed by PHMSA. The Associate Administrator for Administration would exclusively oversee PHMSA operations with a strong focus on strategic human capital management and efficient operational processes. Investing in organizational changes at PHMSA will provide consistency in economic forecasting, regulatory impact analysis, and data analysis to inform the regulatory agenda, research and development program, and resource allocation while driving PHMSA to become more predictive and prepared to anticipate rapidly changing safety needs.

- Data Assessment: PHMSA completed an internal, agency-wide data assessment to evaluate the collection, analysis and use of safety data. This study was designed to develop a vision and implementation strategy for PHMSA's data collection, analysis and use to become more predictive, attuned to risk and efficiency, while supporting PHMSA's rulemaking activities. Findings from this innovative evaluation will be implemented during 2017 and will drive improvements through Pipeline Safety's Information Sharing System and Hazardous Materials Safety's Risk & Data Management initiative as well as the new Using Data to Improve Safety initiative discussed in Proposed Program Changes.
- Mobile Application Development: Information Resources Management Services created a mobile application for the Office of Hazardous Materials that lists and maps 9,066 authorized propane cylinder safety requalifiers domestically and internationally. This new mobile service provides quicker on-demand access to information to both the public and industry.
- Staffing Study: The Office of Administration initiated a PHMSA-wide human resources staffing study. The results of the study will inform both the Secretary and PHMSA leadership to determine optimal staffing requirements based on expected safety outcomes.
- Updated Safety Metric: PHMSA developed and implemented a new metric for the Office of Pipeline Safety to measure the cost and environmental impact of pipeline incidents.

PHMSA offices provide a crucial array of support services to the pipeline and hazardous materials safety programs so they may focus on ensuring the safe movement of hazardous materials in the United States. Each office is described below:

Office of the Administrator – The Administrator directs all aspects of PHMSA's programs that protect against the risks to life and property inherent in the commercial movement of hazardous materials. The Administrator advises the Secretary of Transportation on all hazardous materials and pipeline safety matters.

Executive Director (proposed) – The Executive Director, who serves as the agency’s Chief Safety Officer, would work closely with the PHMSA Administrator to provide executive leadership and manage daily operations to ensure strong integration among all program offices while providing broad guidance on operations and policy implementation. The Executive Director will drive continuous improvement across PHMSA, facilitating consistency and standardization, and serving as the senior career executive to provide leadership continuity and oversight.

Office of the Chief Counsel – This office serves as the principal legal officer and advisor for the Administrator. This office is responsible for legal oversight of the pipeline and hazardous materials safety programs. This office provides services such as drafting proposed legislation and rulemakings, drafting or reviewing all regulatory actions, reviewing procurement and grant actions, and managing the ethics and financial disclosure programs. The Chief Counsel’s office also prosecutes violations of safety regulations to ensure pipeline operators and shippers always strive for the safe and properly contained movement of hazardous materials. PHMSA initiated civil penalties in 2015 of more than \$3 million on pipeline owners and operators and collected almost \$1.3 million in fines in 2014 from the hazardous materials industry.

Office of Governmental, International, and Public Affairs – This office promotes public and government understanding of PHMSA programs, activities, policies and strategies through a variety of mediums including engagement with first responders and communities, targeted training, robust user-friendly content, as well as web and social media outreach campaigns. It ensures the public and relevant stakeholders are aware of PHMSA’s regulatory agenda and have many opportunities to provide input and influence final regulations. It also actively participates with stakeholders to encourage the dialogue and input necessary to provide comprehensive federal regulations. This office coordinates all PHMSA international activities and communications.

Office of Civil Rights – This office ensures PHMSA implements civil rights and equal employment opportunities in all its employee relations. It also sponsors training for managers and their staff on such subjects as leadership and conflict management.

Office of Planning and Analytics (proposed) – PHMSA proposes an Office of Planning and Analytics led by a career senior executive Associate Administrator. The primary responsibilities of this office would be to establish agency-wide frameworks and approaches and to drive functional expertise and capabilities across both the pipeline and hazardous materials safety programs in support of PHMSA's strategic vision. The office will oversee three key functions: Strategic Planning and Performance, Industry and Economic Research and Analysis, and Advanced Data Analytics. Within these functions, the office will support and coordinate with the program offices to set agency-wide policies and procedures; ensure their consistent execution; facilitate sharing of information, best practices, and lessons learned across program offices; build functional subject matter expertise; set and monitor performance metrics; and make policy and program recommendations based on robust analysis of industry, economic and safety data. The office will serve both as a supporting resource to the pipeline and hazardous materials safety programs as well as a key owner of critical analyses that will inform PHMSA's regulatory agenda, safety innovation programs, and evaluation of performance and safety outcomes.

The proposed Office of Planning and Analytics will perform the following primary functions:

- **Economic Research and Analysis:** Perform industry and economic analysis and forecasting to identify trends and risks impacting the regulated industry. Perform analysis and develop policy and position recommendations for the Administrator. Additionally, this office will establish policy and strategy for regulatory economic analysis for PHMSA proposed regulations and oversee economic analysis resources to improve the quality and timeliness of regulatory impact analyses. To support these analyses, it will make recommendations for data collection and analysis while cultivating data sources across government, industry and academia.
- **Strategic Planning and Performance:** Serve as the PHMSA lead for the strategic development and performance management process. Through a collaborative process, will set strategic goals and objectives for the agency, develop and monitor annual priorities, and keep the executive leadership team informed on progress and barriers. This office will serve as the process owner for policy recommendations based on economic, industry and data trends and forecasting to enable the Administrator to direct the regulatory agenda, research and development programs, public outreach, and industry engagement.
- **Advanced Data Analytics:** Serve as the policy, process and functional lead across the agency for advanced data analytics, statistics and operations research functions. Develop and procure analytic and data visualization tools to support policy and program recommendations informed by data and risk analysis. Work with the program offices to ensure the latest advances in technology and tools are leveraged as a force multiplier for PHMSA's inspection and enforcement workforce. In coordination with the safety program offices, provide policy, program and investment recommendations to the Administrator. Make recommendations for data collection and analysis while cultivating data sources across government, industry and academia.

Office of Administration – This office manages PHMSA's business operations through the following divisions:

- **Information Resources Management Services** – The Chief Information Officer (CIO) division supports PHMSA's mission-based applications used every day at headquarters and in the field by inspectors and enforcement staff. PHMSA's Information Technology (IT) investments are developed and managed with strategic planning, as well as privacy, security, application support services and records management.
- **Human Resources Management** – The Human Resources (HR) Division leads PHMSA's strategic human capital, recruiting and leadership succession planning efforts, supporting efforts to fill positions in both the Office of Pipeline Safety and the Office of Hazardous Materials Safety.
- **Acquisition Services** – The Acquisition Services Division finds the best values and services for PHMSA. The acquisitions team reviews service contracts, coordinates re-compete when due, and safeguards inherently governmental functions for federal workers. The division manages a wide array of very technical contracts and agreements to ensure delivery of all goods and services purchased.

- **Administrative Services** – The Administrative Services Division addresses all office space needs including space design and management at headquarters and regional buildings. It also provides construction support and asset management such as fleet services.

Chief Financial Officer (proposed) – This office will manage PHMSA’s financial operations through the following division:

- **Budget and Finance** – The Budget and Finance Division works closely with the program offices to meet budgetary and financial goals. Major functions of this office include budget formulation, execution, and justification as well as monitoring current year financial activities, producing management reporting and financial statements, and ensuring a system of internal controls is maintained and all audits and corrective actions are completed.

Existing Programs and Activities

Administrative Expenses: \$15.79 million (\$542 thousand over the FY 2016 enacted level)

PHMSA’s Administrative expenses support 74 positions including their salaries and benefits, travel, training, supplies and equipment.

PHMSA’s FY 2017 Administrative Expenses request includes adjustments to base as follows: \$35 thousand for the annualization of FY 2016 pay raises, an \$83 thousand decrease for two fewer compensable days in 2017, \$129 thousand for a 2017 pay raise at a 1.6 percent rate, and \$21 thousand for a GSA rent increase.

Programs: \$6.40 million (\$646 thousand over the FY 2016 enacted level)

Program costs within PHMSA Operational Expenses include functions that support both the Pipeline Safety and Hazardous Materials Safety business activities, hiring personnel, acquiring and making space ready for personnel, processing payroll, budgeting and management reporting, and acquisitions supporting the leaders and field staff who work on safety oversight.

Information Resources Management and Information Technology Infrastructure programs make up a significant part of Operations activities as well. Their wide-ranging projects allow PHMSA to apply modern technology solutions to regular business transactions and to particular challenges, such as easing the backlog that faced the Special Permits and Approvals process. In addition, IT supports acquisition and maintenance of software licenses and IT equipment, operations within the Information Resource Management Division, and it advances PHMSA’s E-Government initiative.

The FY 2017 Operational Expenses request includes \$1.09 million in proposed changes as described below.

Proposed Program Changes

The following program changes are requested to improve PHMSA’s safety posture through more efficient collection, analysis and use of data to improve stakeholder involvement; drive the rulemaking process and evaluate PHMSA’s performance in fulfilling its safety mission.

Using Data to Improve Safety: \$481 thousand including 2.0 FTE/ 4 FTP

PHMSA requests \$481 thousand and 2.0 FTE (4 positions) to implement the data vision developed as a result of the PHMSA data assessment. The requested staff will support the proposed Office of Planning and Analytics and the Office of Governmental, International, and

Public Affairs to enable data collection, dissemination and analysis to improve the timeliness and quality of PHMSA's regulations.

In FY 2016, PHMSA began implementing its Agency Safety Action Plan (ASAP). ASAP implements a series of strategies that proactively leverage existing authorities and programs to improve safety by investing in innovative solutions and addressing emerging safety concerns. The review identified collection and use of data, enhancing enforcement efforts to promote safety, and the regulatory process as areas with the greatest opportunity to improve safety. Through a focused, high-level assessment of our agency-wide data and analysis needs and capabilities, PHMSA pinpointed a strategy for the collection, use and analysis of mission-critical data required for success. PHMSA also completed an organizational assessment, which evaluated both strengths and opportunities, identified gaps in the organizational structure and associated functions, and analyzed the external environment and its impact on organizational performance.

This is a PHMSA-wide initiative totaling \$9.02 million and 18 positions with additional funding and staff requested in the Pipeline Safety and Hazardous Materials Safety accounts. The proposed Office of Planning and Analytics will lead the implementation and management of this initiative. Based on the findings from the organizational assessment and an analysis of agency-wide data needs, PHMSA proposes an organizational development plan that will result in improved alignment to the mission, better predictive analysis, and increased consistency in its risk-based regulatory and safety programs. PHMSA will leverage predictive modeling and advanced economic analysis and forecasting to inform its regulatory agenda, research and development investments, and to assign inspection and enforcement staff to mitigate safety risks.

Furthermore, the implementation plan addresses improvements in PHMSA's data analysis strategy based on the results of the data assessment and the Agency Safety Action Plan. PHMSA collects and stores data from various sources but lacks a comprehensive approach to managing that data to support decision making and engagement to ensure public trust. The data assessment provides PHMSA with a gap analysis and framework to inform investments in data collection, analysis and use – to include investments in information technology – that will begin in FY 2017.

PHMSA will make necessary improvements to address challenges identified including more transparent and reliable reporting of timely and relevant safety data. PHMSA plans to leverage its website and handheld device applications to increase efficiency, availability and use of safety data by operators, shippers, regulators and the public. PHMSA's website has experienced issues when an incident occurs that causes a high volume of users to need access to data. The proposed changes will increase PHMSA's reporting of accurate and relevant safety data to the public and other stakeholders. Other benefits of the data improvements will be increased input from the public and other stakeholders in the development of regulations and accessibility to industry data and trends driving a more informed PHMSA safety mission.

Toward a Speedier Regulatory Process

The organizational assessment calls for changes to the Office of the Chief Counsel. Lawmakers and safety advocates have called for increased speed in the development and enforcement of regulations. Regulation on the movement of energy and other hazardous materials is complex. The need for regulations has grown with the surge in domestic energy production and new ways of moving highly volatile hazardous materials through our towns and cities. The attention to these regulations has grown with recent pipeline failures and hazardous materials incidents. All of this has resulted in a call to focus PHMSA's efforts to complete needed regulations and ensure industry compliance.

In order to complete the development, approval and implementation of these complex regulations, PHMSA needs a dedicated team of regulatory attorneys on staff. The FY 2017 budget requests funding for 8 positions in the Pipeline Safety and Hazardous Materials Safety accounts: each office requests 2.5 positions dedicated to regulation and rulemaking; 0.5 positions to help integrate PHMSA's legal policy with its safety posture; and 1 to respond to Freedom of Information Act requests from the interested public and industry.

Enhanced Data Analysis for Better Decision Making

In addition to attorneys to support the development of regulations, the FY 2017 request fills a critical shortage of regulatory analysis skills in both data analysis and cost benefit analysis. The FY 2017 budget requests funding for 6 additional positions aligned to the proposed Office of Planning and Analytics funded from the Pipeline Safety and Hazardous Materials Safety accounts (3 from each program office) to enhance our analysis functions. These positions are critical to PHMSA's mission in enabling it to identify trends in the industry and economy to become more predictive in determining regulatory priorities, risk-based enforcement decisions, research and development, and technology investments. It will also allow PHMSA to better support rulemaking by delivering a higher quality of safety benefit and cost analysis when developing proposals for mission-critical safety rules.

Building Collaborative Stakeholder Relationships

Through enhanced outreach to the public and industry, PHMSA will improve its data collection, analysis and use toward building risk-based, economically supportable standards and regulations. Results from the organizational assessment call for changes to the Office of Governmental, International and Public Affairs. PHMSA seeks to better engage the public and stakeholders in the development of regulations. Additionally, PHMSA seeks to disseminate important safety information to regional staff experts while collecting the best safety information and innovative ideas from operators and the communities they affect. These changes include requesting 4 new positions. These positions in Operational Expenses will support the Office of Pipeline Safety and the Office of Hazardous Materials Safety to enhance public engagement in the development of new regulations, incident response, and other interactions with the public, local operators and industry representatives that have a positive impact on safety. They also will be actively involved in improving digital engagement and work to improve relationships and communication with local and state government safety partners as well as Congress.

Improving Program Evaluation: \$605 thousand

This initiative will promote continuous learning and improvement across PHMSA's safety programs. Funding of \$605 thousand will allow PHMSA to build analytical capacity and continue to implement the Agency Safety Action Plan. The funding will support costs associated with achieving the annual program performance goals related to hazardous materials and pipeline incidents as well as emerging safety risks in the following areas:

- Analyses of chemical production, the rapidly growing and changing energy supply chain (e.g., crude oil on rail, LNG transport), and other factors to identify emerging risks PHMSA needs to address;
- Using risk-targeting models to better identify dangerous movements of hazardous materials and assigning PHMSA inspectors to maximize their impact on safety outcomes;
- A review of the strategy and methodology applied in designing and conducting inspections;
- Targeted program evaluations to inform PHMSA's leadership of the effectiveness of enforcement and other safety program activities; and

- Use of safety information to provide a better understanding of safety risks and trends to inform better regulations.

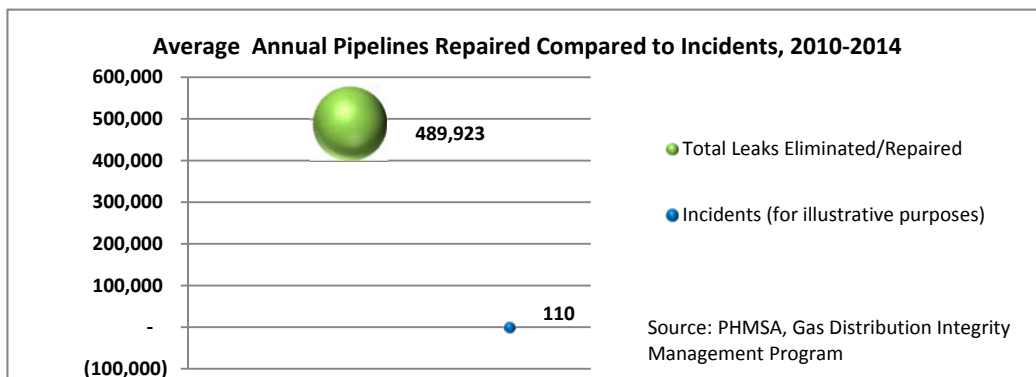
This will improve PHMSA’s planning, oversight and forecasting of emerging threats to the health and safety of our communities resulting from the movement of hazardous materials.

Why Is this Funding Necessary?

An organization with a safety mandate as broad as PHMSA’s requires strategic direction, coordination and support informed by data and risk. PHMSA’s agency-wide operational support offices fill these roles. Whether it is the Office of the Administrator laying out PHMSA’s strategy for achieving our safety mission, the Office of the Chief Counsel formulating and enforcing regulations, or the Human Resources Division hiring critical safety inspectors, each of these and several other offices described above play important roles in supporting and advancing PHMSA’s safety mission.

PHMSA’s Pipeline Safety program monitors 2.6 million miles of pipeline in the U.S. with 275 Inspection and Enforcement (I&E) personnel. These dedicated staff travel to remote areas stretching from Alaska to Florida to check on the safe operation of pipelines. Their work identifies and corrects unsafe conditions and reduces risks. As a result, the number of pipeline incidents involving death or major injury has fallen 39 percent over the past five years. Such improvements do not happen, though, without computer networks seamlessly sharing information supported by PHMSA’s IT professionals. Their services and those of other overarching and specialized offices extend economies of scale across PHMSA while avoiding unneeded duplication.

Safety gains do not occur without the planning and analysis work done by the proposed Office of Planning and Analytics. Much work goes toward averting incidents and potential disasters in the first place. Take, for instance, the risk natural gas poses to people and their homes. PHMSA tracks the large number of leaks either eliminated or repaired on gas distribution pipelines yearly along with the relatively small number of incidents that occur. Preventive actions on gas distribution pipelines over the past five years dwarf the number of incidents requiring an after-the-fact response (see graphic).



