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PIPELINE AND HAZARDOUS MATERIALS SAFETY

ADMINISTRATION

FY 2009 BUDGET SUBMISSION TO CONGRESS

OVERVIEW

The FY 2009 budget proposal for the Pipeline and Hazardous Materials Safety Administration (PHMSA) reflects and supports the agency's vital mission and expanding responsibilities. Through our two programs – Hazardous Materials Safety and Pipeline Safety – PHMSA promotes the safe, clean, and reliable delivery of energy products that fuel the U.S. economy and transportation systems, in addition to the chemicals and other hazardous materials essential to our way of life. In the three years since its establishment, PHMSA has risen to meet old and new challenges by leveraging resources and harnessing the agency's unique technical expertise and relationships in our broad stakeholder community.

PHMSA's Fiscal Year 2009 budget request of \$167.7 million supports national programs designed to prevent hazardous materials releases, including pipeline failures; mitigate the consequences of incidents that do occur; and, in doing so, protect public health and safety and enhance the reliability of all transportation. Our request focuses on performance and results. All the budget initiatives we propose address Safety, the Department's highest priority. In addition, PHMSA initiatives support the following DOT goals: Reduced Congestion; Global Connectivity; Environmental Stewardship, and Organizational Excellence. Our contributions are reflected in the chart and information on the following pages.

PHMSA's oversight of safe, environmentally-sound, and reliable transportation of energy products and other hazardous materials is vital to our national economy. Hazardous materials make up about 28% of the annual ton-miles of U.S. freight, including two-thirds of all energy products consumed annually in the U.S. and thousands of other essential chemicals and products. On a daily basis, Americans rely on hazardous materials to generate electricity, fuel vehicles, clean drinking water, fertilize crops, and manufacture medicine, clothing, and many other essential industrial and consumer products. Increasingly, these products include alternative energy fuels and other new technologies posing new risks and challenges in transportation. In FY 2009, PHMSA will continue to address existing and new challenges while we promote and advance the goals of DOT and the Administration.

Our primary goal is to reduce hazardous materials transportation risks, including those for pipelines, and prevent harm to people, the environment, and the economy. PHMSA administers two strong and effective safety programs, both focusing on continually improving integrity of the system and reducing system risk through data-driven inspection and enforcement approaches. We are building on the strengths of each program and taking advantage of opportunities to consolidate functions in order to improve our overall effectiveness and efficiency. We are better reflecting the nature of budgeted activities using new categories: Risk-Based Data Driven Solutions; Integrity Management; Compliance, Inspections and Enforcement; Emergency Preparedness; Training, Competency Standards and Qualifications; Community Awareness and Protection; Alternative Fuels; and

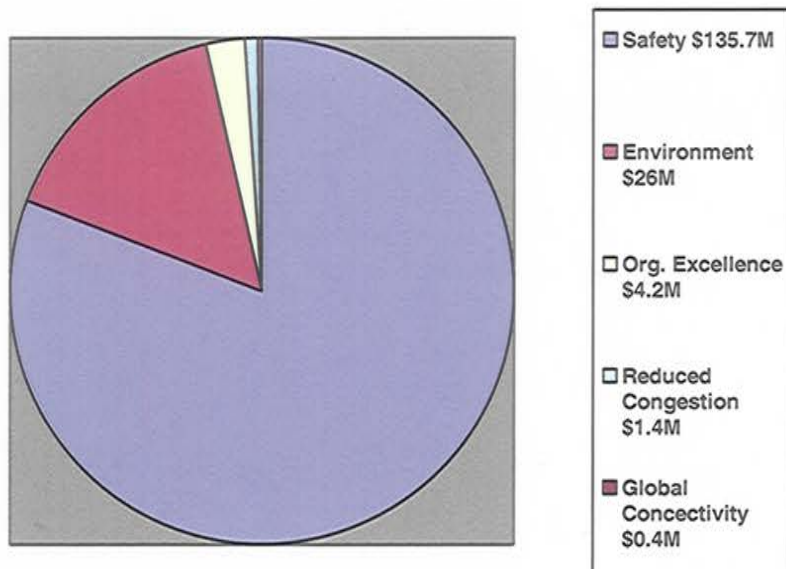
Research and Development. We target the most serious safety risks on a priority basis and focus on preventing damage from incidents that would have the most severe consequences to people, the environment and reliable energy supply. We also emphasize outreach to communities and educate first responders to build new capabilities to manage the chemical and alternative energy products our country needs to grow.

In an era of strained capacity and changing energy needs, PHMSA has an increasingly important role to play in promoting the reliability of hazardous materials transportation. The 2005 hurricanes and the BP pipeline failures on the North Slope of Alaska in 2006 were high-profile reminders of the effect that relatively brief disruptions in pipeline operations can have on the Nation's energy supply. PHMSA's effective response to those events, and our day-to-day intervention in less visible, localized incidents, has a direct effect on the performance of the rest of the transportation system. Because incidents involving hazardous materials, including pipeline incidents, are more likely to lead to road closures, evacuations, and infrastructure damage, we also have a role to play in reducing nonrecurring congestion on our Nation's highways and rail corridors. We are working to prevent hazmat releases and to prepare emergency responders to manage incidents safely and efficiently.

Beyond base adjustments, all proposed new spending in our FY 2009 budget addresses implementation of the Pipeline Inspection, Protection, and Enforcement (PIPES) Act of 2006, which reauthorized and strengthened PHMSA's Pipeline Safety program. Implementation of the PIPES Act through the FY 2009 budget is essential to meeting public expectations for safer communities and more reliable and affordable energy supply. This request will allow PHMSA to meet expanding responsibilities from the growth in pipeline miles, including the construction or conversion of alternative energy pipelines; the proposed construction of up to 40 new liquefied natural gas (LNG) facilities; expanding work with industry partners to initiate new integrity management programs for distribution pipelines; and the implementation of new technologies in hazardous materials transportation. The request also will allow us to continue to anticipate future needs for transporting energy products and other hazardous materials.

PHMSA's overall effectiveness is good and getting better. We have solid stakeholder support, including federal and state partners, industry, and the response community. Our programs advance strong safety agendas while maintaining maximum flexibility for regulated industries to apply new technologies. We continue to engage, lead, and help strengthen the capabilities of others who share in achieving our national goals. For example, we count on state agencies for public and industry education, inspection, and enforcement and strive to give them strong financial support through our grant programs.

Requested Funding by Strategic Goal



Safety

PHMSA requests \$135.7 million to meet our safety Performance Goal: Reduce transportation-related deaths and injuries.

Environment

PHMSA requests \$26 million to support our environmental Performance Goal: Reduce pollution and other adverse environmental effects from transportation and transportation facilities.

Organizational Excellence

PHMSA requests \$4.2 million to support our organizational excellence Performance Goal: Advance the Department's ability to manage for results and achieve goals of the Presidential Management Agenda.

Reduced Congestion

PHMSA requests \$1.4 million to support our congestion Performance Goal: Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways.

Global Connectivity

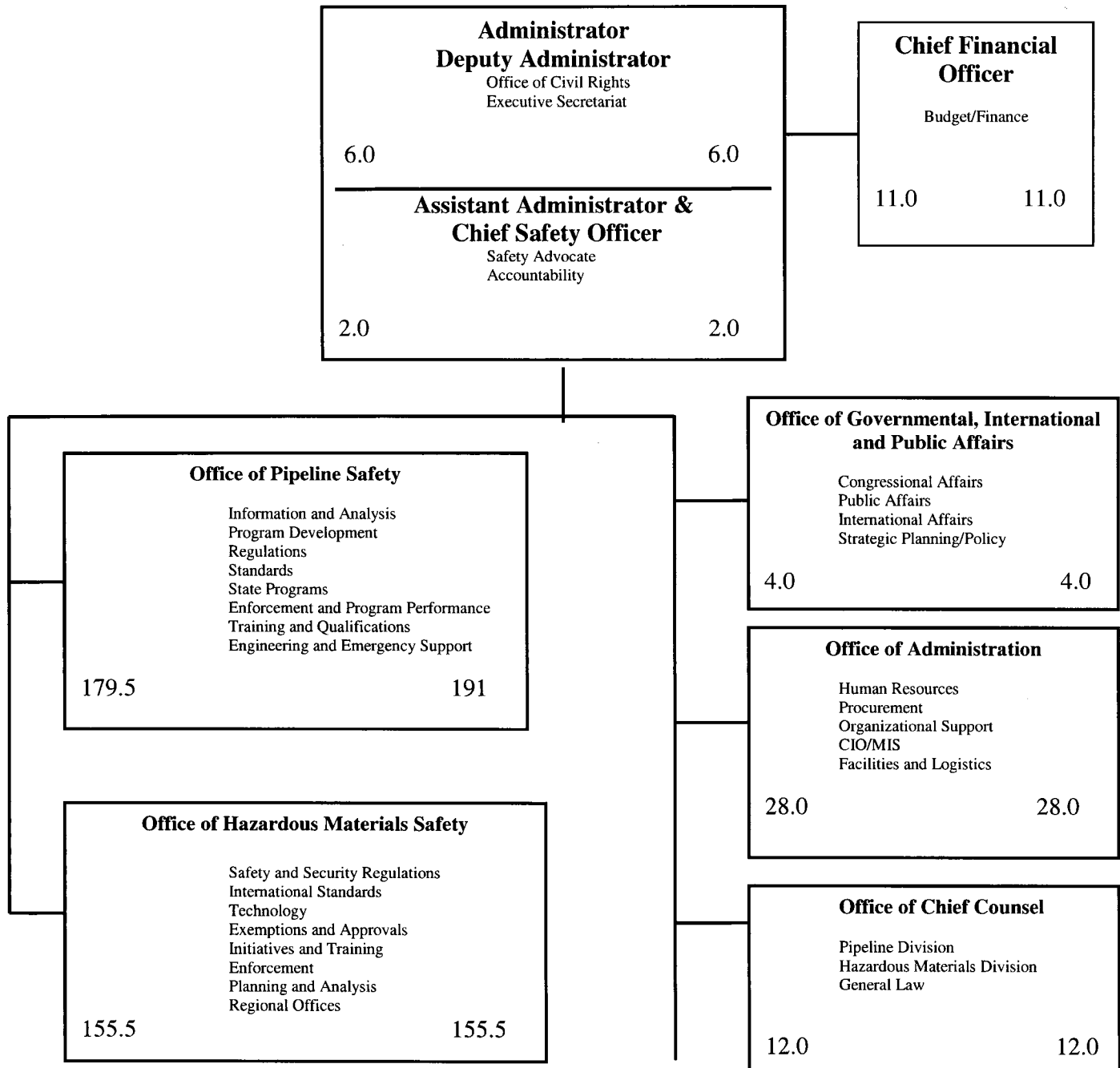
PHMSA requests \$0.4 million to support our global connectivity Performance Goal: Harmonize and standardize regulatory and facilitation requirements in the international arena.

Conclusion

Our budget request for FY 2009, which is available online at www.phmsa.dot.gov, will promote safer and more reliable delivery of energy products and hazardous materials. PHMSA programs have been developed in consultation with our federal and state partners to promote a safe, efficient, and reliable transportation system for the vital products the Nation needs.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

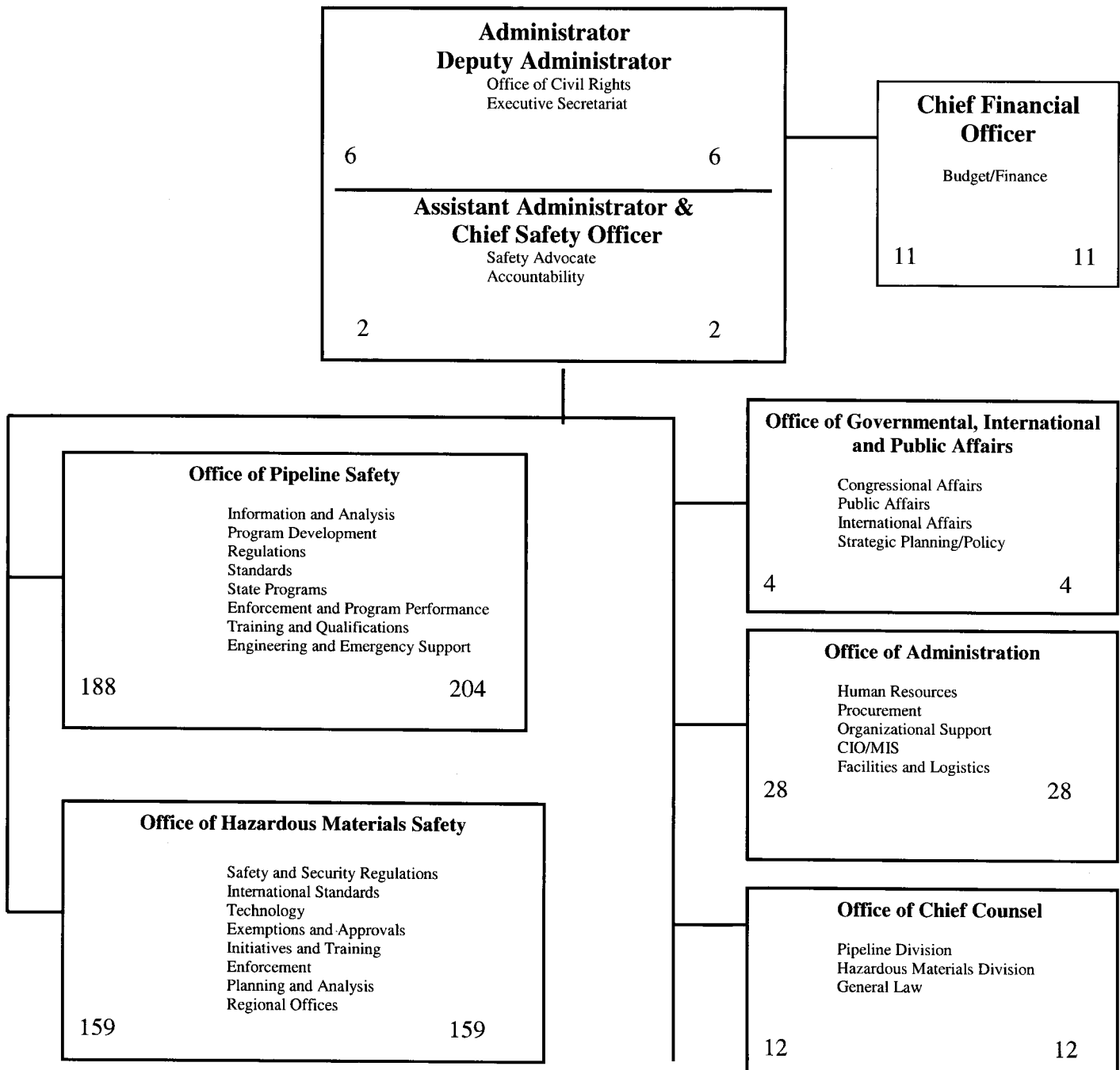
FTE's for FY 2008 and FY 2009



The numbers on the left represent FY 2008 Enacted FTE's which total 398 while the numbers on the right represent FY 2009 proposed FTE's which total 409.5.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION (PHMSA)

FTP's for FY 2008 and FY 2009



The numbers on the left represent FY 2008 Enacted FTP's which total 410 while the numbers on the right represent FY 2009 proposed FTP's which total 426.