Likewise, PHMSA’s Hazardous Materials Safety program works to ensure the safe and virtually uninterrupted flow of hazardous materials. The quantity of hazardous materials transported in the U.S. is now more than 2.5 billion tons and includes gasoline, diesel, fertilizers, pesticides, lithium batteries, compressed gasses and more. Prevention is key to PHMSA’s Hazardous Materials Safety program and it drives their experts in carrying out PHMSA’s safety mission. Through the agency-wide *Using Data to Improve Safety* initiative and in order to assure a continuous and safe flow of

all hazardous materials, the support offices in the Operational Expenses account provide hazardous materials professionals the necessary leadership and support that allows PHMSA's subject matter experts to concentrate on pushing the frontier of safety forward through better data, top-notch analysis and smart collaboration with others.

To continue preventing incidents and the damage they cause, PHMSA proposes implementing the *Improving Program Evaluation* program to ensure staff and resources are effectively assigned to the highest risks to reduce incidents further, especially those leading to death and major injuries. *Improving Program Evaluation* will allow PHMSA to identify deficiencies and opportunities for continuous improvement, rather than waiting for accidents and response before developing safety fixes.

Absent funding, PHMSA's progress in putting modern data analysis tools and techniques to use will slow along with its ability to critically assess and improve PHMSA's regulation development and enforcement safety strategies. With the FY 2017 Budget funding, PHMSA will be able to propel its operational team forward to bring about better program performance and improved oversight, building off successes in FY 2016.

What benefits will be provided to the American Public through this request?

In summary, the Operational Expenses account provides the oversight, analysis and support services to enable PHMSA to better fulfill its mission to protect people and the environment by advancing the safe transportation of energy and other hazardous materials that are essential to our daily lives. An effective and efficient Operations program contributes to the long-term decline in deaths, injuries and environmental damage from pipeline spills and hazardous materials incidents. It consolidates and supports common functions across the Pipeline Safety and Hazardous Materials Safety programs, serving as a force multiplier to accomplish PHMSA's important safety mission.

This budget request funds PHMSA's continuous improvement efforts to become a predictive safety agency informed by data and risk analysis. It enables PHMSA to invest in the capabilities and skills necessary to utilize data more effectively to provide timely and effective regulations, enforcement, implementation of innovative technology, research and development investments, and public outreach.

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APPROPRIATIONS LANGUAGE

PIPELINE SAFETY

(PIPELINE SAFETY FUND)

(OIL SPILL LIABILITY TRUST FUND)

(PIPELINE SAFETY DESIGN REVIEW FUND)

For expenses necessary to conduct the functions of the pipeline safety program, for grants-in-aid to carry out a pipeline safety program, as authorized by 49 U.S.C. 60107, and to discharge the pipeline program responsibilities of the Oil Pollution Act of 1990, [\$146,623,000] *\$174,943,000*, of which [\$22,123,000] *\$19,500,000* shall be derived from the Oil Spill Liability Trust Fund and shall remain available until September 30, [2018] *2019*; and of which [\$124,500,000] *\$153,443,000* shall be derived from the Pipeline Safety Fund, of which [\$59,835,000] *\$80,279,000* shall remain available until September 30, [2018] *2019*[: *Provided*, That not less than \$1,058,000 of the funds provided under this heading shall be for the One-Call state grant program: *Provided further*, That not less than \$1,000,000 of the funds provided under this heading shall be for the finalization and implementation of rules required under section 60102(n) of title 49, United States Code, and section 8(b)(3) of the Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (49 U.S.C. 60108 note; 125 Stat. 1911)]; *and of which \$2,000,000, to remain available until expended, shall be derived as provided in this Act from the Pipeline Safety Design Review Fund.*
(*Department of Transportation Appropriations Act, 2016.*)

EXHIBIT III-1

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY**

**Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

	<u>FY 2015 ACTUAL¹</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>	<u>CHANGE FY 2016- FY 2017</u>
Operations	\$ 80,975	\$ 87,171	\$ 110,788	\$ 23,617
Research and Development	12,310	12,000	12,553	553
Grants	52,215	47,452	53,102	5,650
TOTAL	\$ 145,500	\$ 146,623	\$ 176,443	\$ 29,820
FTEs				
Direct Funded	215.5	301.5	339.5	38.0

¹The 2016 President's Budget, as submitted on February 2, 2015, requested that the Pipeline Design Review fee be enacted as a discretionary receipt pursuant to the administrative provision proposed in appropriations language. P.L. 113-235 instead allows for the collection of the fee as a mandatory receipt pursuant to the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (P.L. 112-90). The Administration would like to use the fees as an offset for discretionary spending, and therefore does not wish to collect them as a mandatory receipt. Appropriations language will continue to be sought that permits discretionary collections.

Program and Performance Statement

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is responsible for the Department's Pipeline Safety program. PHMSA provides safety oversight of the nation's 2.6 million miles of gas and hazardous liquid pipelines, which are owned and operated by private industry. PHMSA and its state pipeline safety partners use a data-driven process to identify pipelines and pipeline operators most at risk of failing. They combine to use regulation, inspection, and enforcement to reduce the likelihood of harm failing pipelines would have on our communities and the environment.

The Pipeline Safety program encompasses data analysis; damage prevention; education and training; developing and enforcing regulations and standards; research and development; grants to support up to 80% of the cost of state pipeline safety programs; and emergency planning and response to accidents. PHMSA passes along nearly all of its operational costs to the pipeline industry through the assessment of fees and use of the Oil Spill Liability Trust Fund.

EXHIBIT III-1a

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Summary Analysis of Change from FY 2016 to FY 2017

Appropriations, Obligation Limitations, and Exempt Obligations

(\$000)

<u>PIPELINE SAFETY</u>	Change from FY 2016 to FY 2017 \$000	Change from FY 2016 to FY 2017 FTE
FY 2016 Enacted	\$146,623	301.5
 Administrative Adjustments to Base:		
Annualization of 2016 Pay Raise	157	0.0
Annualization of FY 2015 FTE	7,590	34.5
Two Less Compensable Days	(369)	0.0
FY 2017 Pay Raise	575	0.0
GSA Rent	105	0.0
Working Capital Fund	(174)	0.0
Non-pay Inflation	964	0.0
Subtotal, Administrative Adjustments to Base	8,848	34.5
 New or Expanded Program		
1. Information Sharing System	5,894	0.0
2. Pipeline Safety Grants	3,675	0.0
3. Research and Development	433	0.0
4. Information Grants to Communities	1,500	0.0
5. Pipeline Design Review	2,000	0.0
6. Using Data to Improve Safety	7,470	3.5
a. Attorneys	[440]	[2.0]
b. Economists/Regulatory Support	[330]	[1.5]
c. Program Cost	[6,700]	[0.0]
Subtotal, New or Expanded Programs	20,972	3.5
 FY 2017 Request	 \$176,443	 339.5

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION PIPELINE SAFETY

ANNUAL PERFORMANCE RESULTS AND TARGETS

The Office of Pipeline Safety integrates performance results into its budget request to demonstrate alignment with the Department of Transportation’s Strategic Plan. The Office of Pipeline Safety tracks the following DOT performance measures to demonstrate program results.

DOT Goal/Outcome: Safety

Reduction in injuries and fatalities: Number of pipeline incidents involving death or major injury.	2013	2014	2015	2016	2017
Target Range	29-41	28-39	26-36	24-33	23-32
Actual	27	29	31 ¹		

DOT Goal/Outcome: Environmental Sustainability

Mitigate Environmental Impacts: Hazardous liquid pipeline spills with environmental consequences.	2013	2014	2015	2016²	2017²
Target Range	88-111	85-107	83-104	n/a	n/a
Actual	120	142	130 ¹		

DOT Goal/Outcome: Environmental Sustainability

Mitigate Environmental Impacts: Major hazardous liquid pipeline spills.	2013	2014	2015	2016²	2017²
Target Range	n/a	n/a	n/a	23-32	22-30
Actual	36	38	41 ¹		

¹Preliminary - Number subject to change due to time span between actual occurrence and final verification of details.

²The FY 2016 Performance Plan was revised to phase out the “Hazardous liquid pipeline spills with environmental consequences” performance measure and replaced it with a new pipeline environmental performance measure, “Major hazardous liquid pipeline spills.” FY 2016 will be the first year that the new measure is implemented.

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY
UNAVAILABLE COLLECTIONS
(In thousands of dollars)**

Identification code 69-5172-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
01.00 Balance, start of year	\$40,611	\$42,442	\$42,442
01.98 Reconciliation adjustment	3,000	0	0
01.99 Balance, start of year, total	43,611	42,442	42,442
Receipts and offsetting receipts:			
02.60 Pipeline Safety Fund	123,340	124,500	153,443
02.61 Pipeline Safety Design Review Fund	0	0	2,000
02.90 Adjustments	-262	0	0
02.99 Total receipts	123,078	124,500	155,443
<hr/>			
04.00 Total: Balances and receipts	166,690	166,942	197,885
Appropriations:			
05.00 Pipeline Safety [021-50-5172-0-1101]	-124,500	-124,500	-155,443
05.00 Pipeline Safety [021-50-5172-0-1120]	0	0	0
05.01 Pipeline Safety [021-50-5172-0-1132]	0	0	0
05.90 Adjustments	0	0	0
05.99 Total Appropriations (-)	-124,500	-124,500	-155,443
<hr/>			
06.10 Unobligated balance returned to receipts	253	0	0
<hr/>			
07.99 Balance, end of year	\$42,442	\$42,442	\$42,442

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-5172-0-2-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Operations	73,483	111,696	110,788
0002 Research and development	15,815	13,753	12,553
0003 Grants	59,643	47,673	53,102
0799 Total direct program	148,942	173,122	176,443
0801 Reimbursable program	0	2,700	2,700
0900 Total new obligations	148,942	175,822	179,143
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	22,452	26,499	0
1021 Recoveries of prior year unpaid obligations	7,757	0	0
1050 Unobligated balance (total)	30,209	26,499	0
Budget authority:			
Appropriations, discretionary:			
1101 Appropriation (special or trust fund)	124,500	124,500	155,443
1121 Appropriation transferred from other accts (69-1400)	1,500	0	1,500
1160 Appropriation, discretionary (total)	126,000	124,500	156,943
1700 Collected	23,154	24,823	22,200
1701 Change in uncollected payments, Federal sources	-3,614	0	0
1750 Spending auth from offsetting collections, disc (total)	19,540	24,823	22,200
1900 Budget authority (total)	145,540	149,323	179,143
1930 Total budgetary resources available	175,749	175,822	179,143
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-308	0	0
1941 Unexpired unobligated balance, end of year	26,499	0	0

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-5172-0-2-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	91,395	114,587	122,709
3010 Obligations incurred, unexpired accounts	148,942	175,822	179,143
3011 Obligations incurred, expired accounts	197	0	0
3020 Outlays (gross)	-117,226	-167,700	-180,197
3040 Recoveries of prior year unpaid obligations, unexpired	-7,757	0	0
3041 Recoveries of prior year unpaid obligations, expired	-964	0	0
3050 Unpaid obligations, end of year	114,587	122,709	121,655
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-14,632	-10,966	-10,966
3070 Change in uncollected pymts, Fed sources, unexpired	3,614	0	0
3071 Change in uncollected pymts, Fed sources, expired	52	0	0
3090 Uncollected pymts, Fed sources, end of year	-10,966	-10,966	-10,966
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	76,763	103,621	111,743
3200 Obligated balance, end of year	103,621	111,743	110,688
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	145,540	149,323	179,143
4010 Outlays from new discretionary authority	44,409	73,260	87,687
4011 Outlays from discretionary balances	72,818	94,440	92,510
4020 Outlays, gross (total)	117,226	167,700	180,197
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-23,194	-24,823	-22,200
4033 Non-Federal sources	-9	0	0
4040 Offsets against gross budget auth and outlays (total)	-23,203	-24,823	-22,200

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-5172-0-2-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	3,614	0	0
4051 Offsetting collections credited to expired accounts	52	0	0
4060 Additional offsets against budget authority only (total)	3,666	0	0
4070 Budget authority, net (discretionary)	126,000	124,500	156,943
4080 Outlays, net (discretionary)	94,023	142,877	157,997
4180 Budget authority, net (total)	126,000	124,500	156,943
4190 Outlays, net (total)	94,023	142,877	157,997

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY
OBJECT CLASSIFICATION AND PERSONNEL SUMMARY
(In thousands of dollars)**

Identification code 69-5172-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	\$23,369	\$33,232	\$37,905
11.3 Other than full-time permanent	149	150	152
11.5 Other personnel compensation	251	254	256
11.9 Total personnel compensation	<u>\$23,769</u>	<u>\$33,636</u>	<u>\$38,313</u>
12.1 Civilian personnel benefits	7,419	9,418	10,728
13.1 Benefits to former personnel	0	0	0
21.0 Travel and transportation of persons	2,754	4,505	5,010
23.1 Rental payments to GSA	3,187	4,788	5,387
23.2 Rental payments to others	34	0	0
23.3 Communications, utilities, and miscellaneous charges	383	446	450
24.0 Printing and reproduction	200	202	204
25.1 Advisory and assistance services	14,008	22,520	16,745
25.2 Other services	386	1,766	1,784
25.3 Other purchases of goods and services from government accounts	8,016	14,753	10,901
25.4 Operation and maintenance of facilities	2,012	3,032	3,062
25.5 Research and development contracts	15,908	13,753	12,553
25.7 Operation and maintenance of equipment	9,128	13,717	16,262
26.0 Supplies and materials	225	727	235
31.0 Equipment	1,670	2,187	1,709
41.0 Grants, subsidies, and contributions	59,843	47,673	53,102
42.0 Insurance Claims & Indemnities	0	0	0
Subtotal, Direct obligations	<u>\$148,942</u>	<u>\$173,122</u>	<u>\$176,443</u>
99.0 Subtotal, Reimbursable obligations	0	2,700	2,700
99.9 Total new obligations	<u>\$148,942</u>	<u>\$175,822</u>	<u>\$179,143</u>

EMPLOYMENT SUMMARY

Identification code 69-5172-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
10.01 Direct civilian full-time equivalent employment	215.5	301.5	339.5

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HISTORY OF APPROPRIATIONS**

Pipeline Safety

<u>YEAR</u>	<u>REQUEST</u>	<u>ENACTED</u>
2008	\$55,770,000	\$61,018,000
2009	\$74,481,000	\$75,481,000 ^{2/}
2010	\$87,334,000 ^{2/}	\$87,334,000 ^{2/}
2011	\$93,206,000 ^{2/}	\$88,836,000 ^{1/, 2/ & 3/}
2012	\$99,354,000 ^{2/}	\$91,679,000 ^{2/}
2013	\$155,500,000 ^{2/}	\$86,884,000 ^{1/, 2/ & 5/}
2014	\$133,000,000 ^{4/}	\$100,014,000 ^{4/}
2015	\$136,500,000 ^{4/}	\$126,000,000 ^{4/}
2016	\$155,604,000 ^{4/ & 6/}	\$146,623,000
2017	\$176,443,000 ^{4/ & 6/}	

- 1/ Reflects the funding levels provided by a full-year continuing resolution.
- 2/ Reflects the inclusion of \$1.0 million in General Funds for Information Grants to Communities.
- 3/ Reflects reduction of \$215,838 for a 0.2% across-the-board cut (Sec. 1119 of Division B of P.L. 112-10).
- 4/ Reflects the inclusion of \$1.5 million in General Funds for Information Grants to Communities.
- 5/ Reflects reductions from sequestration (Sec. 1113 of Division B of P.L.113-6).
- 6/ Reflects the inclusion of \$2.0 million Design Review Fund.

Detailed Justification for the Pipeline Safety Program

What Is This Program, Its Current Spending and Budget Request?

FY 2017 – Pipeline Safety Program Budget Request (\$000)

Program Activity	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Difference From FY 2016 Enacted
Administrative Expenses	\$58,711	\$64,665	\$73,464	\$8,799
Programs	\$22,264	\$22,506	\$37,324	\$14,818
Research and Development	\$12,310	\$12,000	\$12,553	\$553
Grants	\$52,215	\$47,452	\$53,102	\$5,650
Total	\$145,500	\$146,623	\$176,443	\$29,820

Overview

PHMSA's pipeline safety mission is to protect people and the environment from the risks in the movement of products through the 2.6 million miles of pipeline in our nation. PHMSA develops and enforces national pipeline safety policy, sets and enforces standards of safe operation, responds to incidents, educates communities affected by pipelines on safety and response, and conducts research to inform new regulations and prevent incidents. In FY 2017, PHMSA requests budget authority of \$176.44 million for Pipeline Safety, an increase of \$29.82 million above the FY 2016 enacted Budget amount of \$146.62 million.

Existing Programs and Activities

Administrative Expenses: \$73.46 million (\$8.80 million over the FY 2016 enacted budget)

PHMSA's FY 2017 request includes \$73.46 million for administrative expenses supporting all of its staffing (339.5 FTEs) and related costs, including salaries and benefits, travel, training, supplies, and equipment (including personal protection equipment and uniforms for all inspectors.) Staffing includes 275 inspection and enforcement staff spread across the country through a network of regional offices as well as a group of the brightest subject matter experts that develop regulations to guide the safe operation of our nation's pipelines.



PHMSA’s FY 2017 adjustments to base include \$157 thousand for annualization of the 2016 pay raise at 1.3 percent, a \$369 thousand decrease for two fewer compensable days in 2017, \$575 thousand for 2017 pay raises at 1.6 percent, \$105 thousand for GSA rent increase, \$174 thousand decrease in the Working Capital Fund, and \$964 thousand for non-pay inflation at 1.0 percent.

The 2016 Appropriations act provided an increase of \$5.8 million to fund annualization of 20 positions. PHMSA requests an additional \$7.59 million to fund annualization of an additional 34.5 FTE in 2017.