Section II
Budget Summary
Tables

EXHIBIT II-1

FY 2009 BUDGET REQUEST BY APPROPRIATIONS ACCOUNT
PIPELINE and HAZARDOUS MATERIAL SAFETY ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(dollars in thousands)

<u>APPROPRIATIONS:</u>	<u>FY 2007</u> <u>ACTUAL</u>	<u>FY 2008</u> <u>ENACTED</u>	<u>FY 2009</u> <u>REQUEST</u>
Hazardous Materials Safety	26,723	28,000	28,000
Operations*	18,031	18,130	18,130
Pipeline Safety	74,915	79,828	93,291
Emergency Preparedness Grants	<u>14,283</u>	<u>28,318</u>	<u>28,318</u>
TOTAL APPROPS + OB. LIM. + EXEMPT OBS	133,952	154,276	167,739

* NOTE: Proposed Appropriation name change from "Administrative Expenses" to " Operations"

Exhibit II-2

FY 2009 BUDGET REQUEST RECAP BY ACCOUNT
PIPELINE and HAZARDOUS MATERIAL SAFETY ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(dollars in thousands)

<u>APPROPRIATIONS:</u>	<u>FY 2007</u> <u>ENACTED</u>	<u>FY 2008</u> <u>ENACTED</u>	<u>FY 2009</u> <u>REQUEST</u>
<u>Hazardous Materials Safety</u>			
Hazardous materials safety	26,723	28,000	28,000
<i>FTE</i>	<i>141.0</i>	<i>155.5</i>	<i>155.5</i>
<u>Operations*</u>			
Administrative Expenses	18,031	18,130	18,130
<i>FTE</i>	<i>57.0</i>	<i>63.0</i>	<i>63.0</i>
From the General Fund	18,031	17,491	17,491
From the Pipeline Safety Fund	0	639	639
<u>Pipeline Safety</u>			
Operations	46,304	48,586	53,210
R&D	9,093	8,184	5,784
Grants	<u>19,518</u>	<u>23,058</u>	<u>34,297</u>
Total: Pipeline Safety	74,915	79,828	93,291
<i>Total Pipeline Safety FTE</i>	<i>146.0</i>	<i>179.5</i>	<i>191.0</i>
From the Pipeline Safety Fund	60,065	61,018	74,481
From the TF Share of Pipeline Safety	14,850	18,810	18,810
<u>Emergency Preparedness Grants</u>	14,283	28,318	28,318
Mandatory Authority	14,085	28,130	28,130
Discretionary Appropriations	<u>198</u>	<u>188</u>	<u>188</u>
TOTAL APPROPS + OB. LIM. + EXEMPT OBS	133,952	154,276	167,739
<i>TOTAL DIRECT FTE</i>	<i>344.0</i>	<i>398.0</i>	<i>409.5</i>
Discretionary	119,867	126,146	139,609
Mandatory	14,085	28,130	28,130
<u>General Offsetting Receipts:</u>			
Pipeline Safety User Fees (new collections)	60,065	61,657	75,120
Emergency Prep. Fund (EP Grants)	14,674	22,339	27,107
HazMat Registration Program--Mandatory	<u>750</u>	<u>1,200</u>	<u>800</u>
Total	75,489	85,196	103,027

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to " Operations"

Exhibit II-3

FY 2007 ENACTED BUDGET REQUEST BY STRATEGIC GOAL
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(dollars in thousands)

APPROPRIATION	STRATEGIC GOALS						TOTAL
	SAFETY	MOBILITY	GLOBAL CONNECTIVITY	ENVIRON.	SECURITY	ORGAN. EXCELLENCE	
HAZARDOUS MATERIALS SAFETY	26,723						26,723
1.A. Reduce deaths, injuries, etc. from Hazmat transportation incidents	26,723						26,723
ADMINISTRATIVE EXPENSES	12,348	0	0	1,707	0	3,976	18,031
all Program support	12,348	0	0	1,707	0		14,055
6.B. Financial & procurement performance						3,506	3,506
6.B. Competitive sourcing						144	144
6.B. Strategic Management of Human Capital						326	326
PIPELINE SAFETY	47,256			27,659			74,915
Operations	28,659			17,645			46,304
1.B. Reduce deaths, injuries, & property damage from pipeline incidents	28,659						28,659
4.A. Reduce oil & other liquid hazmat spilled from pipelines				17,645			17,645
Research and Development	5,910			3,183			9,093
1.B. Reduce deaths, injuries, & property damage from pipeline incidents	5,910						5,910
4.A. Reduce oil & other liquid hazmat spilled from pipelines				3,183			3,183
Grants	12,687			6,831			19,518
1.B. Reduce deaths, injuries, & property damage from pipeline incidents	12,687						12,687
4.A. Reduce oil & other liquid hazmat spilled from pipelines				6,831			6,831
EMERGENCY PREPAREDNESS GRANTS	14,283						14,283
1.A. Reduce deaths, injuries, etc. from Hazmat transportation incidents	14,283						14,283
TOTAL FY 2007 ENACTED	100,610	0	0	29,366	0	3,976	133,952
TOTAL FTE (direct funded only)	275.2	0.0	0.0	59.2	0.0	9.5	344.0

FY 2008 BUDGET REQUEST BY STRATEGIC GOAL
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 Appropriations, Obligation Limitations, and Exempt Obligations
 (dollars in thousands)

APPROPRIATION	STRATEGIC GOALS						
PROGRAM ACTIVITY	SAFETY	REDUCED CONGESTION	GLOBAL CONNECTIVITY	ENVIRON.	SECURITY	ORGAN. EXCELLENCE	TOTAL
PERFORMANCE GOAL							
HAZARDOUS MATERIALS SAFETY							28,908
1.A. Reduce transportation related deaths and injuries (final outcome)							27,776
3A. Harmonize and standardize regulatory and facilitation requirements in the international area.							224
5B. Effective response to emergencies affecting the transportation sector							0
OPERATIONS	13,371	67	178	1,593		4,021	18,130
all Program support	13,371	67	178	1,593			14,109
6.B. Financial & procurement performance						3,427	3,427
6.B. Competitive sourcing						163	163
6.B. Strategic Management of Human Capital						326	326
6.B. E-Government Initiative						105	105
PIPELINE SAFETY	55,049	1,916		21,963			79,828
Operations	51,294	1,270		16,022			48,586
1.B. Reduce transportation related deaths and injuries (final outcome)							31,294
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		1,270					1,270
4.A. Reduce pollution and other adverse environmental effects from transportation and transportation facilities				16,022			16,022
Research and Development	1,930	646		2,608			5,184
1.B. Reduce transportation related deaths and injuries (final outcome)							4,930
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		646					646
4.A. Reduce pollution and other adverse environmental effects from transportation and transportation facilities				2,608			2,608
Grants	19,725	0		3,333			23,058
1.B. Reduce transportation related deaths and injuries (final outcome)							19,725
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		0					0
4.A. Reduce pollution and other adverse environmental effects from transportation and transportation facilities				3,333			3,333
EMERGENCY PREPAREDNESS GRANTS	28,318						28,318
1.A. Reduce transportation related deaths and injuries (final outcome)							28,318
5B. Effective response to emergencies affecting the transportation sector							0
TOTAL FY 2008 ENACTED	124,314	1,983	402	23,556	0	4,021	154,276
TOTAL FTE (direct funded only)		29		68.5		8.5	398.0

FY 2009 BUDGET REQUEST BY STRATEGIC GOAL
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(dollars in thousands)

APPROPRIATION	PROGRAM ACTIVITY	STRATEGIC GOALS						TOTAL
		HAZARDOUS MATERIALS SAFETY	REDUCED CONGESTION	GLOBAL CONNECTIVITY	ENVIRON.	SECURITY	ORGAN. EXCELLENCE	
	HAZARDOUS MATERIALS SAFETY	27,776		224		0		28,000
	1 A Reduce transportation related deaths and injuries (final outcome)	27,776						27,776
	3A Expand business opportunities for all businesses in the transportation sector, especially women-owned and disadvantaged businesses			0				0
	3B Harmonize and standardize regulatory and facilitation requirements in the international area.							224
	5B Effective response to emergencies affecting the transportation sector					0		0
	OPERATIONS*	12,066	65	172	1,605	0	4,222	18,130
	all Program support	2,066	65	172	1,605	0		13,908
	6.B Financial & procurement performance						3,609	3,609
	6.B Competitive sourcing						163	163
	6.B Strategic Management of Human Capital						343	343
	6.B E-Government Initiative						107	107
	PIPELINE SAFETY	67,564	1,373		24,354			93,291
	Operations	34,429	1,289		17,492			53,210
	1.B Reduce transportation related deaths and injuries (final outcome)	34,429						34,429
	2A Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		1,289					1,289
	4 A Reduce pollution and other adverse environmental effects from transportation and transportation facilities				17,492			17,492
	Research and Development	4,256	84		1,444			5,784
	1.B Reduce transportation related deaths and injuries (final outcome)	4,256						4,256
	2A Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		84					84
	4.A Reduce pollution and other adverse environmental effects from transportation and transportation facilities				1,444			1,444
	Grants	28,879	0		5,418			34,297
	1.B Reduce transportation related deaths and injuries (final outcome)	28,879						28,879
	2A Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		0					0
	4 A Reduce pollution and other adverse environmental effects from transportation and transportation facilities				5,418			5,418
	EMERGENCY PREPAREDNESS GRANTS	28,318				0		28,318
	1.A Reduce transportation related deaths and injuries (final outcome)	28,318						28,318
	5B Effective response to emergencies affecting the transportation sector					0		0
	TOTAL FY 2009 REQUEST	135,724	1,438	396	25,959	0	4,222	167,739
	TOTAL FTE (direct funded only)	323.5	2.9	5.3	71.1	0	8.5	409.5

* NOTE Proposed Appropriation name change from "Administrative Expenses" to "Operations"

FY 2009 INFORMATION TECHNOLOGY BUDGET REQUEST BY STRATEGIC GOAL
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(dollars in thousands)

APPROPRIATION PROGRAM ACTIVITY PERFORMANCE GOAL	STRATEGIC GOALS						TOTAL
	SAFETY	MOBILITY	GLOBAL CONNECTIVITY	UNIVERSAL	SECURITY	ORGANIZATIONAL EXCELLENCE	
HAZARDOUS MATERIALS SAFETY	2,565		0		0		2,565
1.A. Reduce transportation related deaths and injuries (final outcome)							
Hazmat Information System	1,438						1,438
Multimodal Hazmat Intelligence Portal	1,127						1,127
3A. Expand business opportunities for all businesses in the transportation sector, especially women-owned and disadvantaged businesses							0
3B. Harmonize and standardize regulatory and facilitation requirements in the international area.							
5B. Effective response to emergencies affecting the transportation sector							0
OPERATIONS*	0	0	0	0	0	3,053	3,053
6.B. Information Resources Management						814	814
6.B. Information Technology Infrastructure						2,239	2,239
PIPELINE SAFETY	1,236	0		1,114			3,050
Operations	1,236	0		1,114			3,050
1.B. Reduce transportation related deaths and injuries (final outcome)	0						0
Hazmat/Pipes Intermodal System	800						800
Safety Monitoring & Reporting Tool	900						900
Multimodal Hazmat Intelligence Portal	236						236
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		0					0
4.A. effects from transportation and transportation facilities				0			0
Hazmat/Pipes Intermodal System				500			500
Safety Monitoring & Reporting Tool				450			450
Multimodal Hazmat Intelligence Portal				164			164
Research and Development	0	0		0			0
1.B. Reduce transportation related deaths and injuries (final outcome)							
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways							
4.A. effects from transportation and transportation facilities							
Grants	0	0		0			0
1.B. Reduce transportation related deaths and injuries (final outcome)							0
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		0					0
4.A. effects from transportation and transportation facilities							0
EMERGENCY PREPAREDNESS GRANTS	0						0
5B. Effective response to emergencies affecting the transportation sector							0
TOTAL FY 2009 REQUEST	4,801	0	0	1,114	0	3,053	8,668
TOTAL FTE (direct funded only)						7.0	7.0

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

EXHIBIT II-4
 FY 2009 BUDGET REQUEST BY ACCOUNT
 PIPELINE and HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Budget Authority
 (in thousands of dollars)

<u>APPROPRIATION TITLE</u>	<u>FY 2007 Enacted</u>	<u>FY 2008 Enacted</u>	<u>FY 2009 Request</u>
Operations*	18,031	18,130	18,130
Hazardous Materials Safety	26,723	28,000	28,000
Emergency Preparedness Grants:	14,283	28,318	28,318
Pipeline Safety	60,065	61,018	74,481
Trust Fund Share of Pipeline Safety	<u>14,850</u>	<u>18,810</u>	<u>18,810</u>
Total, Budget Authority	133,952	154,276	167,739

* NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

EXHIBIT II -5
 FY 2009 BUDGET REQUEST BY ACCOUNT
 PIPELINE and HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Outlays
 (in thousands of dollars)

<u>APPROPRIATION TITLE</u>	<u>FY 2007 Enacted</u>	<u>FY 2008 Enacted</u>	<u>FY 2009 Request</u>
Research and Special Programs	1,175	7,568	1,000
Operations*	18,569	15,404	18,130
Hazardous Materials Safety	25,704	27,008	28,000
Emergency Preparedness Grants:			
Mandatory	13,222	24,890	28,679
Discretionary	<u>198</u>	<u>188</u>	<u>188</u>
Emergency Preparedness Grants	13,420	25,078	28,867
Pipeline Safety	63,231	58,076	71,887
Trust Fund Share of Pipeline Safety	<u>12,835</u>	<u>15,275</u>	<u>18,007</u>
Subtotal, Pipeline Safety	76,066	73,351	89,894
TOTAL OUTLAYS	134,934	148,409	165,891
Discretionary	121,712	123,519	137,212
Mandatory	13,222	24,890	28,679

* NOTE: Proposed Appropriation name change from "Administrative Expenses" to " Operations"

Appropriations, Obligation Limitations, and Exempt Obligations

2.30%

[illegible]

Exhibit II-6
Summary of Requested Funding Changes from Base

OPERATIONS*

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

2.30%

	2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	2008 Contracts Expenses	Annualization of 2008 Pay Rates	2009 Pay Rates	GSA Rent	WC/FIT Increase/ Decrease	Inflation/ Deflation	Decrease of Fiscal Year by 1 day	Annualization of FY 2007 FTE	FY 2008 Adjusted Base	Program Increases/ Decreases	2008 PC&B Program Increase	2008 # FTE Per Program Increase	2008 Contract Expense Program Increases	FY 2009 Request
OPERATIONS																	
PERSONNEL RESOURCES (FTE)	63.0										0.0	63.0	0.0				63.0
Direct FTE	63.0																
FINANCIAL RESOURCES																	
Salaries and Benefits	\$6,933				\$6.1	\$151			\$0	(\$2.7)	\$0	\$7,118	0				\$7,118
Travel	\$51								\$1	\$2		\$52	0				\$52
Administrative Cost for New Employees	\$70								\$2			\$72	0				\$72
GSA Rent - I	\$3,401						\$221		\$78			\$3,700	0				\$3,700
Communications, Rent & Utilities	\$308								\$7			\$315	0				\$315
Printing	\$77								\$1			\$28	0				\$28
Other Services	\$388								\$7			\$295	0				\$295
WC/FIT	\$3,571							(\$664)	\$82			\$2,989	0				\$2,989
-Other									\$0			\$0	0				\$0
Supplies	\$26								\$1			\$27	0				\$27
Equipment	\$59								\$1			\$60	0				\$60
Admin Subtotal	\$14,734	\$14,734	63.0		\$61	\$151	\$221	(\$664)	\$180	(\$27)	\$0	\$14,656	0				\$14,656
PROGRAMS																	
Contract Programs:																	
Budget and Financial Management (RAMIS)	\$239			\$239					\$5			\$244	0				\$244
Civil Rights: Drug Program	\$5			\$5					\$0			\$5	0				\$5
Civil Rights: ADR Mediation Contract	\$48			\$48					\$3			\$51	0				\$51
Contract and Procurement	\$0			\$0					\$0			\$0	0				\$0
Real and Personal Property Management	\$15			\$15					\$0			\$15	0				\$15
Information Resources Management	\$796			\$796					\$18			\$814	0				\$814
Information Technology Infrastructure	\$2,189			\$2,189					\$50			\$2,239	0				\$2,239
President's E-Government Initiative	\$102			\$102					\$2			\$104	0				\$104
Pandemic Influenza	\$2			\$2					\$0			\$2	0				\$2
Crisis Management Center	\$0			\$0					\$0			\$0	0				\$0
TeleWork and Mobile Workforce	\$0			\$0					\$0			\$0	0				\$0
Training and Qualifications	\$0			\$0					\$0			\$0	0				\$0
Human Resources Support Contract	\$0			\$0					\$0			\$0	0				\$0
Programs Subtotal	\$3,396			\$3,396					\$78	\$0		\$3,474	0				\$3,474
Total Limitation	\$18,130	\$14,734		\$3,396	\$61	\$151	\$221	(\$664)	\$258	(\$27)	\$0	\$18,130	0	\$0	\$0	\$0	\$18,130
GRAND TOTAL	\$18,130	\$14,734		\$3,396	\$61	\$151	\$221	(\$664)	\$258	(\$27)	\$0	\$18,130	\$0				\$18,130

NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

Exhibit 11.6
Summary of Requested Funding Changes from Base
PIPELINE SAFETY
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligations, Limitations, and Exempt Obligations
(\$000)

2.30%

2008 Enacted	2008 PCAB by Program	2008 # FTE Program	2008 Contract Expenses	2008 Pay Rates	2008 Pay Rates	GSA Net	WCFET Increase/Decrease	Initial/Deficit	Decrease of Fiscal Year by 1 day	Program Efficiency	Actualization of FY 2008 FTE	FY 2008 Adjusted Base	Program Increase/Decrease	2008 PCAB Program Increase	2008 # FTE Program Increase	2008 Contract Expenses
		Note Non-Add													Note Non-Add	
OPERATIONS																
PERSONNEL RESOURCES (FTE)																
Direct FTE	179.5										3.5	183.0	8.0			191.0
FINANCIAL RESOURCES																
Salaries and Benefits	\$21,350			\$169	\$466			\$70	(\$82)		\$659	\$22,622	\$875			\$23,337
Travel	\$3,185							\$106				\$3,596	\$104			\$3,704
GSA Rent 1	\$1,784					\$176		\$23				\$1,013	\$152			\$1,165
Communications, Rent & Utilities	\$900							\$3				\$82	\$0			\$82
Other Services	\$80							\$3				\$149	\$0			\$149
Supplies	\$146							\$27				\$2,818	\$0			\$2,964
WCF	\$2,380						\$238	\$0				\$1,159	\$0			\$1,159
Other	\$1,159							\$27				\$1,159	\$0			\$1,159
Supplies	\$54							\$16				\$55	\$0			\$55
Equipment	\$683							\$16				\$699	\$256			\$955
Admin Subtotal	\$32,152	\$32,152	179.5	\$169	\$466	\$176	\$238	\$248	(\$82)		\$659	\$34,026	\$2,445			\$36,471
PROGRAMS																
Risk-Based Data Driven Solutions																
Multimodal Hazard Intelligence Portal	\$400		\$400					\$0				\$400	\$0			\$400
Information and Analysis	\$1,721		\$1,721					\$0				\$1,721	\$0			\$1,721
Mapping and Information Systems	\$0		\$0					\$0				\$1,262	\$0			\$1,262
Subtotal	\$2,121		\$2,121					\$0				\$1,383	\$0			\$1,383
Integrity Management																
Pipeline Integrity Management	\$7,848		\$7,848					\$181				\$8,029	(\$181)			\$7,848
Permitting	\$726		\$726					\$0				\$726	\$0			\$726
Damage Prevention Technical Assistance Grants	\$500		\$500					\$12				\$512	\$12			\$524
Subtotal	\$9,074		\$9,074					\$193				\$8,135	(\$167)			\$8,907
Compliance, Inspection and Enforcement																
Compliance	\$316		\$316					\$0				\$316	\$0			\$316
Permitting	\$20,000		\$20,000					\$460				\$20,460	\$1,179			\$21,639
State Oil/Gas Grants	\$1,043		\$1,043					\$0				\$1,043	\$0			\$1,043
Subtotal	\$21,359		\$21,359					\$460				\$21,819	\$1,179			\$23,008
Emergency Preparedness																
Emergency Notification	\$101		\$101					\$0				\$101	\$0			\$101
Implementing the Oil Pollution Act	\$1,000		\$1,000					\$0				\$1,000	\$0			\$1,000
Pandemic Influenza	\$4		\$4					\$0				\$4	\$0			\$4
Subtotal	\$1,105		\$1,105					\$0				\$1,105	\$0			\$1,105
Training Competency Standards and Qualifications																
Training and Information Dissemination	\$1,474		\$1,474					\$0				\$1,474	\$0			\$1,474
Emergency Response Grants	\$0		\$0					\$0				\$0	\$0			\$0
Subtotal	\$1,474		\$1,474					\$0				\$1,474	\$0			\$1,474
Community Awareness and Protection																
Community Alert and Technical Services	\$2,644		\$2,644					\$0				\$2,644	\$0			\$2,644
Information Grants to Communities	\$0		\$0					\$0				\$0	\$0			\$0
State Damage Prevention Grants	\$1,515		\$1,515					\$0				\$1,515	\$0			\$1,515
Subtotal	\$4,159		\$4,159					\$0				\$4,159	\$0			\$4,159
Alternate Fuel																
Alternate Fuel	\$0		\$0					\$0				\$0	\$100			\$100
Research and Development																
Research and Development	\$1,725		\$1,725					\$40				\$1,765	(\$101)			\$1,235
Enhanced Operations, Control and Monitoring	\$1,725		\$1,725					\$77				\$1,802	(\$599)			\$1,203
Damage Prevention and Risk Detection	\$1,725		\$1,725					\$43				\$1,768	(\$571)			\$1,194
Management and Performance	\$1,725		\$1,725					\$0				\$1,725	\$0			\$1,725
Damage Prevention Technical Assistance Grants	\$0		\$0					\$0				\$0	\$0			\$0
Subtotal	\$8,184		\$8,184					\$160				\$8,344	(\$1,810)			\$6,534
Programs Subtotal																
	\$47,676	\$0	\$0	\$47,676		\$0	\$0	\$813	\$0		\$0	\$48,489	\$813			\$49,302
Total Limitation	\$79,828	\$32,152		\$169	\$466	\$176	\$238	\$1,061	(\$82)		\$659	\$82,515	\$10,776			\$93,291
GRAND TOTAL	\$79,828	\$32,152		\$169	\$466	\$176	\$238	\$1,061	(\$82)		\$659	\$82,515	\$10,776			\$93,291

Exhibit II-6
Summary of Requested Funding Changes from Base
EMERGENCY PREPAREDNESS GRANTS
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations, and Exempt Obligations
(\$000)

0.00%

OPERATIONS	2008 Enacted	2008 PC&B By Program	2008 # FTE Per Program	2008 Contracts Expenses	Annualization of 2008 Pay Raises	2009 Pay Raises	GSA Rent	WCF/IT Increase/ Decrease	Inflation/ Deflation	Annualization of FY 2008 FTE	FY 2009 Adjusted Base	Program Efficiency	2009 PC&B Program Increase	2009 # FTE Per Program Increase	2009 Contract Expense Program Increase	FY 2009 Request
PERSONNEL RESOURCES (FTE)																
Direct FTE											0.0					0.0
FINANCIAL RESOURCES																
Salaries and Benefits						\$0	\$0			\$0	\$0	\$0				\$0
Travel										\$0	\$0	\$0				\$0
Transportation																\$0
GSA Rent 1/																\$0
Communications, Rent & Utilities																\$0
Printing																\$0
Other Services																\$0
WCF																\$0
-Other																\$0
Supplies																\$0
Equipment																\$0
Admin Subtotal	\$0	\$0	0.0		\$0	\$0	\$0	\$0	\$0	\$0	\$0					\$0
Mandatory Budget Authority:																
Planning Grants to States & LEPCs *	\$8,150			\$8,150							\$8,150					\$8,150
Training Grants to States & LEPCs *	\$13,650			\$13,650							\$13,650					\$13,650
Comprehensive Training Grants	\$4,000			\$4,000							\$4,000	(\$1,000)				\$3,000
Supplemental Public Sector Training Grants	\$1,000			\$1,000							\$1,000					\$1,000
Monitoring & Technical Assistance	\$150			\$150							\$150					\$150
PC&B and Administrative Support	\$555			\$555							\$555					\$555
North American Emergency Response Guidebook	\$625			\$625							\$625	\$1,500				\$2,125
Grants and Cooperative Agreements	\$0			\$0							\$0				\$500	\$500
Subtotal, Mandatory Budget Authority	\$28,130			\$28,130							\$28,130					\$28,130
Discretionary Budget Authority (Appropriated):																
Training Curriculum Development (to FEMA)	\$188			\$188							\$188					\$188
Grant Data Improvements	\$0			\$0							\$0					\$0
CDI Improvement Prog																
Program Subtotal	\$28,318			\$28,318		\$0	\$0	\$0	\$0	\$0	\$28,318					\$28,318
Total: Limitation	\$28,318	\$0		\$28,318	\$0	\$0	\$0	\$0	\$0	\$0	\$28,318	\$0				\$28,318
GRAND TOTAL	\$28,318	\$0		\$28,318	\$0	\$0	\$0	\$0	\$0	\$0	\$28,318	\$0				\$28,318

EXHIBIT II-6A

WORKING CAPITAL FUND
PIPELINE AND HAZARDOUS MATERIALS ADMINISTRATION
Appropriations, Obligation Limitations, Exempt Obligations and Reimbursable Obligations
(\$000)

	<u>FY 2008</u> <u>ENACTED</u>	<u>FY 2009</u> <u>REQUEST</u>	<u>CHANGE</u>
DIRECT:			
Hazardous materials safety	0	559	559
Operations	3,571	2,907	-664
Pipeline Safety	<u>2,380</u>	<u>2,618</u>	<u>238</u>
SUBTOTAL	5,951	6,084	133
REIMBURSABLE:			
Account Title	0	0	0
Account Title	0	0	0
etc.	<u>0</u>	<u>0</u>	<u>0</u>
SUBTOTAL	0	0	0
TOTAL	5,951	6,084	133

Exhibit II-7

DEPARTMENT OF TRANSPORTATION
PIPELINE and HAZARDOUS MATERIAL SAFETY ADMINISTRATION

PERSONNEL RESOURCE -- SUMMARY
TOTAL FULL TIME EQUIVALENTS (FTE's)

	FY 2007	FY 2008	FY 2009
<u>DIRECT FUNDED, BY APPROPRIATION</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Hazardous Materials Safety	141.0	155.5	155.5
Operations*	57.0	63.0	63.0
Pipeline Safety	146.0	179.5	191.0
Subtotal: Direct Funded	344.0	398.0	409.5
 <u>ALLOCATIONS/REIMBURSEMENTS</u>			
Administrative Expenses:			
Other (Honors Attorneys)	9.0	11.0	11.0
btotal: Allocations/Reimbursements	9.0	11.0	11.0
TOTAL FTE	353.0	409.0	420.5

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

Exhibit II-8

PIPELINE and HAZARDOUS MATERIAL SAFETY ADMINISTRATION
 RESOURCE SUMMARY - STAFFING
 FULL-TIME PERMANENT POSITIONS

	FY 2007	FY 2008	FY 2009
<u>DIRECT FUNDED, BY APPROPRIATION</u>	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Hazardous Materials Safety	159	159	159
Operations*	63	63	63
Pipeline Safety	165	188	204
Subtotal, Direct Funded	387	410	426
<u>ALLOCATIONS/REIMBURSEMENTS</u>			
Other (Honors Attorneys)	11	11	11
Subtotal, Allocations/Reimbursements	11	11	11
TOTAL POSITIONS	398	421	437

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Research and Special Programs

PROGRAM AND FINANCING (in thousands of dollars)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Obligations by program activity			
0.91 Total direct program	130	635	0
10.00 Total obligations	130	635	0
Budgetary resources available for obligation			
21.40 Unobligated balance available, start of year	765	635	0
22.00 New budget authority (gross)	-2,615	0	0
22.10 Resources available from recoveries of prior year obligations	2,680	0	0
23.90 Total budgetary resources available for obligation	829	635	0
23.95 New obligations	-130	-635	0
23.98 Unobligated balance expiring or withdrawn	-64	0	0
24.40 Unobligated balance available, end of year	635	0	0
Discretionary spending authority from offsetting collections:			
68.00 Offsetting collections (cash) (unexpired only)	31	0	0
68.10 Change in uncollected cust paymts fm Fed sources (unexp)	-2,647	0	0
68.90 Spending authority fm offsetting collections (total)	-2,615	0	0
70.00 Total new budget authority (gross)	-2,615	0	0
Change in unpaid obligations			
Unpaid obligations, start of year:			
72.40 Obligated balance: Appropriation	9,745	6,933	1,000
73.10 New obligations	130	635	0
73.20 Total outlays (gross)	-1,874	-7,568	-1,000
73.40 Adjustments in expired accounts (net)	-3,988	0	0
73.45 Recoveries of prior year obligations	-2,680	0	0
74.00 Chg in Uncollected cust orders fm Fed Sources (unexpired)	2,647	0	0
74.10 Chg in Uncollected cust orders fm Fed Sources (expired)	2,953	0	0
74.40 Obligated balance: Appropriation	6,933	0	0
Outlays (gross), detail			
86.90 Outlays from new discretionary authority	0	0	0
86.93 Outlays from discretionary balances	1,874	7,568	1,000
87.00 Total outlays (gross)	1,874	7,568	1,000
Offsets:			
Against gross budget authority and outlays			
Offsetting collections (cash) from:			
88.00 Federal sources	698	0	0
88.95 Portion of offsetting collection credited to unexpired accounts	-2,647	0	0
88.96 Portion of offsetting collection credited to expired accounts	-667	0	0
Net budget authority and outlays			
89.00 Budget authority (net)	0	0	0
90.00 Outlays (net)	1,175	7,568	1,000
95.02 Unpaid Obligations, EOY	7,769		