Programs: \$37.32 million (\$14.82 million over the FY 2016 enacted budget)

Pipeline Safety’s programs are designed to ensure the safe movement of hazardous materials through our nation’s pipeline network. PHMSA uses contract professionals and federal employees for collecting and analyzing data to inform safety standards; ensuring and managing pipeline integrity; training federal inspection and enforcement staff; and collaborating with the U.S. Coast Guard’s efforts in issuing emergency notifications when a pipeline incident occurs. Program costs fund PHMSA’s work to assist operators in facilitating permitting processes, increase stakeholder communications, and support damage prevention efforts. PHMSA uses contractors to advance its mission and further explore topics such as stronger pipeline integrity for alternative fuels and use of geospatial capabilities to monitor pipelines on a mapping system. The increase in the Programs budget request also reflects a 1.0 percent increase to account for inflation.

Research and Development (R&D): \$12.55 million (\$553 thousand over FY 2016 enacted budget)

PHMSA’s Office of Pipeline Safety Research and Development conducts and supports research. It informs regulatory and enforcement activities and provides the technical and analytical foundation necessary for planning, evaluating, and improving the pipeline safety program.



A new 36-inch diameter transmission pipeline segment as it is about to undergo PHMSA inspection in August 2014. Upgrades stretching from this point in Holbrook, PA across the state and several others allow for an increase in natural gas capacity and bidirectional flow capability. Photo by PHMSA Eastern Region.

PHMSA remains focused on implementing recommendations from Congress and the National Transportation Safety Board (NTSB) calling for better detection of liquid and gas leaks; preventing excavation damage to pipelines; expanding the capability of new robotic inspection tools for difficult to inspect pipelines; and conducting material testing for cured-in-place liners.

The increase in the R&D budget request also reflects a 1.0 percent increase to account for inflation.

Pipeline Safety Grant Programs: \$53.10 million (\$5.65 million over FY 2016 enacted budget)

PHMSA provides grants to state agencies, local governments, communities and first responders to support their inspection and enforcement activities of the nation’s privately owned and operated pipelines. PHMSA leans heavily on state inspectors for the vast network of intrastate lines.

- *State Pipeline Safety Grants, \$49.02 million:*
PHMSA reimburses states up to 80 percent of their cost of carrying out their pipeline safety program, including the cost of inspection staff and equipment. Actual federal reimbursement considers the effectiveness of a state's pipeline safety program as determined by an on-site review of the state’s inspection, compliance, accident investigation, training, and excavation damage prevention records and activities.
- *State One-Call Grant, \$1.07 million:*
PHMSA awards grants to state agencies for activities in promoting damage prevention, related compliance activities, training, and public education. Each state that has a certification or agreement with PHMSA may request up to \$45 thousand to perform pipeline safety inspections. The grants also can be used to procure One-Call center computers and equipment and otherwise support state efforts to promote 811 “Call Before You Dig” outreach programs.



- *State Damage Prevention Grants, \$1.52 million:*
PHMSA awards grants to states for improvements in comprehensive programs to prevent damage to underground pipelines. Any state authority or municipality with respect to intrastate gas transportation that is or will be responsible for preventing damage to underground pipeline facilities is eligible to apply.
- *Information Grants to Communities (also known as Technical Assistance Grants (TAG)), \$1.50 million:*
PHMSA awards grants to enable communities and organizations for technical assistance in the form of engineering or other scientific analysis of pipeline safety issues and help promote public participation in official proceedings where pipeline development and safety is being considered.

Proposed Program Changes

The following program changes are requested to improve PHMSA’s safety posture through efficient collection, analysis, and use of data to build stakeholder involvement; to drive the rulemaking process; and to evaluate PHMSA’s performance in fulfilling its safety mission. The following program changes support the organizational and data assessments by providing funding for a risk-based safety management system; staff with the skills and tools essential to support improved regulation development and enforcement; and an information sharing system that enhances pipeline data collection capabilities. These improvements include requests for:

Using Data to Improve Safety: \$7.47 million including 3.5 FTE/ 7 FTP

PHMSA requests \$7.47 million to implement a data improvement plan to promote safety in large scale and oftentimes unpredictable flow of hazardous materials. In FY 2016, PHMSA began implementing its Agency Safety Action Plan (ASAP). ASAP implements a series of strategies that proactively leverage existing authorities and programs to improve safety by investing in innovative solutions and addressing emerging safety concerns. Additionally, a focused, high-level assessment of our agency-wide data and analysis needs and capabilities identified areas for improvement in collection and data usage to enhance the regulatory process, enforcement and research to improve safety. This is a PHMSA-wide initiative with additional funding and staff requested in the Operational Expenses and Hazardous Materials Safety accounts. The implementation and management of this initiative will be within the Operational Expenses’ proposed Office of Planning and Analytics. See the Operational Expenses narrative for a more detailed description of this initiative.

Positions requested for Using Data to Improve Safety are described below:

Toward a Speedier Regulatory Process

The organizational assessment calls for changes to PHMSA’s Office of the Chief Counsel within the Operational Expenses account. Lawmakers and safety advocates have called for increased speed in the development and use of regulations, including those called for under the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011 (Act). The law, enacted partly in response to the deadly 2010 explosion of a gas pipeline in San Bruno, California, mandated tougher safety and inspection standards and increases civil penalties for safety violations. Of the 42 mandates in the Act, to date, 26 mandates have been completed and significant progress has been made on the remaining 16, including initiating rulemakings on gas transmission pipelines, excess flow valves, and hazardous liquid pipelines.

Regulation on the movement of hazardous materials including energy products is complex. The initial set of regulations called for in the Act has grown with the surge in domestic energy production and new ways of moving highly volatile hazardous materials through our towns and cities. The attention to these regulations has grown with recent pipeline failures, spilling petroleum products into inland waterways and coastal waters. All of this has resulted in a call to redouble PHMSA's efforts in getting needed regulations to industry. In order to complete the design, approval and implementation of these complex regulations, PHMSA needs a dedicated team of regulation attorneys on staff. The FY 2017 budget requests funding for 4 positions from the Pipeline Safety account: 2.5 positions dedicated to regulation and rulemaking; 0.5 positions to help integrate PHMSA's legal policy with its safety posture; and 1 position to respond to Freedom of Information Act requests from the interested public and industry.

Enhanced Data Analysis for Better Decision Making

In addition to attorneys to support the development of regulations, PHMSA has identified a critical shortage of regulatory analysis skills in both data analysis and cost benefit analysis. The FY 2017 budget requests 3 additional positions aligned to the proposed Office of Planning and Analytics in Operational Expenses to enhance our analysis functions for the Office of Pipeline Safety. This analysis is critical to PHMSA's mission in enabling it to identify trends in the industry and economy to become more predictive in determining regulatory priorities, risk based enforcement decisions, research and development, and technology investments. It will also allow PHMSA to better support rulemaking by delivering a higher quality of safety benefit and cost analysis when developing proposals for mission critical safety rules.

Information Sharing System (ISS): \$5.89 million

In FY 2017, PHMSA proposes \$5.89 million to continue addressing the pressing dangers of aging pipelines, newly emerging pipeline materials, and the significant growth in new pipeline infrastructure through the Information Sharing System. This new initiative will prevent incidents that could harm the public, property and environment. The ISS will use inspection, enforcement, and geospatial data from the states to close an important gap in the inspection, enforcement, and remediation of unsafe pipelines and their operators.



PHMSA's Information Sharing System would record and report the results and findings from inspections to all that are affected including Federal and state inspectors, and pipeline operators.

A data-driven approach to pipeline safety would assist PHMSA in pinpointing deteriorating and vulnerable pipeline systems, many of which are inspected and regulated by state and local governments. Annually, 75 percent of pipeline injuries and 73 percent of pipeline fatalities are derived from local natural gas distribution systems. Methane is the primary component of natural gas and it also comprises of 10 percent of all greenhouse gas emissions in the United States.¹ Sharing data to assist in leak protection will not only help save lives, but it will also help prevent climate change.

¹ <http://www3.epa.gov/climatechange/ghgemissions/usinventoryreport.html>

Through this new information technology system, a dangerous practice or pipeline element found in one location will be quickly communicated to all inspectors and operators with a potential interest in the condition identified. First, ISS will share the safety inspection records by operator and by element of the inspection. Second, ISS will communicate the results to inspectors in states with similar operators and practices. Finally, ISS will provide necessary enhancements to optimize efficiency of both PHMSA’s Geospatial Information System and the National Pipeline Mapping System.

The new ISS requires PHMSA to collect a substantial amount of pipeline location, inspection, and flow data for plotting on geospatial platforms that better translate operation and risk details to communities. This data will be used to support safety and environmental protection goals and will assist thousands of government officials, emergency responders and other stakeholders. The Information Sharing System will support the Secretary’s goals for improving safety by vastly improving real-time data collection to better inform both PHMSA and state inspectors on pipeline conditions, as well as enhancing the condition and integrity of pipelines by more quickly pinpointing their vulnerabilities and calling for operators to take corrective actions. Furthermore, the improved data collection and sharing will help inform PHMSA’s rulemaking activity by collecting data from the states on the 80 percent of the nation’s pipelines that they oversee.

Design Review Fund: \$2 million

PHMSA is responsible for reviewing the design of pipeline facilities for code compliance including material specifications, material manufacturing and documentation. The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (P.L. 112-90) authorizes PHMSA to recover from companies the costs of conducting pipeline facility design reviews of projects with design and construction costs totaling over \$2.5 billion, or when projects use new or novel technologies or design. The legislation allows for the collection of the fee as a mandatory receipt with spending subject to appropriations. No fees have been collected to date pursuant to this authority. PHMSA requests to use these fees as an offset for discretionary spending rather than as a mandatory receipt. PHMSA proposes collection of this fee pursuant to appropriations language.

State Pipeline Safety Grants: \$3.68 million

PHMSA distributes State Pipeline Safety Grants to support its state partners’ core inspection and enforcement efforts. As displayed below, an analysis of states’ ability to obligate State Pipeline Safety Grants within the 3-year period of availability shows, nearly 98 percent of the appropriation was successfully obligated within three years.

Year Appropriated	Amount Appropriated	FY 2012	FY 2013	FY 2014	FY 2015	TOTAL	BALANCE
FY 2012	\$38,164	\$25,885	\$10,471	\$1,742	\$ -	\$38,098	\$66
FY 2013	36,088	-	27,366	6,926	-	34,292	1,796
FY 2014	38,088	-	-	31,490	5,997	7,488	600
FY 2015	48,088	-	-	-	48,088	48,088	-
TOTAL	\$160,428	\$25,885	\$37,837	\$40,158	\$54,085	\$157,966	\$2,462

While State Pipeline Safety Grants funding is available to PHMSA for three years, the period of performance on grant awards is one year. This allows PHMSA to closely monitor each state's level of effort. At the end of each grant year, the unused portion of each award is de-obligated and awarded to states that demonstrate additional need for their pipeline safety program.

Not only do states spend the grants, they, in effect, bank on them as a source of stable funding. An unstable funding environment would sap the confidence of states planning to expand their safety programs amid a growing pipeline infrastructure.

Research and Development: \$433 thousand

This requested increase provides crucial R&D funding. Pipeline Safety's R&D projects focus on providing near-term solutions that will inform improvements to safe operation and reduce environmental impact when pipelines fail, while enhancing the reliability of the nation's pipeline transportation system. Natural gas and petroleum systems are the largest source of methane gas emissions from industry in the United States.² When pipelines and their related facilities fail, they contribute to climate change. R&D funding will assist in developing not only methane leak survey technology, but also methods to quantify detected emissions. Continued investment in research also supports recommendations by Congress and the NTSB projects for detecting liquid and gas leaks; preventing excavation damage to pipelines; expanding the capability of new robotic inspection tools for difficult to inspect pipelines; and conducting material testing for cured-in-place liners.

Information Grants to Communities: \$1.5 million

PHMSA seeks \$1.50 million for this grant program. Since this program's inception in 2009, PHMSA has awarded over \$7.00 million to fund 162 projects, including enhancing local pipeline emergency response capabilities; safe digging and damage prevention programs; informed land use planning near existing pipelines; and public participation in official pipeline-related proceedings.

These Technical Assistance Grants facilitate community involvement in pipeline safety efforts. These grants allow local entities to develop specific solutions to area pipeline safety development and operation. They also support PHMSA's effort to reach those most affected by the operation of pipelines through and nearby their communities.

Why Is this Funding Necessary?

The Pipeline Safety program is committed to protecting people and the environment while reducing the risks inherent in the transportation of hazardous materials by pipeline. PHMSA provides federal oversight to 2.6 million miles of pipeline, which is long enough to circle the Earth about 100 times, and is owned and operated by approximately 3,000 companies.

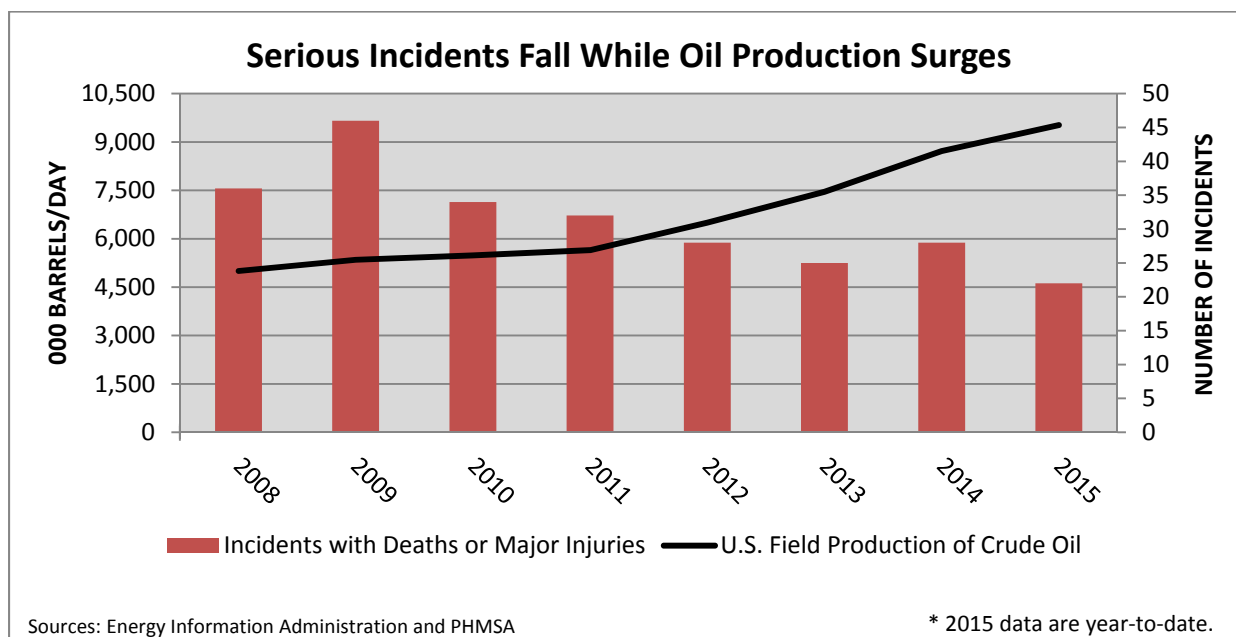
With 336 total personnel, the Pipeline Safety Office has 223 Inspection and Enforcement (I&E) personnel who work to identify and evaluate risks while developing and enforcing standards for design, construction, operations, and maintenance of pipelines carrying natural gas or hazardous liquids. This workforce includes 109 new positions first funded with the FY 2015 appropriation. PHMSA has developed a targeted recruitment program to locate the best and brightest inspection and enforcement staff.

² <http://www3.epa.gov/climatechange/ghgemissions/gases/ch4.html>

Pipeline Safety staff members operate out of our headquarters in Washington, D.C. and seven regional field offices (West Trenton, NJ; Atlanta, GA; Kansas City, MO; Houston, TX; Lakewood, CO; Ontario, CA; and Anchorage, AK) and a national training center in Oklahoma City, OK. I&E staff conduct inspections, investigations and outreach. They also work on the ground with state partners and team up on in-area response drills sponsored by the U.S. Coast Guard.

Enforcement of pipeline regulations is crucial to the safety of communities and the environment. Recent accidents in Montana (50,000 gallons of oil spilled in to the Yellowstone River) off the coast of California (101,000 gallons was released on the Santa Barbara coastline), and most recently in southern California’s Aliso Canyon (30,000 kilograms of natural gas released per hour for several months) show the dangerous effects when pipelines and their related facilities are not operated safely and maintained in good working order. In all three cases, the Governors declared a state of emergency to protect that state’s citizens.

These three accidents come at a time when the number of pipeline incidents with death or major injury has fallen below 40 per year since 2010, which is lower than the previous 10-year average. This reduction in death or major injuries comes at the same time as crude oil production and flow through the nation’s pipeline network has increased (see graphic).



Similarly, domestic natural gas production has grown more than 20 percent over the past five years, and is projected to continue such growth.

PHMSA reduces major incidents by closely monitoring how pipeline operators address aging pipelines, corrosion control, and other problems to address weaknesses when necessary. PHMSA enforces effective pipeline regulations and ensures operators’ safe operation and timely corrective action of unsafe conditions. As part of our enforcement, PHMSA assessed civil penalties to pipeline owner/operators of nearly \$6 million in 2014. Penalties assessed are paid directly to the Treasury and do not fund PHMSA operations.

PHMSA invested in the modernization of its Work Management Systems used by inspectors and regulation staff in FY 2015. PHMSA relies upon these systems to inventory pipelines to be inspected, collect pipeline operator information, record results of inspections, and follow up on operators' corrective action plans.

The primary funding source for Pipeline Safety is user fees from pipeline operators, but the program also draws from the Oil Spill Liability Trust Fund and from the General Fund for Information Grants to Communities.