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Research and Special Programs

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 69-0104-0-1-407-0

	2007 actual	2008 estimate	2009 estimate
Direct Obligations:			
25.3 Other purchases of goods & services			
from government accounts	130	635	1,000
99.0 Subtotal, direct obligations	130	635	1,000
99.9 Total obligations	130	635	1,000

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
10 YEAR HISTORY OF BUDGET AUTHORITY**

Research and Special Programs

(in dollars)

Estimates		Appropriations
1998	30,102,000	1998 28,402,000 1 & 2/
1998 (Suppl.)	0	1998 (Suppl.) 1,000,000
1999	29,655,000	1999 30,646,000 1, 3, 4, 8/
2000	33,340,000 5/	2000 31,765,000 6 & 9/
2001	42,531,000 7/	2001 36,292,979 6 & 10/
2002	41,933,000 11/	2002 37,069,000 6 & 12/
2002 (Suppl.)	6,000,000	2002 (Suppl.) 2,500,000
2003	44,378,000 13/	2003 40,479,630 6 & 14/
2004	50,723,000	2004 45,729,490 6 & 15/
2005	52,936,000	2005 45,870,666 6 & 16/
2006	0	2006 0
2007	0	2007 0
2008	0	2008 0
2009	0	

- 1/ Includes \$574,000 from Pipeline Safety Fund.
- 2/ Reflects reductions of \$48,000.
- 3/ Reflects reductions of \$314,000 for TASC (Sec. 320) and \$42,000 for administrative and travel expenses, P.L. 106-51.
- 4/ Excludes \$282,000 in emergency Y2K funds.
- 5/ Includes \$645,000 from Pipeline Safety Fund and \$4,575,000 in new user fees.
- 6/ Includes \$645,000 from the Pipeline Safety Fund.
- 7/ Includes \$645,000 from Pipeline Safety Fund and \$4,722,000 in new user fees.
- 8/ Includes \$1,722,000 transfer from USAID Caribbean Emergency Disaster Relief Recovery Fund.
- 9/ Reflects reduction of \$296,000 for TASC (Sec. 319).
- 10/ Reflects 0.22% reduction of \$80,021 (Sec. 1403 of P.L. 106-554).
- 11/ Includes \$645,000 from the Pipeline Safety Fund and \$12,000,000 in new user fees.
- 12/ Reflects reductions of \$210,000 for TASC (Sec. 349 of P.L. 107-87 and Sec. 1106 of P.L. 107-117)
- 13/ Includes \$645,000 from the Pipeline Safety Fund and \$5,987,000 in new user fees.
- 14/ Reflects reductions of \$234,000 for Working Capital Fund (Sec. 362 of Division I of P.L. 108-7) and \$266,370 for a 0.65% across-the-board cut (Sec. 601 of Division N of P.L. 108-7)
- 15/ Reflects reductions of \$437,508 for Working Capital Fund (Sec. 517 of Division F of P.L. 108-199) and \$274,002 for a 0.59% across-the-board cut (Sec. 168(b) of Division H of P.L. 108-199)
- 16/ Reflects reductions of \$867,414 for Working Capital Fund (Sec. 197 of Division H of P.L. 108-447) and \$376,920 for a 0.80% across-the-board cut (Sec. 122 of Division J of P.L. 108-447)

Section III
Budget Request by
Appropriation Account

HAZARDOUS MATERIALS SAFETY

For expenses necessary to discharge the hazardous materials safety functions of the Pipeline and Hazardous Materials Safety Administration, \$28,000,000, of which [\$1,761,000] *\$1,802,000* shall remain available until September 30, [2010] *2011*: *Provided*, That up to[\$1,200,000] *\$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, 2008.*)

Program and Performance Statement

The Pipeline and Hazardous Materials Safety Administration (PHMSA) provides services to advance safety and security in hazardous materials transportation. PHMSA's program is focused on five principal areas. First, PHMSA provides comprehensive regulations for the safe and secure transportation of hazardous materials. Second, through training, guidance and outreach materials, PHMSA helps shippers and carriers understand the regulations and how to comply with them. Third, PHMSA enforces the regulations on those persons who refuse or neglect to comply with safety and security requirements. Fourth, PHMSA assist the Nation's response community to plan for and respond to hazardous materials transportation emergencies. Finally, PHMSA builds each of these operational responsibilities on a comprehensive technical and analytical foundation.

EXHIBIT III-1

HAZARDOUS MATERIALS SAFETY

APPROPRIATION SUMMARY BY PROGRAM ACTIVITY
(000's)

	FY 2007 <u>Actual</u>	FY 2008 <u>Enacted</u>	FY 2009 <u>Request</u>	FY 08 to 09 <u>Change</u>
Hazardous Materials Safety	26,723	28,000	28,000	-
FTE's				
Direct Funded	141.0	155.5	155.5	-
Reimbursable	0.0	0.0	0.0	0.0

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

HAZARDOUS MATERIALS SAFETY

SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009

Appropriations, Obligation Limitations and Exempt Obligations

<u>APPROPRIATION</u>	Dollars in <u>thousands</u>	<u>FTE</u>
HAZARDOUS MATERIALS SAFETY		
FY 2008 Enacted	28,000	155.5
FY 2009 Adjustments to Hazardous Materials Safety Base:		
Annualization of the 3.5% FY 2008 Pay Raise	144	0.0
FY 2009 Pay Raise of 2.9% for 9 months	386	0.0
Decrease of 1 Day in FY 2008	-68	0.0
General reductions necessary to sustain workforce and current operations	-1,257	0.0
Working Capital Fund	559	0.0
2.3% Inflation	236	0.0
Subtotal, Adjustments to Hazardous Materials Safety Base	0	0.0
HAZARDOUS MATERIALS SAFETY APPROPRIATION, TOTAL	28,000	155.5

DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Hazardous Materials Safety

PROGRAM AND FINANCING (in thousands of dollars)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Obligations by program activity			
0.91 Total direct program	25,664	29,513	28,000
9.01 Reimbursable program	1,320	0	0
10.00 Total obligations	26,984	29,513	28,000
Budgetary resources available for obligation			
21.40 Unobligated balance available, start of year	854	1,513	0
22.00 New budget authority (gross)	27,896	28,000	28,000
22.10 Resources available from recoveries of prior year obligations	2	0	0
23.90 Total budgetary resources available for obligation	28,752	29,513	28,000
23.95 New obligations	-26,984	-29,513	-28,000
23.98 Unobligated balance expiring or withdrawn	-255	0	0
24.40 Unobligated balance available, end of year	1,513	0	0
New budget authority (gross), detail			
Discretionary			
40.00 Appropriation (definite)	26,723	28,000	28,000
40.35 Appropriation permanently reduced	0	0	0
43.00 Appropriation (total)	26,723	28,000	28,000
Discretionary spending authority from offsetting collections:			
58.00 Offsetting collections (cash) (unexpired only)	426	0	0
58.10 Change in uncollected cust paymts fm Fed sources (unexp)	748	0	0
58.90 Spending authority fm offsetting collections (total)	1,174	0	0
70.00 Total new budget authority (gross)	27,896	28,000	28,000
Change in unpaid obligations			
Unpaid obligations, start of year:			
72.40 Obligated balance: Appropriation	6,296	6,455	8,960
73.10 New obligations	26,984	29,513	28,000
73.20 Total outlays (gross)	-26,472	-27,008	-28,000
73.40 Adjustments in expired accounts (net)	-66	0	0
73.45 Recoveries of prior year obligations	-2	0	0
74.00 Chg in Uncollected cust orders fm Fed Sources (unexpired)	-748	0	0
74.10 Chg in Uncollected cust orders fm Fed Sources (expired)	462	0	0
74.40 Obligated balance: Appropriation	6,455	8,960	8,960
Outlays (gross), detail			
86.90 Outlays from new discretionary authority	20,571	19,040	19,040
86.93 Outlays from discretionary balances	5,901	7,968	8,960
87.00 Total outlays (gross)	26,472	27,008	28,000
Offsets:			
Against gross budget authority and outlays			
Offsetting collections (cash) from:			
88.40 Non-Federal sources	768	0	0
88.95 Portion of offsetting collection credited to unexpired accounts	748	0	0
88.96 Portion of offsetting collection credited to expired accounts	-342	0	0
Net budget authority and outlays			
89.00 Budget authority (net)	26,723	28,000	28,000
90.00 Outlays (net)	25,704	27,008	28,000
95.02 Unpaid Obligations, EOY	7,203		

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Hazardous Materials Safety

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 69-0104-0-1-407

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	13,601	15,699	16,145
11.9 Total personnel compensation	13,601	15,699	16,145
12.1 Civilian personnel benefits	3,648	3,642	3,642
25.1 Advisory & Assistance Service	1,024	1,100	1,047
25.2 Other services	4,519	5,353	4,278
25.3 Other purchases of goods & services from government accounts	2,247	2,724	2,003
31.0 Equipment	625	995	885
99.0 Direct obligations	25,664	29,513	28,000
99.0 Reimbursable obligations	1,320	0	0
99.9 Total new obligations	26,984	29,513	28,000

EMPLOYMENT SUMMARY

Direct:			
1001 Civilian full-time equivalent employment	141.0	156	156

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
10 YEAR HISTORY OF BUDGET AUTHORITY

Hazardous Materials Safety
(in dollars)

Estimates	Appropriations
2006 26,324,000	2006 25,876,620 1/
2007 27,225,000	2007 26,723,000 2/
2008 27,003,000	2008 28,000,000
2009 28,000,000	

1/ Reflects reduction of \$261,380 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148)

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

Detailed Justification for Hazardous Materials Safety

Hazardous Materials Safety

FY 2009 Request: \$28,000

Overview:

PHMSA administers a national program devoted to the safe, secure, and reliable transportation of hazardous materials by air, rail, vessel, and highway. Our oversight extends to all parts of the hazardous materials transportation system – from classification of materials, to packaging, handling, moving, and unloading of hazardous materials shipments in commerce.

Every day the public is exposed to the risks inherent in the transportation of hazardous materials and energy products. Hazardous materials shipments amount to approximately 3.1 billion tons annually, or roughly one third of the ton-miles of freight transported in the U.S., and includes commodities such as energy products, pharmaceuticals, fertilizers, and other chemicals and raw materials. PHMSA estimates that up to one million hazardous materials shipments occur every day. Hazardous materials incidents are relatively rare –about one for every 27 million ton-miles moved. But the consequences can be catastrophic. The January 2005 release of toxic-by-inhalation material from rail tank cars in Graniteville, SC; the ValuJet Flight 592 crash in 1996; and last May's deadly tanker truck explosion and fire in San Francisco, CA, which destroyed a major bridge, are cases in point.

PHMSA's hazardous materials safety program focuses on preventing incidents, especially those with the most serious consequences, and mitigating the consequences of incidents that do occur. We identify emerging threats posed by the shipment of hazardous materials and address them through a mix of standards, outreach, training, and enforcement. Threats are detected through vigorous data analysis, and ranked by relative risk. This capability is the cornerstone of all program planning and the targeting of our program resources. Continuous improvement in program effectiveness is necessary to offset the growing risks posed by increasing volumes of increasingly complex hazardous materials moving through a strained transportation system.

More closely coordinating our oversight efforts across the Department, with other federal agencies (e.g. Occupational Safety and Health Administration (OSHA), Environmental Protection Agency (EPA), Consumer Product Safety Commission (CPSC), and others), and with states and international partners will enable us to leverage limited resources against these growing risks, while minimizing unnecessary regulatory burdens. We seek to enhance the leadership we provide in this arena and work with our partners to foster a more uniform approach to enhancing safety. PHMSA provides a leadership role within the Department, working with our partners in the Federal Aviation Administration (FAA), Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), and other agencies to develop and implement risk-based data driven strategies for integrity management, enforcement, outreach and training and to address a growing set of safety and security risks. We are working more than ever with

our modal partners to address critical safety issues that we identify through data analysis. For instance, we are working with FMCSA to reduce the number of cargo tank truck rollovers in the United States and with FRA to enhance tank car integrity and promote the safe and secure routing of rail cars carrying highly hazardous materials. FAA and PHMSA recently developed a multifaceted safety plan to reduce the risk of lithium battery fires aboard aircraft. We view our role as advancing a consistent uniform and collaborative approach to addressing risk and enhancing safety.

Drawing on our technical expertise and ever improving understanding of risks, PHMSA's Hazardous Materials Safety Program promotes improved system performance and the safe introduction of new technologies, products, fuels and other energy sources. While new fuels such as ethanol and hydrogen show promise to drastically alter current energy use patterns, safety must be a foremost consideration in managing market introduction. The risks associated with moving new fuels can and must be managed on the basis of sound science and testing, and, informed by that analysis, using the same risk-based approaches – packaging, handling, hazard communication, and emergency response standards – that we apply to the management of other hazardous materials transportation risks. Seeing rapid changes in both the volume and nature of hazardous materials, PHMSA is working to develop advanced, 21st century solutions to facilitate their safe, secure transportation nationally and internationally.

We will apply a risk-based integrity management approach in a more systemic way across all modes of hazardous materials transportation. This will include enhancing data collection and analysis through use of the Multimodal Hazmat Intelligence Portal (formerly named “Intermodal Portal”); targeting reduction of undeclared hazardous materials shipments and high-consequence packaging failures; applying integrity management programs to large packagers and shippers of highly hazardous materials; advancing electronic communication systems for communicating risk; and investigating other technologies for improving the assessment, detection and control of hazardous materials risks.

Our emergency response initiatives minimize the likelihood of extensive damage, disruption, environmental impacts, and avoidable congestion, but we can do better by assessing and measuring response-related congestion and targeting resources accordingly. The resulting costs associated with repair, congestion, loss of revenue, disruption of supply chains and lost productivity can be significant and are not typically factored in to the reported costs of hazardous materials releases. PHMSA has a broad role in combating such nonrecurring congestion by working to minimize the likelihood of incidents, and helping to minimize the consequences of the incidents that do occur through an aggressive emergency response program.

Our goals are ambitious because we want to deliver what the public expects—confidence in the safe movement of hazardous materials through their communities. We are continually evaluating the risks on the basis of our data, and while the challenges are great, we are making gains in safety by using a risk based approach to the allocation of our program resources. We are continually exploring new and innovative ways to

leverage our resources and seek partnerships with our stakeholders to expand our outreach and reduce incidents, especially those that can result in high consequence events.

We make good use of information to help identify and reduce risk, but still face significant challenges in improving the information we use. PHMSA maintains historical data on hazardous materials incidents and is seeking to enhance the quality and availability of this data and to expand information sources. We are using data from other DOT operating administrations, other Federal agencies and cooperative efforts with business and employee organizations that promote safety. We also invest in state-of-the-art tools to access, mine and analyze data. We will enhance the availability and quality of our data through the use of business intelligence tools and existing information technology (IT) systems so that we will be better prepared to forecast trends and target program activities and resources. We believe that sharing data with others will allow us to be more effective, further leverage our resources, and improve the quality of the risk-based decision making that drives all aspects of our program.