PHMSA is increasingly transparent in many aspects of pipeline safety enforcement. Communities can log onto the PHMSA website³ and review enforcement actions. This transparency increases public and stakeholder awareness and involvement while incentivizing improved operator performance.

What benefits will be provided to the American Public through this request?

With 2.6 million miles of pipelines crossing nearly every state and thousands of communities, millions of Americans rely on their safe operation. PHMSA oversees pipelines to ensure uninterrupted service and to protect against the potential for chaos and tragedy when a community experiences a pipeline leak, rupture or explosion.

The Pipeline Safety Program has identified the following top risk factors for pipeline accidents and failures:

1. **Aging pipelines** – Much of the nation's pipeline infrastructure was built during the post-World War II boom. About one-third of the nation's natural gas and hazardous liquid pipelines are over 50 years old and many old pipeline materials have degraded over time and require additional monitoring, rehabilitation, repair or replacement.
2. **Vulnerable pipeline material** – Some pipelines were manufactured using methods or materials that have been shown to be problematic and require special integrity testing and monitoring.
3. **Substantial growth in new pipeline infrastructure transporting newly identified energy sources (e.g., shale gas, crude oil) to consumers** – The pipeline infrastructure is rapidly expanding with the development of energy resources like the Marcellus shale and Bakken formation and increased consumer reliance on natural gas and other hazardous liquids.
4. **Population in proximity to pipelines** – Pipelines are typically located away from population centers when initially built. Over time communities, homes, and businesses tend to develop near existing pipelines. As a result, many pipelines are now located in the middle of communities and business districts which increases the risk of pipeline damage and failure because of the corresponding increases in excavation near pipelines. Also, when pipelines fail, the impact is greater to the neighboring homes and businesses.

¹<http://www.phmsa.dot.gov/pipeline/enforcement>

Cast iron pipes, some of which are over 120-years-old, lie beneath some of the country's oldest and largest urban environments, making pipeline replacement difficult and expensive. Roughly 50 percent of cast iron pipelines carrying natural gas are underground in Massachusetts, New Jersey, New York, and Pennsylvania.

PHMSA has directed considerable resources toward accident investigation as yearly inspection totals have progressively increased over the past decade. Research and development efforts have also led to technology advancements that help identify and mitigate complex failure mechanisms prior to pipeline failure.

Inspection devices used to be limited to larger diameter pipelines with long, smooth bends, but the PHMSA R&D program has helped develop technology that allows small diameter pipelines with sharp turns to be internally inspected for defects. This increases the percentage of pipelines that can be internally inspected for defects before they cause pipeline failure.

With the anticipated increase in transportation of products such as shale oil and gas in pipelines, PHMSA will continue its regulatory and enforcement roles to help prevent accidents and reduce their impact when a safety incident occurs. As a result, PHMSA will ensure compliance with critical rules that protect people and the environment from potential dangers while developing new regulations that will ensure safety, allow private companies to increase their efficiencies, and deliver their products and services to the American public.



Workers ready a robot for a field test of its ability to inspect the interior of pipelines for faults and cracks.

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TRUST FUND SHARE OF PIPELINE SAFETY

(OIL SPILL LIABILITY TRUST FUND)

The Oil Spill Liability Trust Fund was created by the U.S. Congress to help fund efforts designed to minimize oil spills into water and environmentally sensitive areas. Funding from the Oil Spill Liability Trust Fund contributes to some of Office of Pipeline Safety's expenses and is included in its request. This section is simply provided as additional information about the fund. Funding from the Oil Spill Liability Trust Fund is accounted for by an expenditure transfer from which obligations are made and tracked separately from other pipeline safety funds.

EXHIBIT III-1

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION TRUST FUND SHARE OF PIPELINE SAFETY¹

Summary by Program Activity Appropriations, Obligation Limitations, and Exempt Obligations (\$000)

	<u>FY 2015</u> <u>ACTUAL</u>	<u>FY 2016</u> <u>ENACTED</u>	<u>FY 2017</u> <u>REQUEST</u>	CHANGE <u>FY 2016 –</u> <u>FY 2017</u>
Operations	\$7,545	\$11,056	\$7,335	\$(3,721)
Research and Development	3,078	3,000	3,138	138
Grants	8,877	8,067	9,027	960
TOTAL	\$ 19,500	\$ 22,123	\$ 19,500	\$ (2,623)

¹The Oil Spill Liability Trust Fund is used by the Office of Pipeline Safety as part of its overall budget.

Program and Performance Statement

The Oil Pollution Act of 1990 requires the preparation of spill response plans by operators that store, handle or transport oil to minimize the environmental impact of oil spills and to improve public and private sector response. The Pipeline and Hazardous Materials Safety Administration (PHMSA) reviews response plans submitted by operators of onshore oil pipelines to ensure the plans comply with PHMSA regulations. These plans also must be regularly updated by the operator and submitted for subsequent review by PHMSA. PHMSA also seeks to improve oil spill preparedness and response through data analysis; spill monitoring; mapping pipelines in areas unusually sensitive to environmental damage; and advanced technologies to detect and prevent leaks from hazardous liquid pipelines. These and related activities are funded in part by the Oil Spill Liability Trust Fund.

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
TRUST FUND SHARE OF PIPELINE SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-8121-0-7-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Trust fund share of pipeline safety	19,500	22,123	19,500
0900 Total new obligations (object class 94.0)	19,500	22,123	19,500
Budgetary resources:			
Budget authority:			
Appropriations, discretionary:			
1101 Appropriation (special or trust fund)	19,500	22,123	19,500
1102 Appropriation (previously unavailable)	0	0	0
1160 Appropriation, discretionary (total)	19,500	22,123	19,500
1900 Budget authority (total)	19,500	22,123	19,500
1910 Total budgetary resources available	19,500	22,123	19,500
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	0	0	0
1941 Unexpired unobligated balance, end of year	0	0	0
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	14,577	10,961	14,756
3010 Obligations incurred, unexpired accounts	19,500	22,123	19,500
3020 Outlays (gross)	-23,114	-18,328	-20,433
3041 Recoveries of prior year unpaid obligations, expired	-2	0	0
3050 Unpaid obligations, end of year	10,961	14,756	13,822

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
TRUST FUND SHARE OF PIPELINE SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-8121-0-7-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	14,577	10,961	14,756
3200 Obligated balance, end of year	10,961	14,756	13,822
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	19,500	22,123	19,500
4010 Outlays from new discretionary authority	12,081	10,840	9,555
4011 Outlays from discretionary balances	11,033	7,487	10,878
4020 Outlays, gross (total)	23,114	18,328	20,433
4070 Budget authority, net (discretionary)	19,500	22,123	19,500
4080 Outlays, net (discretionary)	23,114	18,328	20,433
4180 Budget authority, net (total)	19,500	22,123	19,500
4190 Outlays, net (total)	23,114	18,328	20,433

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HISTORY OF APPROPRIATIONS**

**Trust Fund Share of Pipeline Safety
(Oil Spill Liability Trust Fund)**

<u>YEAR</u>	<u>REQUEST</u>	<u>ENACTED</u>
2008	\$18,810,000	\$14,850,000
2009	\$18,810,000	\$18,810,000
2010	\$18,905,000	\$18,905,000
2011	\$18,905,000	\$18,867,000 ^{1/, 2/}
2012	\$21,510,000	\$18,573,000
2013	\$21,510,000	\$17,602,000 ^{1/, 3/}
2014	\$18,573,000	\$18,573,000
2015	\$19,500,000	\$19,500,000
2016	\$19,500,000	\$22,123,000
2017	\$19,500,000	

1/ Reflects the funding levels provided by a full-year continuing resolution

2/ Reflects reduction of \$37,810 for a 0.2% across-the-board cut (Sec. 1119 of Division B of P.L. 112-10)

3/ Reflects reductions from sequestration (Sec. 1113 of Division B of P.L. 113-6)

Detailed Justification for the Trust Fund Share of Pipeline Safety

**FY 2017 – Oil Spill Liability Trust Fund Request
(Included in the Pipeline Safety Account)
(\$000)**

Program Activity	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Difference from FY 2016 Enacted
Administrative Expenses	\$300	\$736	\$300	\$(436)
Program	7,500	10,321	7,290	(3,031)
Research and Development	3,078	3,000	3,138	138
Grants	8,622	8,066	8,772	706
Total	\$19,500	\$22,123	\$19,500	\$(2,623)

Overview:

The Oil Spill Liability Trust Fund was created by the U.S. Congress to help fund efforts designed to prevent, remove, and mitigate damage from oil spills into water and environmentally sensitive areas. As part of PHMSA’s Pipeline Safety program, this fund contributes to the following expenses: salary, benefits and administrative expenses; integrity management; compliance inspection and enforcement; emergency preparedness; training, competency standards, and qualifications for community awareness and protection; State Pipeline Safety Grants; and research and development. Each of these programs is, at least in part, designed to ensure that energy transported by pipeline is done in a safe and environmentally friendly manner.

The Oil Spill Liability Trust Fund contributes to the cost of PHMSA’s pipeline safety activities. The contribution is based on a reasonable share of the cost of these activities for pipelines in and around inland waterways. Pipeline incidents into inland waterways cause great harm to the environment and sources of drinking water. For example, in January 2015, a Montana pipeline failed and sent up to 50,000 gallons of oil into the Yellowstone River, prompting the Governor to declare a state of emergency and shut down the drinking water supply for nearby residents.

APPROPRIATIONS LANGUAGE

HAZARDOUS MATERIALS SAFETY

(HAZARDOUS MATERIALS APPROVALS AND PERMITS FUND)

For expenses necessary to discharge the hazardous materials safety functions of the Pipeline and Hazardous Materials Safety Administration, [\$55,619,000] \$68,249,000, of which [\$7,570,000] \$9,026,000 shall remain available until September 30, [2018] 2019: *Provided*, That up to \$800,000 in fees collected under 49 U.S.C. 5108(g) shall be deposited in the general fund of the Treasury as offsetting receipts: *Provided further*, That there may be credited to this appropriation, to be available until expended, funds received from States, counties, municipalities, other public authorities, and private sources for expenses incurred for training, for reports publication and dissemination, and for travel expenses incurred in performance of hazardous materials exemptions and approvals functions.

(Department of Transportation Appropriations Act, 2016.)

EXHIBIT III-1

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS SAFETY
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

	<u>FY 2015 ACTUAL</u>	<u>FY 2016 ENACTED</u>	<u>FY 2017 REQUEST</u>	<u>CHANGE FY 2016- FY 2017</u>
Operations	\$ 45,000	\$ 48,049	\$ 59,223	\$ 11,174
Research and Development	7,000	7,570	9,026	1,456
<hr/>				
TOTAL	\$ 52,000	\$ 55,619	\$ 68,249	\$ 12,630
FTEs				
Direct Funded	169.2	203.0	238.5	35.5

Program and Performance Statement

The Pipeline and Hazardous Materials Safety Administration's (PHMSA) Hazardous Materials Safety program is responsible for advancing the safe transportation of hazardous materials. It relies on a comprehensive risk management program to ensure that resources are effectively applied to minimize fatalities and injuries; mitigate the consequences of incidents that occur; and enhance safety through regulatory, enforcement and outreach efforts.

EXHIBIT III-1a
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Summary Analysis of Change from FY 2016 to FY 2017
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

	Change from FY 2016 to FY 2017 \$000	Change from FY 2016 to FY 2017 FTE
<u>HAZARDOUS MATERIALS SAFETY</u>		
FY 2016 Enacted	\$55,619	203.0
Administrative Adjustments to Base:		
Annualization of 2016 Pay Raise	\$89	0.0
Two Less Compensable Days	(212)	0.0
FY 2017 Pay Raise	330	0.0
GSA Rent	49	0.0
Working Capital Fund	(226)	0.0
Non-pay Inflation	218	0.0
Subtotal, Adjustments to Base	\$248	0.0
New or Expanded Programs		
1. Risk & Data Management, 12 FTP	\$2,806	6.0
<i>a. Statistician</i>	[440]	[2.0]
<i>b. Economist</i>	[440]	[2.0]
<i>c. Program Management Analyst</i>	[440]	[2.0]
<i>d. Program Cost</i>	[1,486]	[0.0]
2. Research, Development and Innovation, 2 FTP	\$1,600	1.0
<i>a. Program Management Specialist</i>	[110]	[0.5]
<i>b. Subject Matter Expert</i>	[110]	[0.5]
<i>c. Research and Development</i>	[1,380]	[0.0]
3. Advancing Field Enforcement Activities, 10 FTP	\$1,600	5.0
<i>a. Inspection and Enforcement Staff</i>	[1,100]	[5.0]
<i>b. Program Cost</i>	[500]	[0.0]
4. Expansion of Existing Programs including Safe Transport of Energy Products, 40 FTP	\$5,306	20.0
<i>a. Inspection and Enforcement Staff</i>	[2,860]	[13.0]
<i>b. Regulatory Support Staff</i>	[330]	[1.5]
<i>c. Policy Analysts</i>	[440]	[2.0]
<i>d. Chemists/ Engineers</i>	[550]	[2.5]
<i>e. Transportation Specialists</i>	[220]	[1.0]
<i>f. Outreach, Training & Compliance</i>	[905]	[0.0]
7. Using Data to Improve Safety, 7 FTP	\$1,070	3.5
<i>a. Attorneys</i>	[440]	[2.0]
<i>b. Economists/Regulatory Support</i>	[330]	[1.5]
<i>c. Program Cost</i>	[300]	[0.0]
Subtotal, New or Expanded Programs	\$12,382	35.5
FY 2017 Request	\$68,249	238.5

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION HAZARDOUS MATERIALS SAFETY AND EMERGENCY PREPAREDNESS GRANTS

ANNUAL PERFORMANCE RESULTS AND TARGETS

PHMSA integrates performance results into its budget request to align with the Department of Transportation's Strategic Plan. PHMSA tracks the following DOT performance measures to demonstrate program results:

DOT Goal/Outcome: Safety

Reduction in injuries and fatalities: Number of hazardous materials incidents involving death or major injury	2013	2014	2015	2016	2017
Target Range	21-33	20-32	20-31	20-31	20-31
Actual	27	21	10 ¹		

¹Preliminary - Number subject to change due to time span between enacted occurrence and final verification of details.

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-1401-0-1-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Obligations by program activity:			
0001 Operations	44,880	48,049	59,223
0002 Research and development	4,304	14,413	9,026
0799 Total direct program	49,184	62,462	68,249
0801 Reimbursable program	747	3,200	3,200
0900 Total new obligations	49,931	65,662	71,449
Budgetary resources:			
Unobligated balance:			
1000 Unobligated balance brought forward, Oct 1	4,524	6,843	0
1021 Recoveries of prior year unpaid obligations	0	0	0
1050 Unobligated balance (total)	4,524	6,843	0
Budget authority:			
Appropriations, discretionary:			
1100 Appropriation	52,000	55,619	68,249
1160 Appropriation, discretionary (total)	52,000	55,619	68,249
1700 Collected	732	3,200	3,200
1701 Change in uncollected payments, Federal sources	-100	0	0
1750 Spending auth from offsetting collections, disc - (total)	632	3,200	3,200
1900 Budget authority (total)	52,632	58,819	71,449
1930 Total budgetary resources available	57,156	65,662	71,449
Memorandum (non-add) entries:			
1940 Unobligated balance expiring	-381	0	0
1941 Unexpired unobligated balance, end of year	6,843	0	0
Change in obligated balance:			
Unpaid obligations:			
3000 Unpaid obligations, brought forward, Oct 1	13,577	17,573	18,126
3010 Obligations incurred, unexpired accounts	49,931	65,662	71,449
3011 Obligations incurred, expired accounts	146	0	0
3020 Outlays (gross)	-45,303	-65,109	-67,407
3040 Recoveries of prior year unpaid obligations, unexpired	0	0	0
3041 Recoveries of prior year unpaid obligations, expired	-779	0	0
3050 Unpaid obligations, end of year	17,573	18,126	22,167

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS SAFETY
PROGRAM AND FINANCING
(In thousands of dollars)**

Identification code 69-1401-0-1-407	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request
Uncollected payments:			
3060 Uncollected pymts, Fed sources, brought forward, Oct 1	-422	-327	-327
3070 Change in uncollected pymts, Fed sources, unexpired	100	0	0
3071 Change in uncollected pymts, Fed sources, expired	-5	0	0
3090 Uncollected pymts, Fed sources, end of year	-327	-327	-327
Memorandum (non-add) entries:			
3100 Obligated balance, start of year	13,155	17,245	17,798
3200 Obligated balance, end of year	17,245	17,798	21,840
Budget authority and outlays, net:			
Discretionary:			
4000 Budget authority, gross	52,632	58,819	71,449
4010 Outlays from new discretionary authority	34,173	41,021	49,609
4011 Outlays from discretionary balances	11,130	24,088	17,798
4020 Outlays, gross (total)	45,303	65,109	67,407
Offsets against gross budget authority and outlays:			
Offsetting collections (collected) from:			
4030 Federal sources	-577	-3,200	-3,200
4033 Non-Federal sources	-192	0	0
4040 Offsets against gross budget authority and outlays (total)	-769	-3,200	-3,200
Additional offsets against gross budget authority only:			
4050 Change in uncollected pymts, Fed sources, unexpired	100	0	0
4051 Offsetting collections credited to expired accounts	-5	0	0
4060 Additional offsets against budget authority only (total)	95	0	0
4070 Budget authority, net (discretionary)	52,000	55,619	68,249
4080 Outlays, net (discretionary)	44,534	61,909	64,207
4180 Budget authority, net (total)	52,000	55,619	68,249
4190 Outlays, net (total)	44,534	61,909	64,207

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS SAFETY
OBJECT CLASSIFICATION AND PERSONNEL SUMMARY
(In thousands of dollars)**

Identification code 69-1401-0-1-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	\$17,362	\$20,953	\$25,213
11.3 Other than full-time permanent	421	425	429
11.5 Other personnel compensation	214	216	218
11.9 Total personnel compensation	17,998	21,594	25,860
12.1 Civilian personnel benefits	5,495	6,046	7,241
13.1 Benefits to former personnel	0	0	0
21.0 Travel and transportation of persons	1,567	1,899	2,334
23.1 Rental payments to GSA	1,935	2,445	2,956
23.2 Rental payments to Others	10	0	0
23.3 Communications, utilities, and misc charges	268	409	413
24.0 Printing and reproduction	426	142	143
25.1 Advisory and assistance services	7,705	5,805	8,254
25.2 Other services	372	347	350
25.3 Other purchases of goods & services from govt accts	4,282	4,324	5,784
25.4 Operation and maintenance of facilities	121	0	0
25.5 Research and development contracts	4,027	14,413	9,026
25.7 Operation and maintenance of equipment	3,924	3,963	4,303
26.0 Supplies and materials	673	689	696
31.0 Equipment	382	385	889
42.0 Insurance claims and indemnities	0	0	0
Subtotal, Direct obligations	\$49,184	\$62,462	\$68,249
99.0 Subtotal, Reimbursable obligations	747	3,200	3,200
99.9 Total new obligations	\$49,931	\$65,662	\$71,449

EMPLOYMENT SUMMARY

Identification code 69-1401-0-1-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
10.01 Direct civilian full-time equivalent employment	169.2	203.0	238.5

**PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION
HISTORY OF APPROPRIATIONS**

Hazardous Materials Safety

<u>YEAR</u>	<u>REQUEST</u>	<u>ENACTED</u>
2007	\$27,225,000	\$26,723,000 ^{1/}
2008	\$27,003,000	\$28,000,000
2009	\$28,000,000	\$32,000,000
2010	\$35,500,000	\$37,994,000
2011	\$40,434,000 ^{1/}	\$39,020,000 ^{1/ & 2/}
2012	\$50,089,000	\$42,338,000
2013	\$50,673,000	\$40,123,000 ^{1/ & 3/}
2014	\$51,801,000	\$45,000,000
2015	\$52,000,000	\$52,000,000
2016	\$64,254,000	\$55,619,000
2017	\$68,249,000	

1/ Reflects the funding levels provided by a full-year continuing resolution.

2/ Reflects reduction of \$78,196 for a 0.2% across-the-board cut (Sec. 1119 of Division B of P.L. 112-10).

3/ Reflects sequestered amount (Sec. 1113 of Division B of P.L. 113-6).

Detailed Justification for Hazardous Materials Safety

What Is This Program, Its Current Spending and Budget Request?

FY 2017 – Hazardous Materials Safety Budget Request (\$000)

Program Activity	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	Difference From FY 2016 Enacted
Administrative Expenses	\$36,148	\$38,034	\$45,917	\$7,883
Programs	8,852	10,015	13,306	3,291
Research and Development	7,000	7,570	9,026	1,456
Total	\$52,000	\$55,619	\$68,249	\$12,630

Overview

Almost 2.6 billion tons of hazardous materials, valued at over \$2 trillion, are moved 886 million miles on the nation's transportation network¹ each year. Hazardous materials such as gasoline, diesel, natural gas and propane not only help fuel automobiles, but also heat and cool homes and workplaces. Fertilizers, pesticides, compressed gases, chemicals and explosives are used in farming, medical applications, manufacturing, mining and other industrial processes. Varieties of chemicals are used to purify water, fertilize crops, create medicines, and manufacture clothing and other essentials that Americans rely on. PHMSA fosters the safe movement of these hazardous materials needed to sustain the economy and lifestyle of all Americans.

Over the past decade, transport of hazardous materials has grown. Hazardous materials shipments frequently move through communities and environmentally sensitive areas. When a shipment derails, leaks or otherwise fails, it can cause great harm and loss of life within communities and the environment. According to the 2012 Commodity Flow Survey conducted by the U.S. Department of Commerce, the quantity of hazardous materials transported in the United States increased 15.6 percent (2.23 billion vs. 2.58 billion tons) between 2007 and 2012.

PHMSA's Office of Hazardous Materials Safety (OHMS) budget request helps reduce the occurrence of such incidents through a variety of means. PHMSA is responsible for advancing the safe and efficient transportation of hazardous materials. PHMSA constantly collects and searches for the best data that informs its safety mission and activities. In the interest of safety, PHMSA continues to improve its inspection and enforcement process by analyzing internal and external information. As a regulator, whenever PHMSA detects the unsafe movement of hazardous materials, it issues violations, assesses fines and requires corrective action. Finally, data is made widely available and educates communities and first responders to prevent accidents and guide cleanup efforts when accidents occur.

¹<http://www.census.gov/econ/cfs/2012/ec12tcf-us-hm.pdf>

The Hazardous Materials Safety program is comprised of staff at headquarters in Washington, DC and throughout five regional field offices (West Trenton, NJ; Ontario, CA; Atlanta, GA; Houston, TX; and Kansas City, MO). Staff stationed at headquarters review regulations, develop policy, manage all PHMSA programs and coordinate education and outreach. Field personnel conduct inspections, investigations, outreach and work on-the-ground with state partners.

PHMSA ensures that resources are effectively applied to minimize fatalities and injuries, mitigate the consequences of incidents that occur and enhance safety. PHMSA serves as the focal point and liaison with international bodies, Federal agencies, state and local governments, and non-government entities responsible for setting standards regarding the safe transportation of hazardous materials. Further, PHMSA represents the United States on regulatory and technical issues surrounding the safe and secure transportation of hazardous materials. In carrying out this role, PHMSA focuses on a foundation of five C's:

1. Classifying hazardous materials to ensure they are packaged and handled safely during transportation;
2. Containing hazardous materials properly in accordance with the Hazardous Materials Regulations;
3. Communicating to transportation workers and emergency responders regarding the hazards of materials being transported;
4. Ensuring Compliance with the Hazardous Materials Regulations by enforcing safety standards, investigating incidents/failures and educating stakeholders; and
5. Crisis Management to mitigate the consequences of incidents through grant and outreach programs.

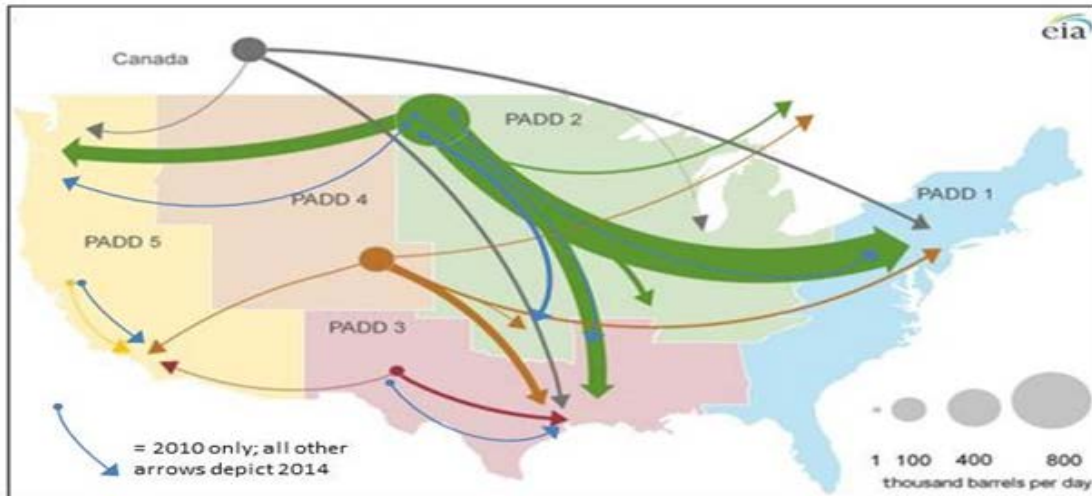
The construct of the 5 C's shapes the office's broad mission. The office faces some difficult challenges. A recent boom in energy production in remote areas around the country (including the Marcellus, Bakken, Niobrara and Eagle Ford basins) has resulted in a significant shift in the methods of getting highly flammable products to market. It has become common practice to extract oil and gas using hydrating fracturing and horizontal drilling technologies from remote areas in North Dakota or western Pennsylvania and transport those products to refineries using a network of truck and rail shipments near our towns and villages.



Drawing crude oil samples and inspecting individual boxes represent just a sliver of the activities PHMSA inspectors engage in to keep hazardous materials flowing smoothly but safely.

The OHMS deploys its staff to develop regulations and conduct inspections to minimize the likelihood of incidents from this surge in remote oil production (see graphic).

Crude Oil by Rail in 2010 and 2014



North American crude oil sources, routes and relative volumes shipped over railroads grew extensively between 2010 and 2014. Short shipments between rail yards are excluded.

Source: Adapted by PHMSA from the Energy Information Administration.

Unfortunately, often this has come at the expense of inspecting other movements of hazardous materials. Additional resources requested will develop the hazardous materials program's *Risk & Data Management* project to advance the Secretary's priority of using data to improve safety; strengthen the investigation teams' ability to manage certain emerging threats; augment expertise needed to identify risks and deploy staff where most needed; and conduct more rigorous research and development.

PHMSA has put resources provided in the past to good use. The agency has successfully accomplished many goals using funds from the FY 2015 and FY 2016 budgets including:

- Expanded PHMSA OHMS research and development with research in highly visible areas of crude oil transport and liquefied natural gas (LNG). Specifically, PHMSA fully restructured the OHMS R&D construct with an emphasis on collaboration with the Federal Railroad Administration (FRA), Department of Energy and Canadian counterparts for energy product-related research projects under the Safe Transportation of Energy Products initiative designed to inform regulations for the safe movement of crude oil by rail and roadway. One important partnered project is with the U.S. Department of Energy through its Sandia National Laboratory. This project, which helps meet the FAST Act's call for research on the characteristics of crude oil, promises to help us better understand the unique hazards associated with transporting it. The unique challenges include understanding the highly flammable vapors from oil produced and shipped from tar sands and fracturing locations and developing new ways to stabilize their composition and movement to refineries.
- Improved incident reporting – SMART Form. To further build on accomplishments under MAP-21, PHMSA utilized IT resources to simplify and ensure the accuracy of our incident data. In addition to revamping workflows and dashboards, PHMSA initiated the process of developing an online "smart" form to collect incident data. This form functions similarly to do-it-yourself tax preparation software. Similarly, to advance special permits and approvals tools, PHMSA launched a mobile application to provide stakeholders easy access to approved cylinder manufacturer and requalification locations.

- Improved focus on system safety. Worked closely with a national auto parts distributor, through PHMSA’s System Integrity Safety Program, to address systemic hazardous materials safety issues at roughly 4,000 stores in 42 states, including their distribution system and reverse logistics processes. This activity affected the transportation of over 8,000 hazardous materials shipments a day. At the beginning, the company had no compliance with the hazardous materials regulations, but by the end it was able to see dramatic compliance improvements that cascade to the company’s supplier network.
- Hazardous Materials Regulations: Enhanced Tank Car Standards and Operational Controls for High-Hazard Flammable Trains. On May 8, 2015, PHMSA published PHMSA-2012-0082 (HM-251). This rule addresses recommendations from the National Transportation Safety Board, adopts safety improvements in tank car design standards, defines certain trains transporting large volumes of flammable liquids as “high-hazard flammable trains” and regulates their operation in terms of speed restrictions, braking systems and routing.



An oil train derailment near Casselton, N.D. hastens an investigator from PHMSA’s Central Region to the scene of this December 2013 incident to conduct damage assessment, shed light on the crashworthiness of the DOT 111 rail cars, while also sampling the crude oil aboard them. Photo by PHMSA Central Region.

In addition to these accomplishments, the PHMSA program is pursuing a number of critical programs to improve safety for the American public. It is a constantly evolving mission for the agency especially as new hazardous materials, in larger quantities, emerge for transport. Thus, PHMSA will use the requested funding to enhance collection, analysis and use of data as well as inspection and enforcement staff to support our safety mission by focusing on the following goals for FY 2017:

- Strengthening paperless hazard communications with further implementation actions;
- Enhancing emergency responder training will increase outreach to our grants program;
- Promoting uniform performance standards for training hazardous materials inspectors and investigators;
- Promoting and affecting greater transparency and efficiency in special permit procedures and evaluations; and
- Focus enforcement on areas of highest risk.

Existing Programs and Activities

Administrative Expenses: \$45.92 million (\$7.88 million over the FY 2016 enacted level)

Administrative Expenses support 238.5 FTEs including their salaries, benefits and other expenses such as travel, training, and supplies, including personal protection equipment and uniforms for all investigators.

PHMSA's FY 2017 adjustments to the base include \$89 thousand for annualization of the 2016 pay raise at 1.3 percent, a \$212 thousand decrease in salaries and benefits from two fewer compensable days, \$330 thousand for 2017 pay raise at 1.6 percent, \$49 thousand for GSA rent increase, a \$226 thousand decrease in the Working Capital Fund and \$218 thousand for non-pay inflation of 1.0 percent.

In addition to \$248 thousand in adjustments to the Administrative Expenses base, the request includes \$7.81 million in *Proposed Program Changes* discussed later in this chapter.

Programs: \$13.31 million (\$3.29 million over the FY 2016 enacted level)

PHMSA's programs include multiple activities such as, *Hazardous Materials Information and Analysis; Investigation and Enforcement; Outreach, Training & Compliance; and the Hazardous Materials Registration Program*. These programs are designed to advance PHMSA's mission of ensuring safe movement of hazardous materials through monitoring *Special Permit and Approval* applications, verifying incident reports and measuring day-to-day performance via the Hazardous Materials Information System. These programs include analyzing incidents involving transportation of hazardous materials; developing educational tools for outreach and training; and supporting the U.S. Coast Guard's efforts in issuing emergency notifications when a hazardous materials incident occurs. PHMSA also ensures a data-driven approach to risk management by maintaining a one-stop multimodal *Hazardous Materials Intelligence Portal (HIP)*. Finally, PHMSA collects registration fees supporting grants to states and American Indian tribes for emergency response training and planning.

The increase in the Programs budget request also reflects a 1.0 percent increase to account for inflation.

Research and Development (R&D): \$9.03 million (\$1.38 million over the FY 2016 enacted level)

Hazardous Materials Safety's R&D program directs applied research for the purpose of minimizing risks associated with the transportation of hazardous materials. The requested increase supports PHMSA's need for subject matter expertise in technical aspects related to safe packaging and container storage for transport and chemical compound analysis.

Part of the everyday functions of this program activity includes researching and identifying best practices regarding hazardous materials transport (such as loading and unloading of bulk hazardous materials, including flammable liquids and liquefied natural gas); and conducting engineering analysis of fill, transfer and offloading operations across the many bulk tank designs, couplings and materials.

PHMSA's R&D program also funds equipment designs that prevent fire and flame exposure to highway transport vehicles carrying organic peroxides, ammonium nitrate, explosives and products containing explosives; and assesses high risks of odorant fade in the rail and highway bulk transport of liquefied natural and petroleum gases.

The research program supplies information necessary to inform future changes in regulations, industry safety practices and global intermodal transport efficiency demands for hazardous materials. Thus, the total R&D request includes funding for slightly more than \$4 million for emerging risks and response and nearly \$4 million from the base for projects that focus on the safe transport of energy products.

One such project focuses on LNG, whose U.S. production is on the rise. LNG typically contains more than 90 percent methane along with small amounts of ethane, propane and butane – all highly flammable chemicals. One of its risks is a rapid phase transition explosion, which occurs when cold LNG comes into contact with water. PHMSA is working closely with FRA to develop safety measures for such energy products, and while doing so, to avoid any overlap of responsibility and duplication of projects. Such research involves addressing the need for a specialized cryogenic rail car to carry LNG, based on the increased transportation of this commodity and in comparison to other materials.

The increase in the Research & Development budget request also reflects a 1.0 percent increase to account for inflation.

Proposed Program Changes

The following program changes are requested to support PHMSA's transformation into a safety management system-driven agency, better inform regulations, reduce the likelihood and consequence of incidents, enhance the capability of first responders, harness new and innovative technology and promote economic growth:

Risk & Data Management: \$2.81 million including 6.0 FTE/ 12 FTP

PHMSA is requesting funding for this new initiative to enhance risk and data management capabilities, which will serve as the foundation for how the hazardous materials safety program operates. This initiative will complement the Using Data to Improve Safety initiative by focusing on collection, analysis and use of data challenges specific to the hazardous materials safety program. The FY 2017 request for this new initiative will fund three main aspects (1) new personnel, (2) upgrade technology and data processes, and (3) provide the capability to assess the potential high risks and significant economic consequences of transporting Class 2.1 flammable gases. The additional positions will play vital roles in both aspects of improving data and assessing the risks.

It is PHMSA's mission to focus risk and data management capabilities, using data-driven analysis and decision making to first determine risk, develop and inform policy and regulatory actions, allocate limited resources, determine cost-effective alternatives within its programs to ultimately prevent hazardous materials incidents. Each of these tasks requires additional knowledgeable and experienced personnel to guide the agency towards this goal.

Thus, the Office of Hazardous Materials Safety will hire twelve new subject matter experts (6.0 FTE/ 12 FTP) including four statisticians, four economists and four program management analysts. These staff will focus on efforts to improve hazardous materials risk, economic, and data analysis and management capabilities. The Hazardous Materials Safety program needs these positions in order to capture, process, and validate hazmat transportation incident data; perform economic and risk analysis to inform policy, regulatory and budgetary decisions; and, evaluate and anticipate emerging transportation risks.