As PHMSA considers opportunities to increase the effectiveness of the hazardous materials program, it will seek opportunities within the program reauthorization cycle during FY 2009 to mirror the risk-based integrity management approach in a more systemic way across all modes of hazardous materials transportation. This could include enhancing data collection and analysis through use of the Multimodal Hazmat Intelligence Portal; targeting reduction of undeclared hazardous materials shipments and high-consequence packaging failures; applying integrity management programs to large packagers and shippers, advancing electronic communication systems for communicating risk; and investigating other technologies for improving the assessment, detection and control of hazardous materials risks. Other opportunities PHMSA will consider in program reauthorization will focus on enhancing emergency capabilities for response to emerging products, alternative fuels and national emergencies; and increasing regulatory fairness and efficiency through national standards.

FY 2008 Base:

Salaries & Benefits and Administrative Expenses (\$19.6M) – Approximately 150 Headquarters and field staff establish and enforce regulations to reduce the risk of hazardous materials incidents and to minimize the consequences of such incidents when they do occur by:

- Identifying, characterizing, and quantifying the risks of hazardous materials in transportation;
- Developing standards for the safety and security of hazardous materials in transportation in cooperation with other federal, state and international agencies and organizations;
- Maintaining and applying the highest level of hazardous materials scientific and engineering expertise in oversight of the industry;
- Educating the hazardous materials industry on safety standards and state and local safety officials on how to respond safely to incidents;
- Enforcing compliance with hazardous materials safety and security standards;

- Supporting states in planning and training to minimize the consequences of hazardous materials incidents when they do occur;
- Promoting a worldwide system of safety and security and providing consistency to facilitate the free movement of hazardous materials.

Risk-based Data-driven Solutions (\$1.4M) – These funds provide the technical, quantitative and economic foundation for the hazardous materials safety program. They are used to establish and maintain information systems to support analyses, and research needed to manage the risks associated with hazardous materials transportation without imposing undue burdens on industry.

Integrity Management (\$1.7M) – Hazardous materials shipment standards must be maintained from the time each shipment is packaged and introduced into the system; through initial loading; through a series of transfer points that may involve several transportation modes; and through the final unloading at its destination. Each of these steps involves different entities—shippers, carriers, freight forwarders—with unique risk profiles. Any failure at any time during transportation can result in serious—sometimes catastrophic—consequences.

PHMSA addresses these threats to public safety through an integrated set of regulatory tools, including setting safety standards; informing the affected parties of the requirements of the regulations; monitoring the performance of the hazardous materials transportation system; and identifying vulnerabilities. These activities are heavily dependent on data to identify high-risk shippers, high-vulnerability routes and transfer points, and unsafe carriers.

PHMSA is consolidating all DOT hazardous materials enforcement, registration, special permits and approvals data, as well as data from other Federal, state, and local agencies, and private sector data, in the Multimodal Hazmat Intelligence Portal (MHIP) to identify threats for further action. We also provide funding for public meetings, including web-meetings, discussion boards, and other e-solutions, to encourage input concerning our rulemaking actions from the widest possible audience. We intend to streamline many of our regulatory processes, including special permit and approval processing, to reduce costs to government and industry and allow the rapid adoption of efficiencies in the hazardous materials transportation system. We will use this funding to enhance the performance of the hazardous materials transportation system by refocusing all of our efforts toward enhancing the integrity of these systems and reducing risk. We will apply integrity management solutions to the highest risk shippers and carriers (e.g. shippers and carriers of bulk TIH shipments) and assist companies that transport the highest consequence materials to implement integrity management systems risk reduction programs.

Compliance, Inspection and Enforcement (\$1.2M) - PHMSA's Office of Hazardous Materials Enforcement (OHME) is being restructured to establish a more visible and effective leadership presence in the hazardous materials community, including shippers, carriers, freight forwarders, cylinder retesters, and other entities subject to the Hazardous

Materials Regulations (HMR). The restructuring includes changes in PHMSA's hazardous materials inspection workforce; working in tandem with other DOT modal agencies and other Federal agencies that have a role in hazardous materials enforcement such as DHS' Customs and Border Protection (CBP), United States Coast Guard (USCG) and Transportation Security Administration (TSA); supporting State and local agencies with a hazardous materials enforcement missions; and cooperative activities with our regulated community.

We use the funding to: provide a Hazardous Materials Information Center (HMIC) — a telephone-based assistance service that helps shippers and carriers understand and meet the requirements of the hazardous materials regulations; furnish MHIP access to Federal, State and local hazardous materials enforcement agencies so that they can identify high-risk companies for further inspection and investigation; conduct testing for material verification and package integrity; and deliver compliance assistance to hazardous materials shippers, carriers, emergency responders, and law enforcement personnel via our region-based outreach program.

The HMIC is a critical link to our regulated community. It provides single, nationwide toll-free telephone service weekdays from 9:00 a.m. to 5:00 p.m. (Eastern Time). The Center assists shippers, carriers, packaging manufacturers, enforcement personnel, and others to meet the requirements in the HMR during the shipping process. It also serves as the statutorily mandated toll-free number for transporters of hazardous materials and others to report possible violations of the HMR or violations of any order or regulation issued under Federal hazardous materials transportation law. This funding enables us to distribute approximately 1.5 million pieces of safety-related information annually, such as safety-training materials, fact sheets and safety alerts. Further, this funding supports the Hazardous Materials Safety section of PHMSA's web site (<http://www.phmsa.dot.gov>).

Emergency Preparedness and Response (\$1.5M) – During a crisis, the need to respond quickly is critical. Following a response, it is important to return to pre-crisis conditions as quickly as possible. PHMSA supports emergency operations during times of local crises within its areas of expertise. PHMSA provides real-time support to facilitate hazardous materials incident response. During some recent crises, including Hurricane Katrina and 9/11, PHMSA issued special permits to allow the immediate removal of hazardous materials debris and to facilitate the transport of vital supplies into and from the disaster area around the clock. PHMSA will continue to provide technical support to facilitate the safe removal of hazardous materials under crisis conditions.

This funding also supports the United States Coast Guard's National Response Center (NRC). The NRC is the sole national point of contact for reporting all oil, chemical, radiological, biological and etiological releases into the environment anywhere in the U.S. PHMSA maintains an agreement with the NRC to relay reports that meet criteria for serious hazardous materials incidents. PHMSA uses this data to monitor incidents as they are reported, determine whether to dispatch investigators, and to provide a cross-

check on the reporting of incidents to our Hazardous Materials Incident Report System, the principal source of information used to quantify risk in our program planning.

In addition, PHMSA registers and maintains a database of certain shippers and carriers of hazardous materials, and collects the fees to support the emergency preparedness programs described separately in the Emergency Preparedness Grants section of the budget. We propose to collect fees sufficient to fund the Hazardous Materials Emergency Preparedness grants program at \$28.3 million, the highest amount authorized by law.

Training and Qualifications (\$0.8M) – PHMSA’s Office of Hazardous Materials Safety is recognized throughout the Nation as the preeminent regulatory authority for hazardous materials transportation. Before the creation of PHMSA, the Office of Hazardous Materials Safety procured training services from the Transportation Safety Institute, both organizations within the Research and Special Programs Administration (RSPA). PHMSA currently has very limited capability to provide training to state and local officials.

Many trade organizations and private companies have attempted to fill this hazardous materials training gap. However, training competency standards have not been developed. At this point in the agency’s history, and with the growing complexity and challenges posed by new hazardous materials technologies and applications, PHMSA will take a leadership role in addressing the need for instructor guidelines and competency standards. PHMSA is uniquely positioned to develop and deliver training standards, guidance on functional competencies and standards for competent and capable instructor certification to meet the needs of the hazardous materials community. We have also formed partnerships and are working collaboratively with stakeholders to define the competencies of hazardous materials shippers, carriers and workers that perform hazardous materials transportation functions and to raise the awareness of the role that well trained and qualified employees have in enhancing overall safety.

As a risk-based, data-driven organization, PHMSA is using the restructuring of its enforcement efforts as an opportunity to improve safety performance and gain efficiency by consolidating and better focusing all training activities for employees who oversee the transportation of hazardous materials by all modes. These efforts aim to reduce both the frequency and potential consequences of accidents that cause harm to people and the environment. To enhance the capability of DOT to deliver more effective management of the integrity of hazardous materials transportation, PHMSA is organizing training efforts for both pipeline and hazardous materials safety around the single concept of a virtual Center of Training Excellence. As both federal and state inspector workforces have grown, and with the infusion of new staff to replace retiring staff, the workload of PHMSA and our state partners has expanded, such that our training and qualifications classes are overcommitted and many inspectors must wait long periods for required training.

Research and Development (\$1.8M) – PHMSA has maintained a vigorous research and development capability to identify inherent risks in transportation—*risk assessment*—and find ways to minimize their potential impacts—*risk management*. We use these funds to improve safety by testing the performance of hazardous materials packages, developing new information technology to enhance our risk identification, and evaluating emerging technologies in relation to enhancing and maintaining public safety.

We expect many new materials to be introduced to the marketplace over the next decade. PHMSA must be prepared to analyze the characteristics of these new risks before they become prevalent in our communities, and develop requirements so that we can realize the benefits of the new materials while minimizing the additional risks posed.

To supplement our program research efforts, PHMSA is coordinating a major multi-year effort—the Hazardous Material Cooperative Research program (HMCRRP). The program is funded by the Federal Highway Trust Fund and will be conducted by the Transportation Research Board. The HMCRRP is intended to be a stakeholder-driven, problem-solving, practically oriented, near- to mid-term research and development program advancing current knowledge and practice relating to hazardous materials transportation. PHMSA staff is involved in the four projects initiated to date. The products of these projects will enrich PHMSA’s ongoing research into the causes, consequences and mitigation of hazardous materials incidents.

Anticipated FY 2008 Accomplishments:

In 2008 we are on track to meet our performance target of reducing serious hazardous materials incidents. We will continue to enhance our performance measures to better define and focus our efforts to the highest risk areas in all modes of transport. We are developing an enhanced approach to performance measurement that will be a risk -based index for measuring the safety performance of all modes of transportation.

- We will enhance the capabilities and application of the MHIP to better target poor performing companies for inspection and follow-up. This database will be used by enforcement personnel from PHMSA, FAA, FMCSA, FRA, and DHS (USCG) as well as State and local officials to plan and undertake inspections of hazardous materials shippers, carriers, freight forwarders, packaging manufacturers, testing facilities and others engaged in hazardous materials safety functions. We are also considering how other agencies such as OSHA, EPA and CPSC could use the data for their safety enhancement missions and making incident data more readily available to our stakeholders to use in addressing self corrective actions. The portal currently supplies enforcement personnel with information that enhances their ability to conduct and plan risk based inspections, analyze data, identify non-compliance issues, identify trends that may result in high consequence safety or security events, and promote safety. This results in more effective use of enforcement resources and enhanced compliance and safety.
- We plan to further harmonize the Hazardous Materials Regulations with international standards while maintaining the high level of safety we expect in the

U.S. and representing U.S. interests in a global marketplace. Virtually all hazardous materials imported to or exported from the United States are transported in accordance with international standards and the Hazardous Materials Regulations. Harmonization with international standards enhances safety, promotes voluntary compliance, and supports free trade while minimizing regulatory burdens. We will perform a study to identify existing differences between international and domestic regulations and standards.

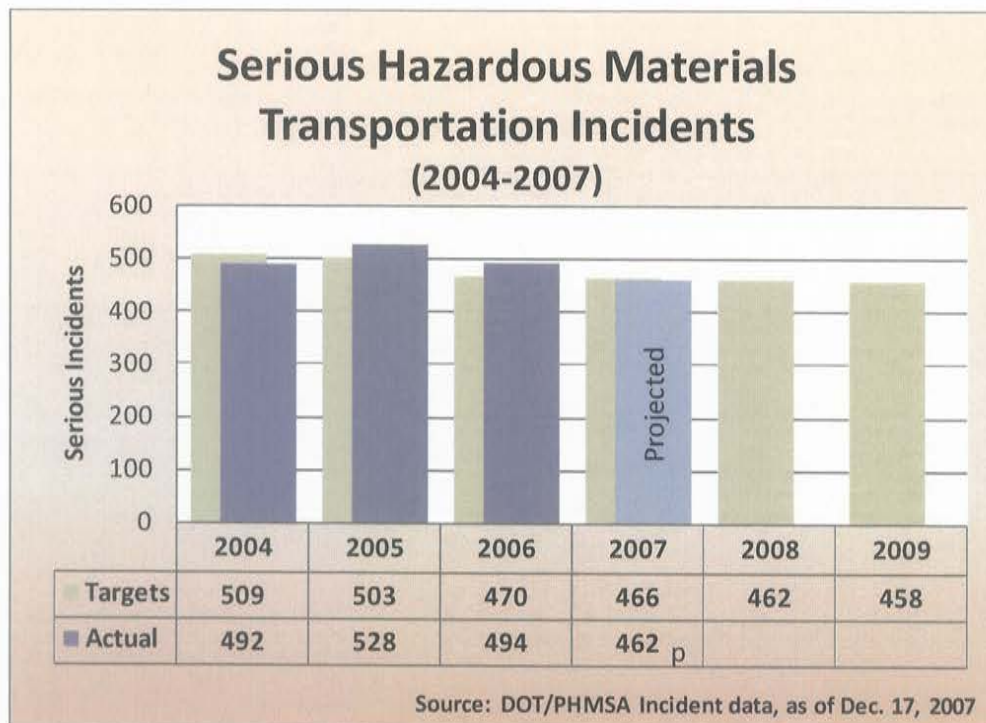
- We plan to partner with the regulated public to enhance compliance and promote safety. We will continue to conduct outreach seminars and visit public and private entities engaged in functions related to the transportation of hazardous materials to enhance compliance and safety. We will partner with industry to solve problems and address challenges to enhance safety and share effective practices. We will develop and update educational materials and improve distribution to reach a higher percent of our target audience. We will respond even more quickly to stakeholder requests for assistance in understanding and complying with the regulations by telephone through HMIC and/or in writing through letters of clarification.
- We will issue special permits and approvals to promote innovation, support new technologies, and enable U.S. industry to retain its competitive edge in the global economy while maintaining a high level of safety.
- We will address the ongoing problem of undeclared hazardous materials shipments through a number of focused initiatives, including outreach, enforcement and regulatory development.
- Coordinating with FRA, we will propose revisions to the Hazardous Materials Regulations to improve the crashworthiness protection of railroad tank cars designed to transport toxic-by-inhalation hazard (TIH) materials.
- In consultation with FRA and the TSA, PHMSA plans to require rail carriers to compile annual data on specified shipments of hazardous materials, use the data to analyze safety and security risks along rail transportation routes where those materials are transported, assess alternative routing options, and make routing decisions based on those assessments. We are also proposing clarifications of the current security plan requirements to address en route storage, delays in transit, delivery notification, and additional security inspection requirements for hazardous materials shipments. TSA published a NPRM proposing additional security requirements for rail transportation. The final rule is under review by DOT and is expected to be published by TSA in 2008.
- We will ensure all standards are based on assessments of the level of risk as we take a systems-wide approach to maximize safety benefits while minimizing burden and costs to the public.

FY 2009 Budget Request:

PHMSA is requesting \$28,000,000, the same level as the FY 2008 Enacted Budget. Our plans for the FY 2009 are ambitious and will be achieved primarily through refocusing resources, leveraging efforts with stakeholders and partners, and redirecting efforts. We will focus efforts to: 1) implement improved risk-based solutions to the threats from hazardous materials in transportation; 2) address identified or emerging safety issues posed by the introduction of alternative fuels through research and outreach to companies and communities; 3) maintain the integrity of the hazardous materials transportation system by enhancing risk-based targeting of enforcement and outreach activities and by coordinating efforts and expanding our leadership role among DOT agencies to provide a more uniform approach; 4) provide broader, risk-focused outreach and training programs while targeting activities to reduce the prevalence of undeclared shipments; and 5) improve responsiveness to our customers by reducing agency handling time on requests for interpretations and petitions for rulemaking and by exceeding the 180-day Congressional deadline for approving or denying requests for new package designs and special permits.

Our Safety Performance Goal:

In 2009, we aim to reduce the number of serious hazardous materials transportation incidents to not more than 458.



Challenges to meeting our performance targets in 2009:

On the basis of analysis of our data we face significant challenges to meeting our performance targets. We are particularly concerned with:

- *Materials that can cause a fire aboard an aircraft or cause severe damage that may result in an aircraft crash* – either undeclared or declared, but improperly packaged. Examples include battery/electrical devices, oxygen generators and other articles that generate heat through chemical reactions, and flammable gases, liquids or solids. Materials of greatest concern are those that can create or fuel fires that cannot be suppressed with onboard extinguishers or are otherwise of high consequence.
- *Toxic by Inhalation Hazards (TIH) in Bulk* – material poisonous by inhalation in bulk containers such as cargo tanks, tank trucks, and large cylinders. TIH materials include: anhydrous ammonia, bromine, chlorine, hydrogen cyanide, and phosgene. Although critical to public health and the economy, these chemicals pose special risks during transportation because their release can endanger significant numbers of people. For this reason, they are among the most carefully transported hazardous materials with more stringent regulatory requirements.
- *Flammable Liquids and Gases in Bulk* – primarily gasoline, fuels, and liquefied petroleum gas (LPG). While incidents with multiple casualties are infrequent, the potential for incidents involving these materials is greatest because they have the most exposure to the American public. Incidents involving flammable liquids and gases are all too common, particularly those involving cargo tank truck rollovers.
- *Packaging Failures* – with greater emphasis on failures in compressed gas cylinders, composite packaging, and packages carried on aircraft. We are concerned by the high failure rate in testing and the impact on safety risk to the public, environmental pollution, and potential for catastrophic accidents. While the consequences of packaging failures are not always catastrophic, the large number of reported incidents is alarming. We are addressing two related issues beyond testing and enforcement—the suspected large number of packaging failures that go unreported and the growing threat from undeclared shipments of hazardous materials.

We also face many more general challenges:

1. Adapting Safety Strategies to Technological Innovations in the Marketplace:

Technological innovations drive changes in the way companies manufacture, prepare, package and transport hazardous materials. For example, new alternative fuel vehicle technologies are driving an increased demand for ethanol, hydrogen and other materials intended for use as alternatives to gasoline. The emergence of fuel cell technology to power everything from large-scale industrial applications to personal computers and cell phones is resulting in increased shipments of these hazardous materials. We anticipate that the pace of innovation will accelerate, given the increased costs of fuel and government incentives to develop alternative fuels. To ensure that U.S. industries remain competitive, our standards must keep pace with changes in how these materials are used and moved.

Many new technologies could not be introduced into the market place without PHMSA's assistance in developing appropriate domestic and international regulatory standards. Where necessary, we will perform specific safety analysis, testing and risk evaluations to

address specific hazardous materials or applications (e.g., the transportation of fuel cell-powered electronic devices by aircraft passengers).

2. Facilitating Energy Independence: The global economy is threatened by the sharp rise in demand for fossil fuels, as well as the environmental effects of reliance on those fuel sources. Disruptions in supply—whether caused by political, economic, or natural events—wreak havoc on industrialized and developing economies alike. As fuel prices rise and environmental concerns sharpen, the private sector, with government encouragement through tax policy, is intensifying its efforts to develop cost-effective, renewable, clean alternatives to traditional fuel sources. Ethanol and bio-diesel fuel have already displaced some of our dependence on fossil fuel. The domestic production and distribution of ethanol is expected to double in the next four years. The nation is taking a new look at nuclear power. The President has endorsed hydrogen as a viable alternative. PHMSA strives to update and tailor its standards and regulations to address the safety challenges posed by the introduction of alternative fuels into the marketplace. On the basis of a recent data analysis, we have identified a significant increase in incidents involving ethanol that are disproportionate to the increase in the volume of shipments. While each of these alternative fuels hold promise, each presents challenges to the transportation system, and our success in planning for their introduction to the hazardous materials transportation system will play a large part in their acceptance and commercial viability.

3. Solving Complex Challenges and Developing the Least Costly and Most Effective Solutions: PHMSA actively encourages input in all its program activities (rulemaking, research and development, outreach and training). This enterprise approach is made especially challenging – and important -- by the sheer size and diversity of the hazardous materials transportation industry, including our regulated community of over 200,000 shippers -- from multinational corporations to small vendors conducting business through online auctions. Yet we have successfully employed the approach to enhance our understanding of complex challenges and identify alternative lower cost solutions. We will expand our use of this effective approach to all of our initiatives. Our ability to seek out partnering opportunities with our modal partners, other federal agencies, trade associations, employee organizations, and the emergency response community and to develop effective strategies with measurable results will be important to our success.

To address critical risks and implement effective solutions through the enterprise approach, PHMSA will provide funding for public meetings, including web-meetings, discussion boards, and other e-solutions to encourage input concerning our rulemaking actions from the widest possible audience. We also intend to streamline many of our regulatory processes, including special permit and approval processing, to reduce costs to government and industry and allow the rapid adoption of efficiencies in the hazardous materials transportation system. We also plan to charter and establish a Hazardous Materials Technical Advisory Committee (HMTAC), consisting of representatives of the hazardous materials transportation community with members from state and local government, industry and the public sector.

4. Building the Capabilities of the Nation's Hazardous Materials Emergency

Response Community to Respond to New Threats: PHMSA works cooperatively with the emergency response community to enhance their ability to respond efficiently and rapidly to hazardous materials incidents and to safeguard responders when confronted with hazardous materials spills. PHMSA must build on its strategic relationships with the emergency response community and continue frequent interaction to identify, improve, and develop tools needed by emergency responders to respond to hazardous materials incidents in transportation. Examples include:

- Developing guidelines and training to support alternative fuels response
- Developing risk assessment methodologies for routing hazardous materials across jurisdictional and geographic boundaries
- Performing an assessment of emergency responder capabilities, identifying gaps and plans for enhancing capabilities
- Developing a commodity flow analysis tool for use by local communities and local emergency planning committees
- Enhancing hazard communications systems to enhance the quality and timeliness of information that responders receive when they arrive on scene and providing this information electronically and real time.
- Developing a national web based repository of lessons learned and best practices for responding to hazardous materials incidents to allow sharing of information, improved safety, enhanced efficiencies and better use of resources.

5. Raising Awareness and Compliance as Companies Change the Way Hazardous Materials are Shipped: We have direct jurisdiction over an estimated 200,000 shippers, 7,000 packaging manufacturers, 3,000 retesters, and millions of consumers who ship hazardous materials or carry them aboard aircraft. The number of active hazardous materials shippers is growing as the economy expands, and we believe newer entrants are less likely to be aware of their safety responsibilities. Consumers and small businesses including on-line vendors are becoming more involved in shipping hazardous materials. Many incidents result from individuals shipping hazardous materials improperly packaged through the mail or through delivery service companies. The internet, through web-based auction companies and small internet-based businesses, expanded the number of people shipping materials that they may not realize are hazardous. Also, with new safety and security concerns, the public must be continually reminded of safe travel practices.

Public education is a key component in hazardous materials safety. PHMSA will tailor its enforcement and outreach efforts to address these challenges and focus efforts on partnering with organizations that have mutual interests in combating these challenges and embark on media and web based campaigns to raise awareness. Joint compliance inspections and investigations with FAA, FMCSA, FRA, USCG, and the DOT Office of Inspector General, as well as the FBI, DHS, ATF, U.S. Customs Service, and the CPSC, will be employed as well.

Implementation of an Integrity Management Program (IMP) will allow us to achieve greater efficiency in enhancing safety using a system risk management approach. The IMP will encourage high-risk shippers and carriers to adopt a process to increase the focus on safety at all levels of their organizations. The process includes: a risk assessment model to identify potential unsafe operations, causes of failure, and critical control points; developing and maintaining an integrity management plan, performance measures, and safety standards that focus on eliminating or reducing high-consequence events; collecting and analyzing data; and monitoring and evaluating performance. In return, companies which adopt this approach improve safety and reduce the likelihood of high-consequence hazardous materials releases in transportation.

We will implement a safety system management approach through which inspectors will work with high-risk shippers to strengthen and improve performance. The approach would target shippers of high-hazard materials, undeclared hazardous materials, those who have high instances of package failures, and companies which have large releases from packagings. Inspectors will use a systematic approach to help industry identify problems and probable causes and will focus on solutions to prevent further incidents.

We now require shippers and carriers to report undeclared hazardous materials shipments. Such shipments have long been recognized as a grave threat to public safety. We are employing a multifaceted approach to reducing undeclared shipments, including outreach, training, development of partnerships and enforcement. For instance, we are also planning an aggressive outreach effort and a public media campaign aimed at those individuals and companies that are most likely to offer hazardous materials undeclared.

PHMSA has actively promoted consumer awareness for many years. In 1998, we conducted a multi-year “These fly...These don’t” outreach campaign to inform air passengers of materials prohibited aboard passenger aircraft; in 2006 we developed materials informing air passengers of restrictions on carrying lighters on-board aircraft, and in 2007 we informed air passengers of safe handling of batteries used to power electronic devices such as personal computers and PDAs. We also established a website for the traveling public to learn about safe packaging at <http://safetravel.dot.gov>. In 2009 we will expand our outreach efforts even further to reach consumers and airline passengers and to make them more aware of their responsibilities. Currently approximately 1,500 unauthorized hazardous materials are found in airline passenger baggage every month in the United States. We are working with FAA and our international aviation safety partners to reduce these numbers. Through allocation of appropriate resources we will make a huge difference.

6. Enhancing the Safety of International Shipments and the Competitiveness of U.S.

Products: Virtually all hazardous materials imported to or exported from the United States are transported in accordance with international standards and the U.S Hazardous Materials Regulations. Harmonization with international standards enhances safety, compliance, and free trade, while minimizing regulatory burdens and barriers. We will assist U.S. companies by developing internationally harmonized hazardous material transportation regulations that provide a safe and level regulatory playing field. In 2009

we will work with other governments to distribute outreach materials, build their enforcement capabilities and engage them in enhancing compliance and safety.

7. Enhancing Data Quality and Analysis to Support Risk Assessment, Root Cause

Analysis and Resource Allocation: PHMSA plans to enhance data quality and our ability to analyze data by enhancing our information systems, conducting modeling analyses (e.g. to develop realistic evacuation distances that do not impose unnecessarily adverse impacts) and technical studies. One of our HMCRP projects focuses on data collection and quality for use in root cause analysis. These efforts will enable us to identify and measure risks associated with all aspects of hazardous materials transportation, including current requirements for classification and packaging; handling during loading and unloading; and emerging threats from new technologies and materials such as nano-materials, unstable and severely reactive materials, and alternative fuels and to effectively allocate our limited resources.

8. Investing in Human Capital: Increasingly, PHMSA is challenged to do more with fewer resources. Much of the workload of the hazardous materials program is customer generated, and our clients have experience with and a continued expectation of excellent service. Petitions for rulemaking; applications for Special Permits and for Approvals; requests for interpretations; requests for training materials; answers to specific questions; and requests for investigation of suspected safety violations all deserve timely response and depend on the availability of a skilled workforce. Over one-third of the employees in our hazardous materials program will be eligible to retire over the next five years. As we plan for succession and future program requirements, the challenge is to match the skills, experience and size of our workforce with the expectations of our customers.

9. Increasing the Knowledge and Skills of People Who Make Hazardous Materials

Safe for Transportation: Through an enterprise approach, we will promote professionalism throughout the hazardous materials community, and we will establish an exclusive authority to certify hazardous materials professionals through curriculum development and training. We plan to fund training operations through reimbursable agreements to offset costs.

To increase consistency among enforcement efforts, PHMSA plans to extend its investigator training to hazardous materials investigators from the other DOT modes. The core, refresher and specialized training will be offered to all DOT hazardous materials investigators. The total number of dedicated hazardous materials investigators is 532, from FRA (56), FAA (150), and FMCSA (26, plus 300 state investigators delegated hazardous materials responsibility for the FMCSA).

Explanation of Funding Changes for Hazardous Materials Safety

Hazardous Materials Safety Increase/Decrease: Amount (000K) / FTE

\$0 K / 0.0

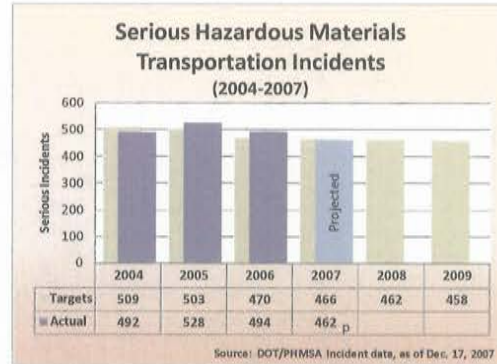
Adjustments to Base:

- This increase is for annualization (three months) of the proposed FY 2008 pay raise of 3.5 percent \$144K / 0
- This increase is for nine months of the Jan. 2009 requested pay raise of 2.9 percent \$386K / 0
- Decrease of 1 day pay in FY 2008 \$-68K / 0
- General reductions necessary to sustain workforce and current operations \$-1,257 / 0
- Working Capital Fund \$559K / 0
- Inflation increases for all contract and R&D programs at 2.3 percent. \$236K / 0

PERFORMANCE OVERVIEW

Annual Performance Results and Targets

The Pipeline and Hazardous Materials Safety Administration integrates performance results into its budget request to demonstrate alignment with the Department of Transportation's Strategic Plan. The Pipeline and Hazardous Materials Safety Administration tracks the following DOT level performance measure to demonstrate program results:



Strategic Goal: Safety

Performance Goal: Reduce the number of serious hazardous materials transportation incidents.

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CY Target:	509	503	470	466	462	458
CY Actual:	492	528	494	462*		

Strategic Objective: Global Connectivity

Performance Goal: Percent of hazmat proposals in which the U.S. prevails in international organizations.

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CY Target:	50	50	50	50
CY Actual:	67	60*		

Strategic Goal: Security, Preparedness and Response

Performance Goal: Number of Emergency Response Guidebooks distributed; number of first responders trained; number of emergency response plans completed and number of hazmat employees trained.

	2004	2005	2006	2007*	2008**	2009**
Emergency Response Guidebooks Distributed	2.2 million	N/A	N/A	N/A	2.7 million (printed & electronic)	N/A
First responders trained	171,292	176,786	177,000	177,000	177,000	293,000
Emergency response plans completed	6,139	3,500	3,500	3,500	3,500	4,000
Hazmat employees trained	N/A	N/A	N/A	N/A	N/A	25,000*

* Projected. Note: Grants are awarded at the end of the fiscal year; therefore grants awarded in FY 2006 will close-out at the end of FY 2007 and outcomes will be compiled in early FY 2008. **Estimated assuming \$40.00 per employee trained, the average cost per trained employee for our emergency responder training.