PHMSA's OHMS Risk & Data Management priorities will be to:

- Complete MAP-21 data improvement recommendations and issue a final report,
- Reduce backlog of hazmat incident forms,
- Develop and implement an ISO-9001 Quality Management System (QMS) for hazmat incident data processes and operations,
- Develop and maintain an on-line Hazmat Incident Smart Form that will streamline the incident reporting process for our stakeholders and improve the quality of the data PHMSA receives regarding hazardous materials incidents,
- Consolidate and integrate hazmat incident data and processes across all program areas,
- Assist in the implementation of a data-driven safety management system,
- Provide timely and quality risk analysis, including economic and regulatory analyses, to support and safeguard the rapidly evolving hazardous materials transportation system, particularly energy product transportation including crude oil, natural gas and lithium batteries, and
- Provide and maintain transparent and objective data, risk, and economic analyses support for an increasing statutory and regulatory workload.

New Personnel: PHMSA is requesting the statisticians and program management analysts to decrease the backlog of unprocessed hazmat incident forms, modernize outdated and manual processes, and upgrade antiquated technology. As of January 2016, the backlog of unprocessed hazmat incident forms is 5,103 (an increase of 134 forms over the previous week and forecasted to continue to increase). PHMSA receives on average 16,000 incident reports on an annual basis. These reports go through various phases of review and validation prior to being finalized and used by internal and external stakeholders. These phases of validation require considerable resources and staff to complete, yet PHMSA continues to experience a processing backlog.

Current Executive Orders and guidance emphasize the need to use quality data and accepted analytical standards and techniques to analyze the impacts of regulatory actions. The recently completed organizational and data assessments have identified areas of improvement for PHMSA's collection, analysis and use of data. In order to acquire reliable interpretations of data, the agency needs more economists to conduct transparent, objective economic and regulatory impact analysis to support current and new requirements.

To fill this void, PHMSA is requesting economists for the Hazardous Materials Safety program to improve its ability to estimate economic impacts of its safety policies and regulations. The economists will better inform management about cost-effective alternatives for agency actions. These economists will be able to interpret the data necessary in order to support the current regulatory portfolio so that PHMSA's attorneys may develop and refine regulations. The rapidly evolving hazardous materials transportation system (particularly energy product transportation including crude oil, natural gas and lithium batteries) requires PHMSA to take action, avoid further risk, and to have the resources necessary for such regulations to be put in place. Last year, PHMSA lacked the staff for several high-profile rulemakings involving crude by rail high-hazard flammable trains and lithium batteries. This resulted in delays, data and analysis limitations and gaps, and reduced regulatory effectiveness and increased litigation risks.

The need for such personnel is even greater with PHMSA's requirements for action from the 2015 Fixing America's Surface Transportation (FAST) Act. The requirements focus on reducing hazardous materials transportation safety risks and improving the Nation's surface transportation. Some of these congressionally mandated projects include: a Hazardous Materials by Rail Liability

Study; a report on the aggregate results of the tank car data collection and the tank car shop survey; and a Study and Testing of Electronically Controlled Pneumatic Brakes. The additional economists will be involved in supporting PHMSA's current and new regulatory workload, including maintenance and retrospective analysis of the extensive, existing hazmat regulations.

Upgrade Technology & Data Processes: To upgrade current antiquated technology, PHMSA will use funds to develop and maintain an on-line smart form that will streamline the incident reporting process for our stakeholders and improve the quality of the data PHMSA receives regarding hazardous materials incidents. Currently, stakeholders use paper or electronic incident forms that often lead to data omissions or errors requiring considerable time for both PHMSA and stakeholders to reconcile. The smart form will assist users in accurately completing incident forms in a timely manner resulting in reduced burden and costs for PHMSA and its stakeholders. The on-line smart form will simplify the process of reporting an incident, decrease the time needed for our stakeholders to submit an incident report form, and improve the quality and reliability of the data PHMSA receives and uses to support its regulatory and budgetary decision making.

To improve hazmat incident data processes and operations, PHMSA plans to use funding to develop and implement the International Organization for Standardization's ISO-9001 Quality Management System (QMS), which is a standard that sets out the requirements for a quality management system. It will help PHMSA be more efficient and improve stakeholder satisfaction with our data operations. Implementing an ISO-based QMS involves developing and standardizing processes and procedures in a systematic approach per ISO standards. It also requires frequent internal and third party audits to identify for action non-conformities to standard processes and procedures. QMS targets and minimizes risks related to nonstandard procedures and practices, staff competencies, accountability, resource issues, oversight, and quality assurance. At its core, it is a program of continuous improvement that is expected to reduce the need for future resources. The additional statisticians and program management analysts will be involved in developing and implementing this initiative.

Capability to assess the potential high risks and significant economic consequences of transporting Class 2.1 flammable gases: This project will assess the likelihood and consequences of events involving Class 2.1 commodities by mode and severity. The project will provide the agency a basis for predicting the frequency and severity of incidents involving transport of these materials by rail and truck, up to and including the likelihood of extremely severe catastrophic events. The output of this project will support policy decisions, the development of future regulations governing the transport of these materials, and inform the assessment of emerging risks associated with transportation of class 2.1 flammables and its dynamic industry. The additional economists will be involved in developing and implementing this key risk program.

Research, Development & Innovation: \$1.6 million including 1.0 FTE/ 2 FTP

The FY 2017 R&D portfolio includes \$1.38 million in additional funding above the \$7.57 million requested in FY 2016 (\$9.03 million total) for added emphasis in the following areas:

- Analytical resources for MAP-21-mandated reforms to hazardous materials incident collection process and development of risk models for hazardous materials. This effort also will help PHMSA address the 2012 Government Accountability Office recommendations about incident data used to identify safety risks.
- Stand-alone and collaborative R&D with the Department of Energy on characterization and test methods for crude oil, carrying out combustion experiments, and modeling of different crude oils to develop hazard profiles and determine the most effective sampling techniques.

- Collaborative R&D with the Federal Railroad Administration on safety aspects of crude oil transport by rail including bulk package design and ways to lessen the consequences of all too frequent derailments.
- Continued research into liquefied natural gas for bulk rail and highway transportation to identify the key risks and establish a standard design for bulk tank cars. LNG production has increased in the United States as it is considered a clean fuel and, therefore, a more desirable fuel source.

PHMSA's Hazardous Materials Safety's R&D program directs applied research for the purpose of identifying and minimizing risks associated with the transportation of hazardous materials. It is the foundation for many of PHMSA's activities across a host of challenges. In FY 2016, the R&D program focused on proper classification of hazardous materials, the safe transport of energy products and the emerging LNG industry. PHMSA intends to continue researching these areas in FY 2017 and will conduct research on the defining package requirements and performing testing packaging for these products. Efforts will also be geared towards expanding research in alternative energy products by analyzing cylinders used to transport compressed hydrogen and into energy storage devices.

FY 2017 research priorities are designed to supply the information necessary to guide future changes in regulations, industry safety practices and global intermodal transport efficiency.

PHMSA's OHMS research priorities are:

- Safe Transport of Energy Products
- Bulk Package Design, Modeling and Testing
- Performance testing of ISO container for LNG, development of new LNG rail car, tender car and International Standards Organization (ISO) packages (shared programs with FRA)
- Lithium battery and energy storage devices
- Non-bulk Package Integrity and Performance
- Performance and design improvements for cylinders containing compressed gases
- Hazardous Materials Classification
- Technical Analysis to Aid Risk Assessments
- Risk Management and Mitigation
- Emerging Technologies

Due to the complexity involved in safely moving numerous energy products, PHMSA requests 2 positions for program management specialists to administer a growing portfolio of urgently needed research as part of the Safe Transport of Energy Products (STEP) initiative. These positions will interface on a regular basis with internal DOT partners, as well as with external stakeholders, such as, the Department of Energy and industry partners involved in STEP while also engaging the public through frequent R&D forums.

With the added size and complexity of multimillion dollar collaborative research projects with Department of Energy and FRA on STEP and LNG in FY 2017, additional resources are needed to administer the technical aspects of a growing number of R&D contracts. The R&D program management specialist will coordinate public information dissemination, interested parties' engagement, drafting of R&D needs statements, coordination of public forums, and setup and maintenance of an OHMS R&D website.

This initiative also strengthens economic competitiveness and encourages technological success in new package designs and methods. Currently, PHMSA is unable to proactively address risks raised by the discovery of new energy sources, technology and shipping methods. Lack of funding will only strain PHMSA's existing R&D resources. Specifically, without the requested funding, PHMSA will not be able to develop, improve or maintain package designs used for bulk transport of energy products such as crude oil and LNG.

Advancing Field Enforcement Activities: \$1.60 million including 5.0 FTE/ 10 FTP

This request includes \$1.1 million for Inspection and Enforcement staff and \$500 thousand to supply, equip and provide other resources to assist with accident investigations, both large and small scale.

PHMSA provides direct oversight to more than 77,000 shippers and carriers in the U.S. A single inspection of each shipper/carrier would require 40 years to complete at the current staffing level. If the 22,000 highest risk carriers were scheduled, it will take more than 12 years to inspect those just once (see graphic). This is an unacceptably large gap in coverage.



In addition, new threats are identified every year. For example, fillers of propane cylinders are a group that has been largely uninspected due to demands on our inspectors by such activities as movement of energy products. As a result, PHMSA has had to be reactive to incidents rather than proactive. Tragically, in July 2014, the explosion of a failed propane cylinder on the back of a food truck along a busy Philadelphia street resulted in 2 deaths and 12 injuries. An accident investigation revealed the cylinder was never requalified after being built in 1948. PHMSA responded with an inspection and investigation initiative which uncovered other unsafe operators.

The Office of Hazardous Materials Safety assigns inspectors based on areas of highest risks. A current assessment of risks shows that each regional office needs additional support. The requested inspection and enforcement staff will be placed as follows:

Region	Total Inspection and Enforcement Positions FY 2016	Total Needed	Gap
Headquarters	27	28	1
Eastern	13	14	1
Southern	11	13	2
Southwest	11	14	3
Central	10	13	3
Western	12	12	0
Total	84	94	10

These 10 requested positions will help narrow the inspections gap of what Congress calls “highly regulated industry” practices. These highly regulated facilities are required to comply with all or parts of the Hazardous Materials regulations (49 CFR Parts 171-180). The regulations include a wide range of standards, some of which are very detailed, and involve every aspect of pre-transporting and shipping hazardous materials. The standards include, but are not limited to, requirements on how to determine the right hazard class of the material; ensuring the hazards are properly communicated; establishing design, testing, and marking requirements for packages; training of employees; and facility security plans.

Expansion of Existing Programs including Safe Transport of Energy Products: \$5.31 million including 20.0 FTE/ 40 FTP

PHMSA requests \$5.31 million for the expansion of existing programs including the Safe Transport of Energy Products including 20.0 FTE/40 FTP. The additional staff will support the Hazardous Materials Safety program in the following roles:

- *Inspection and Enforcement (13.0 FTE/ 26 FTP):* PHMSA’s inspectors are experts in their fields and essential in completing inspections of facilities that manufacture, mark and sell packages used to transport hazmat, as well as, facilities and carriers who offer, distribute and transport hazmat. Additional inspectors provided in FY 2017 will allow PHMSA to continue regular hazardous materials inspection activities while also addressing the safe transport of energy products and preparing for emerging risks.
- *Regulatory Support Staff (1.5 FTE/ 3 FTP):* Hazardous materials pose a high risk to the nation, and part of addressing this risk, is ensuring rulemakings are in place to regulate manufacturing and design of containment and testing methods.
- *Policy Analysts (2.0 FTE/ 4 FTP):* Performance measures assist in keeping the program on top of its mission. Such positions are dedicated to the technical and analytical aspects of how well the program is doing at keeping people safe. Data is received through many different mediums and then filtered and organized in order to produce statistics and results that can be used to track PHMSA’s safety standards in a quantifiable manner. The Hazardous Materials Safety program gathers plenty of data but does not have enough staff to filter and organize the information.
- *Chemists/Engineers (2.5 FTE/ 5 FTP):* New designs and the integrity of a package are carefully reviewed by subject matter experts, who can identify what will trigger or change a chemical from harmless to harmful.

- *Transportation Specialists (1.0 FTE/ 2 FTP)*: Transportation specialists are immediate field support for inspectors assessing shippers or carriers. They are knowledgeable on the work conducted out in the field as well as proficient with administrative duties and responsibilities that are program specific.

PHMSA is responsible for all hazardous materials transported in the United States. According to the most recent Commodity Flow Survey conducted by the Bureau of Transportation Statistics and the U.S. Census Bureau, more than 2.2 billion tons of regulated hazmat — including explosive, poisonous, corrosive, flammable and radioactive materials — is transported in this country each year. Historically, the percentage of domestically produced energy products (i.e. crude oil and natural gas) have been transported by pipelines and confined to specific corridors. However, as of 2014, approximately 85 percent of the flammable liquids transported by rail are comprised of crude oil, ethanol and petrochemicals or petroleum refinery products.

In addition to U.S. responsibilities, PHMSA provides leadership in advancing U.S. safety priorities in international trade forums. The agency serves as Chairman of the United Nations *Sub-Committee of Experts on the Transport of Dangerous Goods*. New efforts with Europe under the *Transatlantic Trade and Investment Partnership* to develop reciprocity provisions to further facilitate the transport of specialty gases in U.S.- or EU-compliant pressure receptacles are underway. Also, PHMSA is assisting Mexico with the development and adoption of provisions for upgraded DOT 400 series highway cargo tanks. These cargo tanks are used to transport high volumes of flammable liquid commodities by road and would raise the safety of border shipments to a DOT standard that has been in place in the U.S. for over 12 years.

The surge in North American energy production, as evidenced by the complex safety issues that have arisen with the transport of crude oil by rail, cannot be handled lightly. The resources are required for the vast mission that PHMSA has in regards to not only serving as the point of contact for North American energy transport, but also serves as a consulting party to the rest of the world in energy transport and transport innovation.

PHMSA is requesting \$905 thousand for Outreach, Training and Compliance to enhance the safe transport of flammable liquids by ensuring shippers and carriers are taking all the required precautions to transport these liquids safely and prevent future incidents. Besides prevention, the outreach will provide PHMSA the resources to assist shippers and carriers in responding to an incident through oil spill response planning and information sharing for high-hazard flammable trains. The outreach will also provide the resources to address market changes since the December 2015 removal (lifting) of the U.S. crude export ban² and ultimately ensure the safe transport of hazardous materials and energy products as imports or exports.

Using Data to Improve Safety: \$1.07 million including 3.5 FTE/ 7 FTP

PHMSA requests \$1.07 million to implement a data improvement plan to promote safety in large scale and oftentimes unpredictable flow of hazardous materials including funding for 3.5 FTE/ 7 FTP. In FY 2016, PHMSA began implementing its Agency Safety Action Plan (ASAP). ASAP implements a series of strategies that proactively leverage existing authorities and programs to improve safety by investing in innovative solutions and addressing emerging safety concerns. Additionally, a focused, high-level assessment of our agency-wide data and analysis needs and capabilities identified areas for improvement in collection and data usage to enhance the regulatory process, enforcement and research to improve safety. This is a PHMSA-wide initiative with additional funding and staff requested in the Operational Expenses and Pipeline Safety accounts. The implementation and management of this initiative will be within the

² See “*Congressional Leaders Agree to Lift 40-Year Ban on Oil Exports*” Wall Street Journal (16 December 2015).

Operational Expenses' proposed Office of Planning and Analytics. See the Operational Expenses narrative for a more detailed description of this initiative.

Positions requested for Using Data to Improve Safety are described below:

Toward a Speedier Regulatory Process

The organizational assessment calls for changes to PHMSA's Office of the Chief Counsel within the Operational Expenses account. Lawmakers and safety advocates have asked for increased speed in the development and use of regulations, including those called for under the Moving Ahead for Progress in the 21st Century Act (MAP-21) and Fixing America's Surface Transportation (FAST) Act. The law mandates tougher safety and inspection standards and recognizes the need for improved safety in the shipment of hazardous materials including such things as calling for the retrofit or replacement of rail cars not outfitted with insulating jackets to meet new enhanced tank car designs.

Regulation on the movement of hazardous materials including energy products is complex. The regulations called for in these Acts has grown with the surge in domestic energy production and new ways of moving highly volatile hazardous materials through our towns and cities. The attention to these regulations has grown with recent train car derailments in North Dakota, West Virginia and others that saw large explosive reactions from the vapors trapped in the derailed cars. All of this has resulted in a call to redouble PHMSA's efforts in getting needed regulations to industry. In order to complete the design, approval and implementation of these complex regulations, PHMSA needs a dedicated team of regulation attorneys on staff. The FY 2017 budget requests funding for 4 positions from the Hazardous Materials Safety account: 2.5 positions dedicated to regulation and rulemaking; 0.5 positions to help integrate PHMSA's legal policy with its safety posture; and one to respond to Freedom of Information Act requests from the interested public and industry.

Enhanced Data Analysis for Better Decision Making

In addition to attorneys to support the development of regulations, PHMSA has identified a critical shortage of regulatory analysis skills in both data analysis and cost benefit analysis. The FY 2017 budget requests 3 additional positions aligned to the proposed Office of Planning and Analytics in Operational Expenses to enhance our analysis functions for the Office of Hazardous Materials Safety. This analysis is critical to PHMSA's mission in enabling it to identify trends in the industry and economy to become more predictive in determining regulatory priorities, risk based enforcement decisions, research and development, and technology investments. It will also allow PHMSA to better support rulemaking by delivering a higher quality of safety benefit and cost analysis when developing proposals for mission critical safety rules.

Why Is this Funding Necessary?

The new *Risk & Data Management* initiative serves as the foundation of PHMSA's Hazardous Materials Safety budget request for FY 2017. Currently, the primary needs for PHMSA include data-rich resources to properly protect the public or the environment at the levels the public expects from a safety-driven agency. The incident data and risk management methodology that this initiative plans to execute will steer the necessary rulemakings, policy and enforcement actions that the agency needs to administer in order to stay current with emerging hazardous materials technologies and overall energy transport.

Newly emerging rail and crude transport risks and the hundreds of risks that hazardous materials shippers and carriers face each day require that PHMSA direct limited, yet well-targeted resources to the highest consequence risks mitigating potential deaths, injuries and environmental damages.