HAZARDOUS MATERIALS SAFETY

PROGRAM ASSESSMENT RATING TOOL (PART) ANALYSIS

In a FY 2005, PART analysis, PHMSA's Hazardous Materials Safety program was categorized as a moderately effective program with a score of 73.

The PART recommendations and PHMSA/PHH actions are listed below:

Hazardous Materials Safety Program: Moderately Effective

Recommendation #1: Revise long term and annual targets for serious hazardous materials incidents to make them more ambitious.

Action plan: Re-baseline future year targets for serious hazardous materials incident goal.

Recommendation #2: Develop a strategic plan for the program that ties to the Department of Transportation's strategic plans and goals.

Action plan: PHMSA to develop a strategic plan based on the new DOT strategic plan.

Recommendation #3: Schedule a comprehensive program evaluation.

Action plan: PHMSA will develop a detailed project plan to ensure that the study addresses perceived shortcomings. The project plan will be used to reach consensus on those areas among program and PHMSA executives and OST.

Recommendation #4: Develop an efficiency measure related to the processing of exemption petitions.

Action plan: PHMSA will develop a new efficiency measure that characterizes the time to issue special permits from the date of application.

[ADMINISTRATIVE EXPENSES]OPERATIONS

For necessary [administrative] *operational* expenses of the Pipeline and Hazardous Materials Safety Administration, \$18,130,000, of which \$639,000 shall be derived from the Pipeline Safety Fund. (*Department of Transportation Appropriations Act, 2008.*)

Program and Performance Statement

Operations – This appropriation finances the operational costs for the Pipeline and Hazardous Materials Safety Administration. The FY 2009 Budget proposes to change the name of this account to Operations, to better describe the types of activities covered by this account. This account covers the following activities: policy development, counsel, budget, financial management, civil rights, management, administration and agency-wide expenses.

EXHIBIT III-1

OPERATIONS

APPROPRIATION SUMMARY BY PROGRAM ACTIVITY (000's)

	FY 2007	FY 2008	FY 2009	FY 08 to 09
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>	<u>Change</u>
Operations*	18,031	18,130	18,130	-
FTE's				
Direct Funded	57.0	63.0	63.0	-
Reimbursable	9.0	11.0	11.0	-

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to " Operations"

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

OPERATIONS

SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009

Appropriations, Obligation Limitations and Exempt Obligations

<u>APPROPRIATION</u>	Dollars in <u>thousands</u>	<u>FTE</u>
OPERATIONS*		
FY 2008 Enacted	18,130	63.0
FY 2009 Adjustments to Operations Base:		
Annualization of the 3.5% FY 2008 Pay Raise	61	0.0
FY 2009 Pay Raise of 2.9% for 9 months	151	0.0
Decrease of 1 Day in FY 2008	-27	0.0
GSA Rent	221	0.0
Working Capital Fund reduction necessary to sustain workforce and current operations	-664	0.0
2.3% Inflation	<u>258</u>	<u>0.0</u>
Subtotal, Adjustments to Operations Base	0	0.0
OPERATIONS APPROPRIATION, TOTAL	18,130	63.0

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to " Operations"

DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Operations

PROGRAM AND FINANCING (in thousands of dollars)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Obligations by program activity			
0.91 Total direct program	16,894	18,130	18,130
9.01 Reimbursable program	919	0	0
10.00 Total obligations	17,813	18,130	18,130
Budgetary resources available for obligation			
22.00 New budget authority (gross)	18,950	18,130	18,130
22.10 Resources available from recoveries of prior year obligations	0	0	0
23.90 Total budgetary resources available for obligation	18,950	18,130	18,130
23.95 New obligations	-17,813	-18,130	-18,130
23.98 Unobligated balance expiring or withdrawn	-1,137	0	0
24.40 Unobligated balance available, end of year	0	0	0
New budget authority (gross), detail			
Discretionary			
40.00 Appropriation (definite)	18,031	17,491	17,491
40.35 Appropriation permanently reduced	0	0	0
42.00 Transferred from other accounts 69-5172	0	639	639
43.00 Appropriation (total)	18,031	18,130	18,130
Discretionary spending authority from offsetting collections:			
68.00 Offsetting collections (cash) (unexpired only)	707	0	0
68.10 Change in uncollected cust paymts fm Fed sources (unexp)	212	0	0
68.90 Spending authority fm offsetting collections (total)	919	0	0
70.00 Total new budget authority (gross)	18,950	18,130	18,130
Change in unpaid obligations			
Unpaid obligations, start of year:			
72.40 Obligated balance: Appropriation	4,730	3,075	5,802
73.10 New obligations	17,813	18,130	18,130
73.20 Total outlays (gross)	-19,503	-15,403	-18,130
73.40 Adjustments in expired accounts (net)	32	0	0
74.00 Chg in Uncollected cust orders fm Fed Sources (unexpired)	-212	0	0
74.10 Chg in Uncollected cust orders fm Fed Sources (expired)	215	0	0
74.40 Obligated balance: Appropriation	3,075	5,802	5,802
Outlays (gross), detail			
86.90 Outlays from new discretionary authority	15,452	12,328	12,328
86.93 Outlays from discretionary balances	4,051	3,075	5,802
87.00 Total outlays (gross)	19,503	15,403	18,130
Offsets:			
Against gross budget authority and outlays			
Offsetting collections (cash) from:			
88.00 Federal sources	934	0	0
88.95 Portion of offsetting collection credited to unexpired accounts	212	0	0
88.96 Portion of offsetting collection credited to expired accounts	-228	0	0
Net budget authority and outlays			
89.00 Budget authority (net)	18,031	18,130	18,130
90.00 Outlays (net)	18,569	15,403	18,130
95.02 Unpaid Obligations, EOY	3,301		

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Operations

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 69-1400-0-1-407

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	5,077	5,633	5,633
11.3 Other than full-time permanent	490	505	505
11.9 Total personnel compensation	5,567	6,138	6,138
12.1 Civilian personnel benefits	1,367	795	795
23.1 GSA Rent	2,634	3,401	3,401
23.3 Communications, util, & misc. charges	679	742	764
25.1 Advisory & Assistance Service	844	1,009	1,039
25.2 Other services	1,675	2,640	2,003
25.3 Other purchases of goods & services from government accounts	3,235	2,234	2,714
31.0 Equipment	893	1,171	1,275
99.0 Subtotal, direct obligations	16,894	18,130	18,130
22.5 Subtotal, Reimbursable obligations	919		
99.9 Total new obligations	17,813	18,130	18,130

EMPLOYMENT SUMMARY

Direct :			
1001 Civilian full-time equivalent employment	57.0	63.0	63.0
Reimbursable:			
2001 Civilian full-time equivalent employment	9	11	11

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
10 YEAR HISTORY OF BUDGET AUTHORITY

Operations
(in dollars)

Estimates	Appropriations
2006 17,027,000	2006 16,708,230 1/
2007 17,721,000	2007 18,031,000 2/
2008 18,130,000	2008 18,130,000
2009 18,130,000	

1/ Reflects reduction, of \$168,770 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148)

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

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Detailed Justification for Operations

Operations

FY 2009 Request: \$18,130K

Operations is made up of:

- Office of the Administrator
 - Administrator
 - Deputy Administrator
 - Assistant Administrator/Chief Safety Officer
 - Civil Rights
 - Security, Emergency Preparedness and Response
 - Executive Secretariat
- Office of Chief Counsel
- Office of Governmental, International, and Public Affairs
- Office of Administration
 - Administrative Services
 - Contracts and Procurement
 - Human Resources
 - Information Technology
- Office of Budget and Performance Integration/Chief Financial Officer

Overview:

The success of PHMSA's safety programs depends on the performance of support organizations that ensure the legal foundation of our regulations; recruit, develop and retain qualified staff; and procure a full range of goods and services (IT, R&D, and professional services, furniture) necessary to fulfill our safety mission. We are proposing to fund these activities at FY 2008 enacted levels.

PHMSA also proposes to change the name of this appropriation title to "Operations." Since its inception in 2005, PHMSA has made significant progress in aligning the operations of its Pipeline and Hazardous Materials safety programs. PHMSA is emerging as a data-driven, risk-based agency employing an enterprise approach in our relationships with Federal, state, and local government agencies; industry; and other stakeholders. We are aligning our hazardous materials and pipeline safety programs to be more efficient and to leverage common procedures, skills, and information. This means that the central activities funded under the "Administrative Expenses" appropriation title now are more directly and transparently linked to PHMSA's safety program operations. The proposed name change also will tie this PHMSA appropriation to the terminology used in similar appropriations funding other DOT operating administrations.

Top priority will be given to core critical decision-making, legal analysis, financial management, procurement, position management, information technology operations, Homeland Security Presidential Directive-12, and security planning all of which support safety.

The Office of the Administrator provides leadership to PHMSA and is the principal adviser to the Secretary in all matters relating to pipeline and hazardous materials safety.

PHMSA leadership includes an Administrator, a Deputy Administrator, and an Assistant Administrator/Chief Safety Officer. The Office of the administrator includes the Office of Civil Rights, which directs and manages the agency's equal employment opportunity programs and activities, and the Office of the Chief Safety Officer, including PHMSA-wide analytical support, policy development, planning, and security/emergency preparedness and response coordination.

The Office of Chief Counsel provides legal services in support of all agency programs and activities. The Chief Counsel is the principal legal advisor to the Administrator and is the designated official for certain administrative actions, including assessment of civil penalties for violations of the Hazardous Materials Regulations. The agency's lawyers represent PHMSA in administrative enforcement actions and appeals and work closely with program officials in the regional offices and headquarters in handling enforcement cases. The Office of Chief Counsel also represents the agency in litigation; participates in the planning, development, and drafting of rulemaking proposals and decisions; issues preemption determinations; reviews and drafts legislative proposals; conducts legal analysis and interpretation; provides ethics counseling; and advises and represents the agency in connection with procurement, personnel, FOIA, and other general legal issues.

The Office of Governmental, International, and Public Affairs promotes awareness of all PHMSA programs, activities, objectives and goals to the Congress, media, stakeholders and the general public. It also coordinates all PHMSA international activities, meetings, agreements and exchanges with foreign countries.

The Office of Administration directs, coordinates, and assures the adequacy of PHMSA's agency-wide activities, including human resources management; information resources management (IRM); real and personal property management; management analysis; procurement management; grant coordination; and Office of Inspector General and General Accounting Office audit liaison.

The Office of Budget and Performance Integration/Chief Financial Officer provides budget and financial management to the Administrator and the agency on all financial matters. The staff of accountants and budget analysts works with the program offices to ensure Congressional funding is spent as directed and that agency resources are safeguarded against fraud, waste and abuse. The office also is responsible for two PMA Initiatives; Improved Financial Management and Budget and Performance Integration.

FY 2008 Base:

Personnel Compensation and Benefits and Administrative Expenses (\$14.4M) –

This funds needed staff work in Executive Direction, Budget, Financial, Legal, Administrative Services, Emergency Preparedness and Response, Human Resources, Contracts, Civil Rights and the implementation of the Homeland Security Presidential Directive-12.

Civil Rights (\$53K) - This funding provides for: 1) and intern program; and 2) some travel for onsite compliance audits for federally assisted programs to ensure non-discrimination.

Information Resources Management (\$0.9M) - This funding maintains basic Local Area Networks (LAN) support links for the computers and automated systems such as the exhibit 300's – www.dot.gov/exhibit300/ serving PHMSA. The funds pay for one LAN administrator, one assistant LAN administrator, LAN hardware and software, LAN maintenance, and connection to DOT's fiber optic network.

Human Resources Support Systems (\$15K) – This funding allows existing staff to focus on hiring and maintaining a full complement of inspectors and other PHMSA staff, rather than diverting their time to other miscellaneous, but required, work.

Information Technology Infrastructure (\$2.4M) - This funding provides critical information technology (IT) infrastructure and business support services for PHMSA's safety mission, promoting the safe, secure, and reliable delivery of hazardous materials by all transportation modes, including pipelines. IT underpins PHMSA's ability to achieve its goals and objectives. These services include the core IT infrastructure (i.e., network, email, desktop, server, printing, telecommunications), support of the mobile workforce (compliance and enforcement and Telework program), security planning, disaster recovery center, hardware and software maintenance and license agreements, application development and maintenance, and the consolidated DOT Help Desk support services contract. This funding also supports the PHMSA-wide IT Program Review, which was launched in late FY 2007 and will be completed in FY 2008.

President's E-Government Initiative (\$0.1M) - This funding is used to support the twelve Presidential E-Government initiatives that are designed specifically to increase the value of the federal government to citizens. This is accomplished by focusing on improving the productivity and efficiency of Federal workers, while improving the services available to citizens, businesses, and other government agencies. Of the twelve initiatives PHMSA has realized benefits from the Business Gateway, Integrated Acquisition Environment, automated travel management, payroll consolidation, and Grants.gov initiatives. The Business Gateway initiative provides a single point of access for citizens, businesses, and state governments to obtain information about DOT services and access web-based applications. Grants.gov allows citizens, businesses, and other government agencies to learn about and apply for federally funded grants at one consolidated entry point. The Integrated Acquisition Environment creates a secure environment that facilitates cost-effective acquisition of goods and services. PHMSA currently uses Grants.gov and FedBizOpps (FBO.gov - part of the Integrated Acquisition Environment) to announce and receive proposals/applications for all grant and contract opportunities.

PHMSA anticipates that e-Rulemaking will provide the public real time access to rulemaking activities, while providing PHMSA with direct feedback from citizens, businesses, and other government agencies; e-Authentication Lines of Business (LOB)

will provide enhanced security and protection necessary to further safeguard data, especially sensitive, classified, and Personally Identifiable Information data. The Geospatial LOB is intended to provide a single-point of access to map-related data and maximize geospatial investments by sharing resources and reducing redundancies. PHMSA has posted information about its spatial data on the geospatial one-stop portal and will be looking for collaboration opportunities in the future.

Budget and Financial Management (\$0.2M) - This funding maintains PHMSA's financial management control system, which produces financial information for PHMSA program managers, DOT, OMB and Congress.

Anticipated FY 2008 Accomplishments:

We expect to meet our FY 2008 performance goals.

Civil Rights:

- Train 100% of workforce in equal employment opportunity (EEO) requirements
- Use alternative dispute resolution (ADR) to the maximum extent possible
- Resolve 50% of all ADR complaints at the initial informal stage
- Review and make recommendations on 100% of formal workplace complaints
- Receive no more than 5 discrimination complaints

Chief Counsel:

- Conduct administrative enforcement actions to compel compliance with pipeline and hazardous materials safety and security standards.
- Expand enforcement options to enhance industry compliance rates by fostering PHMSA's relationship with Federal and State enforcement partners, on both civil and criminal judicial enforcement.
- Ensure the legal sufficiency of more than 150 grants totaling in excess of \$50 million.
- Review, coordinate and comment on over 400 legislative, regulatory, and executive documents.
- Receive, review, coordinate, and respond to over 200 requests for information under the Freedom of Information Act.
- Provide ethics training and counseling for approximately 300 employees.
- Solicit, collect, and review financial disclosure statements from more than 200 PHMSA employees to identify possible conflicts of interest.