This request addresses critical gaps in inspection and enforcement staff by requesting additional support in both the Advancing Field Enforcement Activities and Expansion of Existing Programs including Safe Transportation of Energy Products initiatives as follows:

Region	Total Inspection and Enforcement Positions FY 2016	Gap		Total Needed
		Advancing Field Enforcement Activities	Expansion of Existing Programs including Safe Transport of Energy Products	
Headquarters	21	0	4	25
Eastern	13	2	4	19
Southern	12	2	3	17
Southwest	13	2	6	21
Central	11	2	5	18
Western	14	2	4	20
Total	84	10	26	120

Along the same lines, the rapid growth in transporting energy, such as crude oil by rail, combined with the rise in significant safety problems with DOT cylinders necessitates that PHMSA close outreach gaps with the regulated community and emergency responders.

Finally, fulfilling the request of an additional \$1.60 million for Research and Development projects is critical in helping reposition PHMSA from a traditional, after-the fact, enforcement-oriented agency to one that uses Information Age data, means and methods to prevent problems from becoming human and ecological disasters.

In summary, the Hazardous Materials Safety program’s budget request in FY 2017 totals \$68.25 million. This request reflects an increase of \$12.63 million from the FY 2016 Enacted level. Of that amount, \$248 thousand is for adjustments to the base; \$2.81 million implements the *Risk & Data Management* initiative; \$1.60 million will further build research, development and innovation based on data-driven metrics; \$1.60 million is for advancing field enforcement activities; \$5.31 million will expand existing programs including the safe transport of energy products; and \$1.07 million for using data to improve safety.

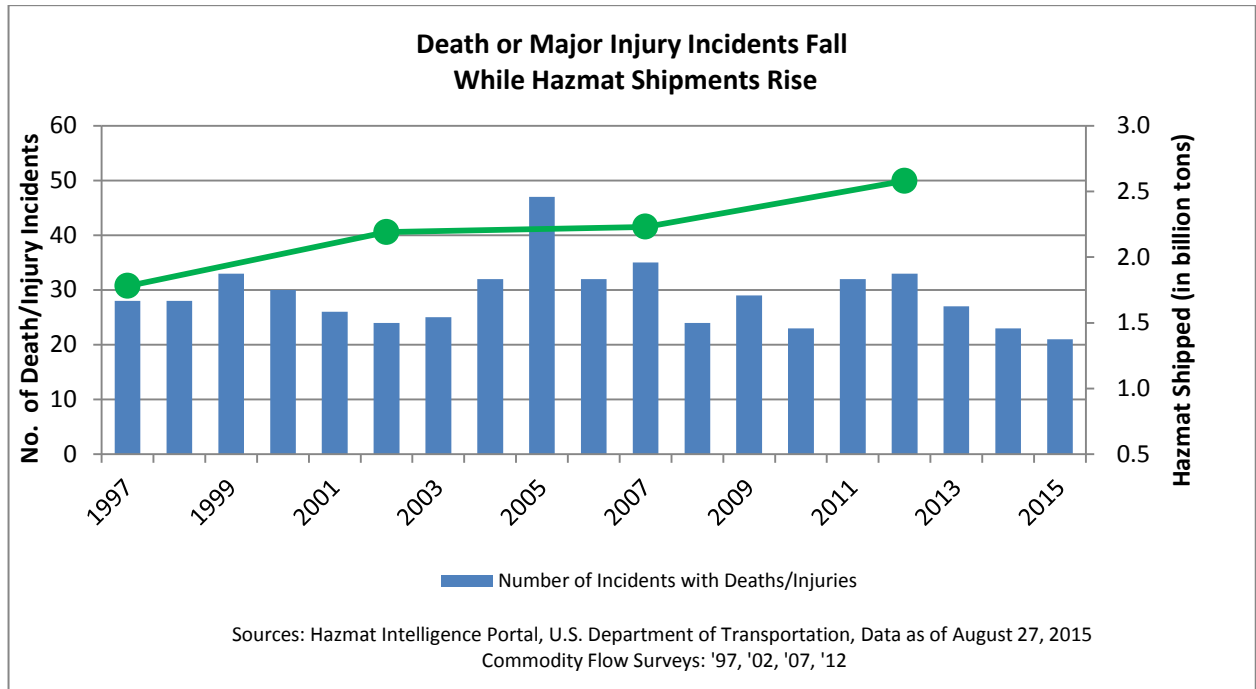
What benefits will be provided to the American Public through this request?

PHMSA’s safety regulations and oversight support the economy by getting products to market smoothly while simultaneously making communities safer and more livable. An effective transportation safety program requires continuous evaluation, revitalization and updating to address modern risks with the latest data-based analysis. PHMSA’s success is the American public’s success and is measured in the following two ways.

First, PHMSA immediately addresses risks it identifies or foresees through collaboration with other Federal or state entities. Risks, such as lithium batteries transported by air, improper or careless classification of packaging, improper disposal of fireworks, and the emergence of crude oil and liquefied natural gas transport, are just a few significant safety issues that the PHMSA is actively pursuing and researching to mitigate. These are also issues that mostly stemmed from situations where an incident occurred and PHMSA reacted. The proposed *Risk & Data Management* initiative, though, has been structured to reposition the Hazardous Materials Safety program to be a more data-driven, proactive safety tool than a reactive safety aid.

Second, PHMSA’s outcome goals closely monitor our mission through Key Performance Indicators. The primary indicator for the Hazardous Materials Safety program is reducing the number of incidents involving a death or injury.

The number of total death and major injury incidents has been declining steadily. These tragedies have declined an average of four percent every three years over the long term. Most measures of risk exposure – such as freight shipments, hazardous materials ton-miles, and, more recently, a surge in oil shipments on rail cars -- have risen (see graphic).



The Hazardous Materials Safety program’s goal is to ensure the safe and virtually uninterrupted flow of hazardous materials across the United States. To ensure the safety of the American public, PHMSA must continue its focus on the evolving challenges of shipping hazardous materials, with a commitment to gathering, making sense of, and acting on the wealth of data it alone can use to protect people and the environment. New products surrounded by novel packaging and unfamiliar ports of origin raise the premium for safety. PHMSA’s request facilitates its ability to proactively address risks raised by the discovery of new energy sources, technology and shipping methods. With the newly emerging rail and crude transport risks and the hundreds of risks that hazardous materials shippers and carriers face each day, PHMSA must direct program resources to the highest priority risks in order to continue reducing potential deaths, injuries and environmental damages.

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APPROPRIATIONS LANGUAGE

EMERGENCY PREPAREDNESS GRANTS

(EMERGENCY PREPAREDNESS FUND)

[For necessary expenses to carryout 49 U.S.C. 5128(b), \$188,000, to be derived from the Emergency Preparedness Fund, to remain available until September 30, 2017: *Provided*, That notwithstanding] Notwithstanding the fiscal year limitation specified in 49 U.S.C. 5116, not more than \$28,318,000 shall be made available for obligation in fiscal year [2016] 2017 from amounts made available by 49 U.S.C. 5116(h), and 5128(b) and (c): *Provided further*, That notwithstanding 49 U.S.C. 5116(h)(4), not more than 4 percent of the amounts made available from this account shall be available to pay administrative costs: *Provided further*, That none of the funds made available by 49 U.S.C. 5116(h), 5128(b), or 5128(c) shall be made available for obligation by individuals other than the Secretary of Transportation, or his or her designee: *Provided further*, That notwithstanding 49 U.S.C. 5128(b) and (c) and the current year obligation limitation, prior year recoveries recognized in the current year shall be available to develop a hazardous materials response training curriculum for emergency responders, including response activities for the transportation of crude oil, ethanol and other flammable liquids by rail, consistent with National Fire Protection Association standards, and to make such training available through an electronic format: *Provided further*, That the prior year recoveries made available under this heading shall also be available to carry out 49 U.S.C. 5116(a)(1)(C) and 5116(i).
(*Department of Transportation Appropriations Act, 2016.*)

EXHIBIT III-1

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
EMERGENCY PREPAREDNESS GRANTS
Summary by Program Activity
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)**

	<u>FY 2015 ACTUAL¹</u>	<u>FY 2016 ENACTED²</u>	<u>FY 2017 REQUEST</u>	<u>CHANGE FY 2016- FY 2017</u>
Operations	\$ 1,935	\$ 1,945	\$ 1,885	\$ (60)
Grants	24,330	24,460	26,433	1,973
TOTAL	\$ 26,265	\$ 26,405	\$ 28,318	\$ 1,913
FTEs				
Direct				
Funded	0.0	0.0	0.0	0.0

¹Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014.

²Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2016, February 2, 2015.

Program and Performance Statement

Federal hazardous materials law (49 U.S.C. 5101 et seq.) established a national registration program for shippers and carriers of hazardous materials in 1992. The law also established collection of fees from registrants. These fees finance emergency preparedness planning and training grants; development of training curriculum guidelines for emergency responders and technical assistance to states, political subdivisions, and American Indian tribes; publication and distribution of the *Emergency Response Guidebook*; and administrative costs for operating the program. The proposed changes to the appropriations language aligns with the FAST Act.

EXHIBIT III-1a

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Summary Analysis of Change from FY 2016 to FY 2017

Appropriations, Obligation Limitations, and Exempt Obligations

(\$000)

	Change from FY 2016 to FY 2017 \$000	Change from FY 2016 to FY 2017 FTE
<u>EMERGENCY PREPAREDNESS GRANTS</u>		
FY 2016 Enacted	\$26,405	0.0
New or Expanded Programs		
1. Sequestration	1,913	0.0
Subtotal, New or Expanded Programs	\$1,913	0.0
FY 2017 Request	\$28,318	0.0

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION EMERGENCY PREPAREDNESS GRANTS

ANNUAL PERFORMANCE RESULTS AND TARGETS

PHMSA integrates performance results into its budget request to demonstrate alignment with the Department of Transportation's Strategic Plan. The measures for this program are intertwined with the Hazardous Materials Safety program goals and measures. See Exhibit III-2 under the Hazardous Materials Safety section.

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS EMERGENCY PREPAREDNESS GRANTS
UNAVAILABLE COLLECTIONS**

(In thousands of dollars)

Identification code 69-5282-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Unexpended balance, start of year			
01.00 Balance, start of year	\$15,777	\$18,177	\$20,090
01.90 Adjustments	0	0	0
01.99 Balance, start of year, total	<hr/> 15,777	<hr/> 18,177	<hr/> 20,090
Receipts and offsetting receipts:			
02.20 Emergency preparedness fund (offsetting prop. receipts)	28,323	28,318	28,318
02.99 Total receipts	<hr/> 28,323	<hr/> 28,318	<hr/> 28,318
<hr/> 04.00 Total: Balances and collections	<hr/> 44,100	<hr/> 46,495	<hr/> 48,408
Appropriations:			
05.00 Emergency Preparedness Grants [021-50-5282-0-1201]	-28,012	-28,318	-28,318
05.01 Emergency Preparedness Grants [021-50-5282-0-1203]	0	0	0
05.02 Emergency Preparedness Grants [021-50-5282-0-1232]	2,053	1,913	0
05.90 Adjustments	35	0	0
05.99 Total Appropriations (-)	<hr/> -25,923	<hr/> -26,405	<hr/> -28,318
06.10 Unobligated balance returned to receipts	0	0	0
<hr/> 07.99 Balance, end of year	<hr/> \$18,177	<hr/> \$20,090	<hr/> \$20,090

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS EMERGENCY PREPAREDNESS GRANTS**

PROGRAM AND FINANCING

(In thousands of dollars)

Identification code 69-5282-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
OBLIGATIONS BY PROGRAM ACTIVITY:			
0001 Operations	1,756	1,945	2,073
0002 Emergency Preparedness Grants	19,918	20,318	21,800
0003 Competitive Training Grants	3,347	3,211	3,445
0004 Supplemental Training Grants	927	932	1,000
0005 ALERT Grants	5,941		
0900 Total new obligations	31,890	26,405	28,318
BUDGETARY RESOURCES:			
Unobligated Balance			
1000 Unobligated balance, brought forward, October 1	188	188	188
1021 Recoveries of prior year unpaid obligations	5,942	0	0
1031 Refunds & recoveries temp precluded from obligation	0	0	0
1050 Unobligated balance (total)	6,130	188	188
Budget Authority:			
Appropriation (Discretionary):			
1101 Appropriation (special or trust fund)	188	188	0
1102 Appropriation (previously unavailable)			
1134 Appropriations precluded from obligation	0	0	0
1160 Appropriation (total) (discretionary)	188	188	0
Appropriation (Mandatory):			
1201 Appropriation (special fund)	28,323	28,130	28,318
1203 Appropriation (previously unavailable)	0	0	0
1232 Appropriations temporarily reduced	-2,053	-1,913	0
1234 Appropriations precluded from obligation	-499	0	0
1260 Appropriation (total) (mandatory)	25,770	26,217	28,318
1900 Total budget authority	25,958	26,405	28,318
1930 Total budgetary resources available	32,088	26,593	28,506
1940 Unobligated balance expiring	-10	0	0
1941 Unexpired unobligated balance, end of year	188	188	188
1950 Other balances withdrawn (special and trust funds)	188	188	0
1952 Expired unobligated balances carried forward, soy	197	196	196
1953 Expired unobligated balances carried forward, eoy	196	196	196
1954 Unobligated balance canceling (special and trust funds)	1	0	0

PROGRAM AND FINANCING Cont'd

Identification code 69-5282-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
CHANGE IN OBLIGATED BALANCE:			
Unpaid obligations:			
3000 Unpaid obligations brought forward, October 1	43,026	45,652	33,590
3010 Obligations incurred, unexpired accounts	31,890	26,405	28,318
3020 Outlays (gross)	-23,322	-38,467	-37,367
3040 Recoveries of prior year unpaid obligations, unexpired accts	-5,942	0	0
<hr/>			
3050 Unpaid obligations, end of year	45,652	33,590	24,542
3100 Obligated balance, start of year	43,026	45,652	33,590
3200 Obligated balance, end of year	45,652	33,590	24,542
BUDGET AUTHORITY AND OUTLAYS, NET:			
Gross budget authority (discretionary):			
4000 Budget authority, gross	188	188	0
Gross outlays (discretionary):			
4010 Outlays from new authority	0	70	0
4011 Outlays from balances	222	53	53
<hr/>			
4020 Outlays, gross (total) (discretionary)	222	122	53
Offsets against gross budget authority and outlays (discretionary):			
40.30 Offsetting collections from Federal sources (-)	-46	0	0
40.33 Offsetting collections from non-Federal sources (-)	46	0	0
40.34 Offsetting governmental collections (from non-Federal sourc	0	0	0
<hr/>			
40.40 Offsets against gross budget authority and outlays (total) (-)	0	0	0
4070 Budget authority, net (discretionary)	188	188	0
4080 Outlays, net (discretionary)	222	122	53
Gross budget authority (mandatory):			
4090 Budget authority, gross	25,770	26,217	28,318
Gross outlays (mandatory):			
4100 Outlays from new authority	790	9,535	10,478
4101 Outlays from balances	22,310	28,810	26,836
<hr/>			
4110 Outlays, gross (total) (mandatory)	23,099	38,345	37,314
4160 Budget authority, net (mandatory)	25,770	26,217	28,318
4170 Outlays, net (mandatory)	23,099	38,345	37,314
Budget authority and outlays, net (total):			
4180 Budget authority, net (total)	25,958	26,405	28,318
4190 Outlays, net (total)	23,322	38,467	37,367

**DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
HAZARDOUS MATERIALS EMERGENCY PREPAREDNESS GRANTS
OBJECT CLASSIFICATION
(In thousands of dollars)**

Identification code 69-5282-0-2-407	FY 2015	FY 2016	FY 2017
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Direct Obligations:			
21.0 Travel and transportation of persons	\$37	\$0	\$0
24.0 Printing and reproduction	0	583	625
25.1 Advisory and assistance services	678	384	385
25.2 Other services	0	188	188
25.3 Other purchases of goods and services from government accou	690	612	684
25.7 Operation and maintenance of equipment	354	178	191
41.0 Grants, subsidies, and contributions	30,132	24,460	26,245
Subtotal, Direct obligations	<u>\$31,890</u>	<u>26,405</u>	<u>28,318</u>
99.9 Total new obligations	\$31,890	\$26,405	\$28,318

**PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION
HISTORY OF APPROPRIATIONS**

**Emergency Preparedness Grants
(Obligation Limitation)**

<u>YEAR</u>	<u>REQUEST</u>	<u>ENACTED</u>
2007	\$28,328,000	\$14,298,000
2008	\$28,318,000	\$28,318,000
2009	\$28,318,000	\$28,318,000
2010	\$28,318,000	\$28,318,000
2011	\$28,318,000	\$28,318,000
2012	\$28,318,000	\$28,318,000
2013	\$28,318,000	\$26,865,000 ^{1/}
2014	\$28,318,000	\$26,293,000 ^{2/}
2015	\$28,318,000	\$26,265,000 ^{3/}
2016	\$28,318,000	\$26,405,000 ^{4/}
2017	\$28,318,000	

1/ Reflects actual funding levels after a 0.2% across-the-board cut on the \$188,000 discretionary portion pursuant to P.L. 113-6. Also reflects a reduction of both the mandatory and discretionary funding pursuant to the FY 2013 Sequester Order dated March 1, 2013.

2/ Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2014, May 20, 2013.

3/ Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014.

4/ Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2016, February 2, 2015.

Detailed Justification for Hazardous Materials Emergency Preparedness Grants

What Is This Program, Its Current Spending and Budget Request?

FY 2017 – Hazardous Materials Emergency Preparedness Grants Budget Request (\$000)

Program Activity	FY 2015 Actual ¹	FY 2016 Enacted ²	FY 2017 Request ³	Difference From FY 2016 Enacted
Operations	\$1,935	\$1,945	\$ 1,885	\$ (60)
Grants	24,330	24,460	26,433	1,973
Total	\$26,265	\$26,405	\$28,318	\$1,913

¹Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2015, March 10, 2014.

²Reflects sequester of Emergency Preparedness Grants pursuant to the OMB Sequestration, Preview Report to the President and Congress for Fiscal Year 2016, February 2, 2015.

³The FY 2017 budget request is the obligation limitation level authorized in SAFETEA-LU and reauthorized in the FAST Act.

Overview

In 2005, the Safe Accountable Flexible Efficient Transportation Equity Act: A Legacy for Users (SAFETEA-LU) increased the authorization of the program from slightly over \$14 million to \$28.32 million per year. The Fixing America's Surface Transportation (FAST) Act reauthorized the \$28.32 million level in 2015. Besides distributing several kinds of grants, the Hazardous Materials Emergency Preparedness (HMEP) program expends a much smaller slice of its funds on related emergency preparedness activities. All of these items are outlined in the request below.

The HMEP Grants program makes up the fifth “C” of the Hazardous Materials Safety program’s mission efforts. The first four C’s (1) Classify, (2) Contain, (3) Communicate and (4) Compliance efforts are carried out through the Hazardous Materials Safety program. Crisis Management completes the fifth “C” of this mission statement and ensures that PHMSA provides assistance to public sector employees through training and planning grants to states, territories and American Indian tribes for emergency response and to hazmat employees through training grants to nonprofit organizations.

For FY 2017, HMEP’s administrative costs will allow the Hazmat Grants program to enhance outreach efforts, create training modules for grantees and first responders, and to review training and planning programs supported with PHMSA funds. These efforts will bring increased awareness to PHMSA’s grant programs, greater knowledge to the first responder community and ensure that grant funds are expended properly.

Existing Programs and Activities

The HMEP Grants program requires \$28.32 million to prepare for emergency response operations and services. The program leverages Federal resources with local and state assets to support the nation's first responders. The funds are broken out according to the duties noted below:

Operations: \$1.88 million (\$61 thousand under the FY 2016 enacted level)

Operations activities amount to \$1.88 million. This covers grant-related travel, site visits and production of training materials. Funding also supports several systems that accept applications and reports from grantees: PHMSA Grants Portal, Hazardous Materials Intelligence Portal (HIP), Grant Solutions and SharePoint. The costs for oversight and technical assistance and the publication of the *Emergency Response Guidebook (ERG)* and the Training Curriculum Guidelines are also included in this total.

Grants: \$26.43 million (\$1.97 million over the FY 2016 enacted level)

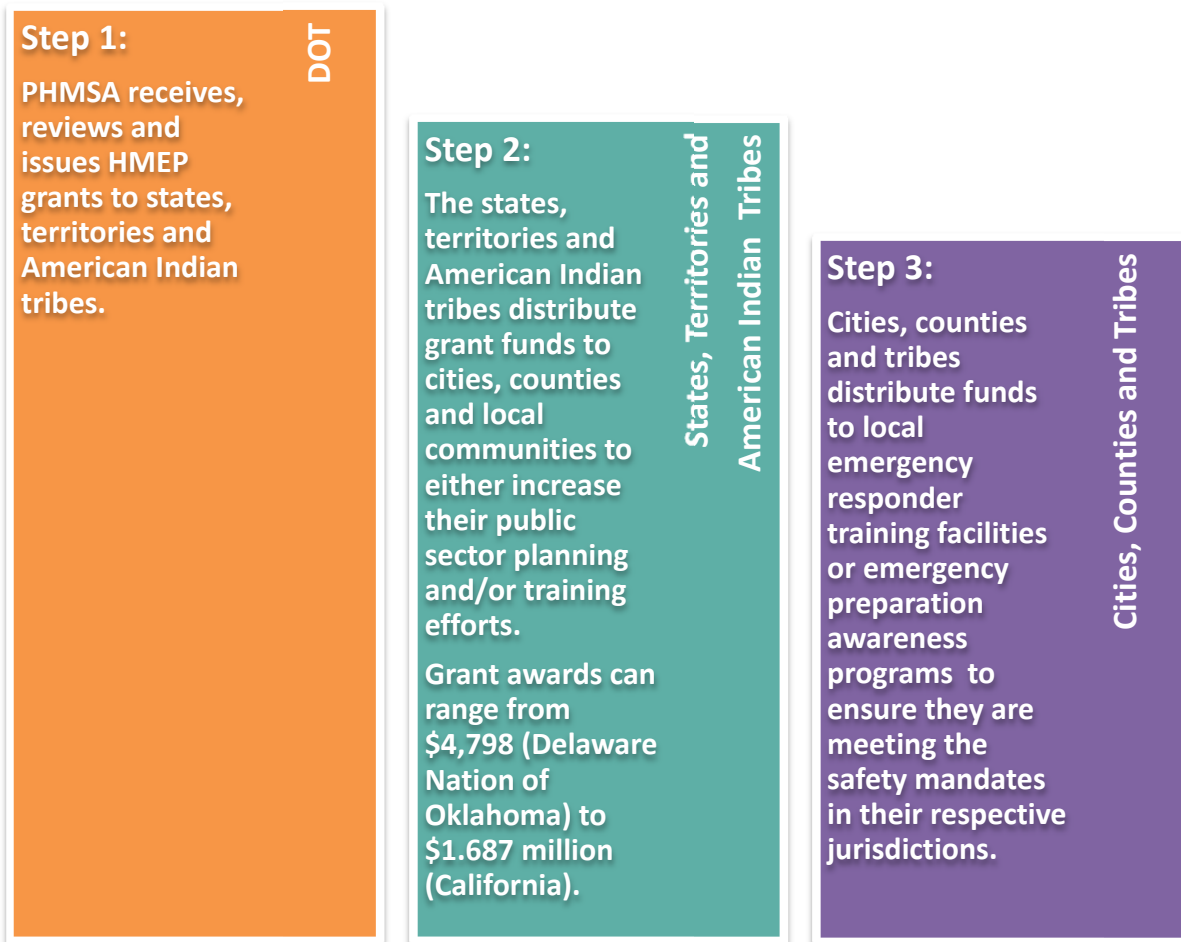
Since 1993, the Hazardous Materials Emergency Preparedness (HMEP) Grants program, as mandated by 49 U.S.C. 5101 et seq., has provided Federal financial and technical assistance to states, territories and American Indian tribes to “develop, improve, and carry out emergency plans” within the National Response System and the Emergency Planning and Community Right-To-Know Act of 1986 (EPCRA, Title III), 42 U.S.C. 11001 et seq.

Details on the various types of grants are below:

Hazardous Materials Emergency Preparedness (HMEP) Grants, \$21.99 million

The \$21.99 million for training and planning grants is distributed among states via a new formula that factors in population density, the frequency of serious and non-serious incidents, the costs associated with serious and non-serious incidents, and the mode of transport involved in past incidents (water, highway, rail, air). This reflects changes from the Fixing America's Surface Transportation (FAST) Act to align the Training Curriculum funding of \$188,000 with the funding provided for planning and training grants. Grant recipients must be in compliance with Title VI of the 1964 Civil Rights Act to ensure a fair distribution of Federal funding. In FY 2017, the HMEP Grants program will dedicate its efforts to ensure grantees have adequate training programs that prepare first responders for accidents and incidents related to the transport of hazardous materials. The program will also continue its focus on conducting site visits and desk audits to ensure that grantees are appropriately expending funds. An HMEP grant allows grantees flexibility in implementing training and planning programs that address differing needs for each location based on demographics, emergency response capabilities, commodity flow studies and hazard analysis. Governors in each state, or their counterparts within territories or tribes, designate an agency to receive the HMEP grant funds.

The distribution of HMEP Grants is outlined in the graphic below.



Hazardous Materials Instructor Training (HMIT) Grants, \$4.00 million

The HMIT Grants program provides funding to train hazmat employees to become instructors and develop tools to extend the reach of hazardous materials training. PHMSA started awarding HMIT Grants in the 2008-2009 grant cycle. The program is open to nonprofit organizations with expertise in training hazmat employees.

Trainers developed from this grant program are familiar with their workplaces and the hazards they encounter. This training enables them to pass along hazmat knowledge gained to their colleagues and employers to ensure their workplaces are safely handling hazmat.

Supplemental Public Sector Training Grants, \$1 million

These grants help increase the number and availability of hazardous materials training instructors. The grants are available to national nonprofit fire service organizations.

This program ensures hazmat awareness and operations training are available in convenient, cost-effective locations by allowing graduating instructors to train new, local instructors and responders, while also guaranteeing continuity and efficiency.

Assistance for Local Emergency Response Training (ALERT) Grant,
On March 27, 2015, PHMSA announced an open application period for this competitive grant opportunity using authority provided by Congress to use prior year recovery funds (de-obligations) for nonprofit organizations to provide direct or web-based hazardous materials training for volunteer or remote emergency responders. The priority for this grant will be to bolster emergency response activities for the transportation of crude oil, ethanol and other flammable liquids by rail. In FY 2015, the EP Grants program identified almost \$6 million in prior year recoveries for the ALERT grants. Projected estimates on the PYRs for FY 2016 will not be available until the middle of calendar year 2016.

Proposed Program Changes

In FY 2016, the program's budget authority was reduced from \$28.32 million to \$26.41 million due to the Presidential Sequestration Order, dated February 2, 2015.

Sequestration: \$1.91 million

The Emergency Preparedness Grants program is sequestered because it is mandatory spending that is not exempt from sequestration. Sequestration reduces budget authority which would otherwise be available from special fund revenue. Since the program's funding comes from registration user fees, sequestration does not provide a reduction in the general fund spending intended. Instead the sequestered amount sits unused in the special fund. PHMSA requests Congress exempt the program from sequestration and allow use of the registration fees collected.

The following results are expected from the FY 2016 enacted appropriations and will help PHMSA achieve its FY 2017 anticipated goals:

- Extend the period of performance for the HMEP grants from one to three years, which, in turn, will enable grantees to have more continuity in their planning and training activities and will reduce the amount of funds returned to PHMSA;
- Establish risk-based management of the grants; whereas high-risk grantees are more closely scrutinized with site visits and in-depth review of reimbursement requests and low risk grantees will be monitored by performing spot checks and desk reviews; and
- Produce an updated edition of the *Guidelines for Response, Planning and Prevention Training for Incidents Involving Hazardous Materials and Weapons of Mass Destruction*.

Why Is this Funding Necessary?

The HMEP Grants program is funded by registration fees which are collected from offerors and transporters of certain quantities and types of hazardous materials, including hazardous waste. These fees fund training and planning grants, monitoring and technical assistance, curriculum development and administrative costs. The proposed changes to the appropriations language aligns with the FAST Act.

There are also funds from this account that are not grant-specific. These activities help the HMEP Grants program carry out its mission through a guidebook for emergency response

personnel and any oversight or technical assistance support that the states, tribes or territories may require. These two activities are discussed in further detail below.

Emergency Response Guidebook (ERG), \$625 thousand

About every four years, PHMSA develops, publishes and distributes an updated version of its *ERG*. The *ERG* is developed jointly by the U.S. Department of Transportation, Transport Canada and the Secretariat of Communications and Transportation of Mexico for use by first responders. It is a guide for initial actions to be taken to protect first responders and the general public during hazardous materials incidents (see <http://www.phmsa.dot.gov/hazmat/library/erg>). This guidebook is also widely used by the transportation industry and is internationally recognized.



Hazardous materials workers and the public can rely on the variety of signs communicating hazards succinctly as well as the *Emergency Response Guidebook* to determine the best ways to respond to particular kinds of incidents.

Oversight and Technical Assistance, \$150 thousand

Federal hazardous materials law requires the Department to provide technical assistance to a state, its political subdivisions or American Indian tribes for carrying out emergency response training and planning for incidents involving hazardous materials.

HMEP Grants are necessary because it is the only Federal grant program designed for planning and training for transportation-related hazmat incidents. In many instances, the only training and planning funds that local responders receive, especially in smaller cities and rural locales, are HMEP funds. Statistics indicate that responders are being trained to higher competency levels, which further enhances their abilities to respond safely and effectively to hazardous materials incidents.

According to the National Fire Protection Association (NFPA), of the more than 1.1 million local U.S. firefighters in 2013, nearly 800,000 were volunteer firefighters. Volunteer fire fighter forces are subject to the unpredictability and inevitability of attrition. This situation means there is a constant need to train new recruits.

In addition, the HMEP Grants program supports state, local and tribal hazardous materials training initiatives through the publication of *Guidelines for Response, Planning and Prevention Training for Incidents Involving Hazardous Materials and Weapons of Mass Destruction*. These guidelines have been developed by a team of response organizations from a cross-section of professional associations involved in hazardous materials. This national safety program minimizes the risks to life and property by preparing and training communities to respond to incidents. The program is currently working with Federal Emergency Management Agency/National Fire Academy and NFPA and expects to release a new edition in 2016, which will incorporate NFPA's '472 2017 standards.

Finally, more than 13 million copies of the *ERG* have been published and distributed since 1993 without any cost to the emergency response community. The *ERG* is the primary resource for the nation's first responders. It is globally recognized and has been translated by other nations into more than a dozen languages.

In September 2015, PHMSA released the first awards under the newly established Assistance for Local Emergency Response Training (ALERT) grants totaling \$5.9 million. The grants will be used to provide hazardous materials training for volunteer or remote emergency responders for incidents involving shipments of crude oil, ethanol and other flammable liquids by rail. In 2015, PHMSA produced Transportation Rail Incident Preparedness and Response (TRIPR), a web-accessible resource that provides emergency responders with critical information on best practices related to rail incidents involving hazard class 3 flammable liquids such as crude oil and ethanol. The curriculum consists of nine training modules that focus on key response functions and incorporates three animated, interactive training scenarios and introductory videos to help instructors lead tabletop discussions. These training resources offer a flexible approach to training first responders and emergency services personnel in pre-incident planning and response.

What benefits will be provided to the American Public through this request?

Hazardous materials transportation-related deaths, major injuries and significant damages are low, attributed in part to today's first responders' ability to protect the public from harmful effects in the aftermath of an incident.

State programs are paired with HMEP funds in conducting training and planning activities. Emergency response employees and hazardous materials transportation and shipping workers benefit from HMEP-trained instructors providing job-specific training. The *ERG*, published every four years, is present in almost every emergency response vehicle in the United States. It is the recognized authority in safe response practices.

During FY 2014, more than 85,000 emergency responders were trained to the NFPA '472 standard; over 375 additional emergency plans were developed; over 875 emergency response plans were updated; over 850 emergency response exercises were performed; and more than 90 commodity flow studies were completed.

Using SPST funds during FY 2014, the International Association of Fire Fighters (IAFF) used its train-the-trainer module to train 53 students for a total of 2,080 contact hours. An additional 997 firefighters were trained directly by IAFF trainers for a total of 15,416 contact hours. IAFF also used its supportive teaching session module to train 372 students for a total of 10,152 contact hours. Supportive teaching sessions are designed to ensure competency of local instructors who have completed an IAFF train-the-trainer course. During supportive teaching sessions, local instructors are assigned an experienced IAFF instructor, who acts as a mentor to the local instructor as they team teach. The IAFF instructor evaluates the didactic and practical skills of the local instructor and provides structured feedback. The training provided by IAFF during FY 2014 occurred in 14 states over the course of 59 classes.

The HMIT grant provides funds for train-the-trainer instruction to hazmat employees. In FY 2014, over 11,000 trainers and hazardous materials employees were trained by four nonprofit organizations. Trainers developed from this grant program are familiar with their workplaces, the jobs that they and their co-workers perform, and the hazards they encounter on a daily basis; therefore, they are in an ideal position to train and work with their co-workers and employers to ensure that the workplace is safe relative to hazmat, and offer assistance and advice on hazmat-related issues.

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ADMINISTRATIVE PROVISIONS
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

SEC. 1. Paragraph (3) of section 60117(n) of title 49, United States Code, is amended—
(a) in subparagraph (C) by striking “, in amounts specified in appropriations Acts,”; and
(b) by inserting a new subparagraph (D), as follows—

“(D) Availability.-Funds under this subsection may be collected and shall be available only to the extent provided in appropriations Acts.”.

FY 2017 Language Justification:

Sec. 1 The Pipeline Safety, Regulatory Certainty, and Job Creation Act of 2011 (P.L. 112-90) established a new fee for companies engaged in the design, permitting, and construction of new pipeline projects. This proposed language clarifies that these fees are discretionary spending rather than a mandatory receipt.

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EXHIBIT IV-1
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
RESEARCH, DEVELOPMENT, AND TECHNOLOGY (RD&T)
BUDGET AUTHORITY
(\$000)

	FY 2015 Actual	FY 2016 Enacted	FY 2017 Request	FY 2017 Basic	FY 2017 Applied	FY 2017 Development
A. Pipeline Safety	\$13,673	\$13,363	\$13,916	\$0	\$0	\$13,916
1. Pipeline Safety	12,310	12,000	12,553	0	0	12,553
2. Administrative Expenses ¹	1,363	1,363	1,363	0	0	1,363
B. Hazardous Materials Safety	\$7,546	\$8,116	\$9,792	\$0	\$9,792	\$0
1. Hazardous Materials Safety	7,000	7,570	9,026	0	9,026	0
2. Administrative Expenses ¹	546	546	766	0	766	0
TOTAL PHMSA	\$21,219	\$21,479	\$23,708	\$0	\$9,792	\$13,916

¹The administrative costs displayed here are in addition to the R&D program funds.

This Exhibit IV-1, “Research, Development and Technology”, and any related summary, fulfills the requirements of 23 USC 508 (b) – Annual Report, in effect on December 3, 2015. The Department of Transportation recognizes the changes to this requirement effected by the passage of the Fixing America's Surface Transportation (FAST) Act (P.L. 114-94; Dec. 4, 2015; 129 Stat. 1312), creating Chapter 65 – Research Planning in Subtitle III of title 49, United States Code. The Department will implement the new requirements with the FY 2018 Budget Estimates.