Information Technology Infrastructure:

- Provide essential IT infrastructure services and support (i.e., network, desktop, server, email, printing, and Help Desk support) to enable PHMSA to effectively and efficiently execute mission services.
- Provide Privacy and IT Security Awareness training to 100% of staff
- Maintain and enhance the disaster recovery center to ensure continuity of mission services in the event of an outage or crisis event.

- Leverage the Enterprise Architecture program to drive core business decisions regarding IT.
- Continue to serve as a Strategic Business Partner to assist in identifying 21st Century IT solutions to increase safety and business performance
- Identify opportunities to reduce redundancies, increase efficiencies, and maximize the business value of IT spend by conducting an IT Program review.
- Continue to support the telecommunications infrastructure that provides essential communications between the regional offices and HQ.
- Continue to maintain, support, and enhance the PHMSA website, budget allocation, and procurement systems.
- Provide support for internal and external collaboration services for communications with industry, states, and other customers and stakeholders.
- Achieve a green rating on the President's Management Agenda (PMA).

Contracts and Procurement:

- Competitive Sourcing: Validate savings and/or significant performance improvements from competitive sourcing competitions completed in prior fiscal years.
- Performance-Based Contracting: By the end of FY 2008, award 70% of all eligible service contracts as performance-based contracts.
- Contract Closeouts: By the end of FY 2008, closeout 80% of our completed contracts and agreements and de-obligate unspent funds and recover monies owed the government by contractors.
- Oversight Audits: Conduct annual "incurred cost audits" (by the Defense Contract Audit Agency) on 100% of eligible (over \$3M) cost reimbursement contracts to ensure contractors are not overcharging the Federal government.
- Grants.gov: Post all applicable PHMSA grants on the Grants.Gov FIND portal; receive 100% of PHMSA grant applications thru the Grants. Gov APPLY portal, and fully integrate the PHP, PHH, and PHA grants programs into the Grants. Gov interface.

Human Resources:

- Make job offers to at least 80% of all announced non-SES positions within 45 working days of the closing date of the announcement.
- Establish and implement individual development plans for at least 40% of PHMSA staff, in order to position the workforce to successfully carry on the work of the agency, with over 21% of the current workforce eligible to retire by the end of FY 2009, including 44% of PHMSA leadership positions.
- At least 35% of the eligible PHMSA workforce will be telecommuting on a regular basis (at least once per week) by the end of FY 2008.

Budget and Finance:

- Continue integrating additional and more sophisticated Performance Measures (e.g., Marginal Cost of Performance for Hazardous Materials Safety) into the Budget request.

- Continue integrating all program support costs into PHMSA's Performance Goals.
- Maintaining "Zero Travel Card delinquencies".
- Capture and report program cost data by DOT strategic goal.
- Receive an Unqualified General Audit Opinion on PHMSA's Financial Statements.

FY 2009 Budget Request:

PHMSA is requesting \$18,130,000, the same level as the FY 2008 Enacted Budget. We will continue to provide operational support services for PHMSA's safety programs, which are integral to accomplishing each Performance Goal. Our front-line employees cannot execute their responsibilities effectively without adequate legal, IT, HR, and contracting support.

Challenges to meeting our performance targets in 2009:

Civil Rights:

1. President Bush's New Freedom Initiative has called upon us to increase opportunities in all areas for people with disabilities. The President expects the Federal government to be a model employer of people with disabilities. If we are to recruit and retain a diverse, well-qualified workforce focused on results for the American people, we must increase employment opportunities for people with disabilities.

Chief Counsel:

1. Enforcement: The Office of Chief Counsel continues to improve and increase its level of legal support to the program offices in conducting and implementing a robust enforcement program that focuses on high-risk and poor performing operators. This support includes providing counsel and guidance on cases that continue to increase in complexity. In addition, Counsel's office plays a key role in coordinating the agency's enforcement actions with other federal agencies, including the Department of Justice and EPA. Significant legal resources will be necessary to allow the office to provide timely and meaningful support for the agency's enforcement programs.
2. Addressing New and Emerging Technology and Energy Issues: The advent of new technologies and alternative fuel sources brings new legal challenges in terms of determining and mapping out regulatory and enforcement options for the agency. Counsel's office will be called upon to understand these new issues, address PHMSA's role, and support the agency in providing solutions so that these products can be safely transported. As the agency seeks to support the President's energy security objectives, Counsel's office is called upon to interpret existing and new legal and regulatory requirements and support planning and implementation of new initiatives to facilitate the safe transportation of biofuels and other alternative fuels.

3. **Safety and Security Issues:** Because PHMSA shares jurisdiction over hazardous materials transportation security with the Transportation Security Administration (TSA), both agencies have agreed to coordinate their regulatory and enforcement actions. A vigorous TSA regulatory and enforcement program requires the commitment of substantial legal resources to coordinate the planning and implementation of joint and separate regulatory and enforcement initiatives, as well as to interpret the potential impacts of proposed legislative and administrative actions. PHMSA will continue to be closely involved in questions regarding federal, state, and local conflicts over safety and security in transporting hazardous materials. In addition, Counsel's office coordinates closely with the pipeline program office and TSA on matters of mutual concern in the safety/security arena.
4. **Information Disclosure:** PHMSA's efforts to develop a more citizen-centered and results-oriented approach to disclosure of information through a robust Freedom of Information Act process and enforcement transparency website require commitment of legal resources to increase efficiency and better reflect the policy goals of Executive Order 13392.
5. **General Law:** As PHMSA's programs have grown in size and complexity, there has been a concomitant growth in legal issues concerning: personnel and EEO law; federal tort claims; ethics issues; implementation of the President's Management Agenda, the FAIR Act and competitive sourcing; compliance with more extensive regulatory requirements, especially with respect to environment and financial impacts; and balancing the requirements of the Freedom of Information Act with the regulations on protection of Sensitive Security Information.

Contracts and Procurement:

1. The PHMSA Office of Contracts and Procurement has been assigned an expanding role in grants management: serving as Grants.Gov program coordinator for the agency, and supporting OMB/DOT Grants.Gov implementation milestones as the program expands into implementation of the Grants Management Line of Business (GMLoB).

In this expanded role, the Office of Contracts and Procurement will also serve as the PHMSA coordinator for implementation and management of the Federal Funding Accountability and Transparency Act ("FFATA"). On September 26, 2006, the President enacted FFATA to reduce "wasteful and unnecessary spending" by requiring that OMB establish a free, public, online database containing full disclosure of all federal award information. FFATA defines "federal award" to include "grants, sub-grants, loans, awards, cooperative agreements, and other forms of financial assistance" as well as "contracts, subcontracts, purchase orders, task orders, and delivery orders." By January 1, 2008, FFATA requires reporting on entities that are awarded funds

directly from the federal government. FFATA will include data sourced from FPDS, eSRS, and Grants.gov.

We will also assume the role of primary contract support activity for the Pipeline Safety Training program in Oklahoma City starting in FY08. Procurement support had previously been provided by FAA acquisition personnel in Oklahoma City.

Human Resources:

1. PHMSA is faced with the challenges of eliminating skill gaps in the existing workforce; implementing strategies to recruit for and retain these skills; enhancing our workforce diversity; and successfully preparing for a major wave of departures in the ranks of executives, managers and supervisors--44% of whom will be eligible to retire by the end of FY 2009.
2. Continuing growth of the programs supported by the PHMSA human resources staff, including the proposed increase in pipeline safety inspection and enforcement personnel, will require corresponding efforts to establish new positions, fill vacancies, and plan and implement employee training and development programs. This challenge will be exacerbated by an anticipated increase in attrition, as nearly 34% of the current non-supervisory workforce in the mission critical occupations of transportation specialist and engineer will be eligible for retirement by the end of FY 2009. According to the results of the FY 2006 Federal Human Capital Survey, a significant number of these employees intend to retire within that time frame.

Information Technology Infrastructure:

1. In FY2007, PHMSA launched an agency-wide Business Needs and IT Systems review. This review is in response to PHMSA realignments to employ risk reduction strategies; leverage data to drive business decisions; develop risk models; implement a systems-based approach; and expand the collaboration and data sharing opportunities with our Federal, state, local, and industry partners. IT services were evaluated to determine their suitability, value, and consistency with the new business processes. There are significant opportunities to increase IT system effectiveness, reduce redundancies, increase collaboration, eliminate stove-pipes, and to use IT spending more efficiently. The IT Program Review is identifying current (and future) business and technology performance gaps that inhibit the agency's ability to execute our mission. The proposed funding will implement the efficiencies and infrastructural improvements identified in the IT system review.
2. Communication and collaboration with industry; Federal, state, and local governments; and other stakeholders and customers are essential for PHMSA to maximize safety performance. PHMSA routinely has a need to conduct meetings and share documents and data with stakeholders and customers. In addition, the Outreach and Training initiatives require extensive collaboration

with industry and the public. PHMSA will enhance its ability to leverage web-enabled collaboration services and vehicles to increase mission effectiveness, assist in building performance partnerships with stakeholders, and maximize transparency.

3. Improved data is key to PHMSA's ability to employ risk reduction strategies to drive business decisions. A key challenge is to collect data from all relevant sources and to report it so that it can be effectively used. To address this challenge, PHMSA will continue to expand its partnerships with other agencies; identify further data sharing opportunities; strengthen risk models; improve data governance, and employ business intelligence tools to maximize decision support capabilities.
4. PHMSA's mobile workforce requires connectivity to mission systems and services while in the field conducting compliance and enforcement inspection activities. Without reliable and secure connectivity, our mobile workforce will not have adequate access to critical data and services essential for addressing safety problems and validating information about operators and shippers. PHMSA will expand secure and reliable wireless technologies to ensure our mobile workforce has access to mission systems and services while in the field.
5. The IT Security program will be enhanced to ensure the confidentiality, integrity, and availability of mission services, data, and assets. In addition, PHMSA will ensure the protection of Personally Identifiable Information from unauthorized disclosure and will continue to employ encryption technologies to secure the information.
6. PHMSA will provide IT infrastructure (i.e., network, email, server, help desk, and printing) support services via the DOT Consolidated Infrastructure investment. This service is critical in providing the necessary support and IT services to enable mission execution.
7. PHMSA will maintain and enhance its ability to provide the IT tools and services to effectively enable and support telework.

Budget and Finance

1. Implementing the President's Management Agenda (PMA) to improve budget and performance integration has dramatically increased the oversight responsibilities of the Budget and Finance Office. We will continue to develop, recommend, coordinate and administer budget-related policies, programs, and procedures to meet PMA goals, DOT requirements, and applicable Federal laws and regulations.
2. Responding to the PMA to improve financial performance, PHMSA participates in the effort to strengthen DOT's internal controls for financial

reporting and financial systems as required by the recently revised OMB Circular No.A-123 (Management's Responsibility for Internal Control).

Explanation of Funding Changes for Operations

<u>Operations</u>	<u>Increase/Decrease: Amount (000K) / FTE</u>
	\$0 K / 0.0
<u>Adjustments to Base:</u>	
• This increase is for annualization (three months) of the proposed FY 2008 pay raise of 3.5 percent	\$61K / 0
• This increase is for nine months of the Jan. 2009 requested pay raise of 2.9 percent	\$151K / 0
• Decrease of 1 day pay in FY 2008	\$-27K / 0
• GSA Rent	\$221K / 0
• Working Capital Fund reduction necessary to sustain workforce and current operations	\$-664K / 0
• Inflation increases for all contract and R&D programs at 2.3 percent.	\$258K / 0

PIPELINE SAFETY

(PIPELINE SAFETY FUND)

(OIL SPILL LIABILITY TRUST 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, [\$79,828,000] \$93,291,000, of which \$18,810,000 shall be derived from the Oil Spill Liability Trust Fund and shall remain available until September 30, [2010] 2011; and of which [\$61,018,000] \$74,481,000 shall be derived from the Pipeline Safety Fund, of which [32,242,000] \$40,081,000 shall remain available until September 30, [2010] 2011.[*Provided*, That not less than \$1,043,000 of the funds provided under this heading shall be for the one-call State grant program]. (*Department of Transportation Appropriations Act, 2008.*)

Program and Performance Statement

The Pipeline and Hazardous Materials Safety Administration (PHMSA), is responsible for the Department's pipeline safety program. PHMSA oversees the safety, security, and environmental protection of pipelines through analysis of data, damage prevention, education and training, enforcement of regulations and standards, research and development, grants for States pipeline safety program, and emergency planning for response to accidents.

EXHIBIT III-1

PIPELINE SAFETY

APPROPRIATION SUMMARY BY PROGRAM ACTIVITY (000's)

	FY 2007 <u>Actual</u>	FY 2008 <u>Enacted</u>	FY 2009 <u>Request</u>	FY 08 to 09 <u>Change</u>
Operations	46,304	48,586	53,210	4,624
Research and Development	9,093	8,184	5,784	(2,400)
Grants	<u>19,518</u>	<u>23,058</u>	<u>34,297</u>	<u>11,239</u>
Total, Pipeline Safety	74,915	79,828	93,291	13,463
FTE's				
Direct Funded	146.0	179.5	191.0	11.5
Reimbursable	0.0	0.0	0.0	

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

PIPELINE SAFETY

SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009

Appropriations, Obligation Limitations and Exempt Obligations

<u>APPROPRIATION</u>	Dollars in <u>thousands</u>	<u>FTE</u>
PIPELINE SAFETY		
FY 2008 Enacted		
Operations	48,586	179.5
Research and Development	8,184	
Grants	<u>23,058</u>	
Subtotal: FY 2008 Base	79,828	179.5
FY 2009 Adjustments to Pipeline Safety Base:		
Annualization of the 3.5% FY 2008 Pay Raise	169	0.0
FY 2009 Pay Raise of 2.9% for 9 months	466	0.0
Decrease of 1 Day in FY 2008	-82	0.0
Annualization of 7 FY 2008 positions	659	3.5
GSA Rent	176	0.0
WCF	238	0.0
2.3% Inflation	<u>1,061</u>	<u>0.0</u>
Subtotal, Adjustments to Pipeline Safety Base	2,687	3.5
FY 2009 Pipeline Safety Program Increases/Decreases:		
1. Inspection and Enforcement Staffing- 16 new inspector/enforcement positions to reinforce inspection/enforcement capabilities for PHMSA's Integrated Inspection program, Alaska gas issues and trans-boundary pipelines	2,045	8.0
2. Compliance, Inspection and Enforcement- Increase to aid State pipeline agencies manage a 25% increase in mandated inspection and enforcement activities, educate the public about pipeline issues, and improve security at pipeline facilities	11,279	0.0
3. Alternative Fuels initiative-- funding for researching the transportation safety of new fuel technologies, improving their transportation, providing regulation, and outreach to educate the public of its benefits.	100	0.0
4. Integrity Management--To meet our commitment to the States, and successfully address Congressional and Administration inspection and enforcement staffing priorities, PHMSA marginally reduced Integrity Management funding	-838	0.0
5. Research and Development-To meet our commitment to the States, and successfully address Congressional and Administration inspection and enforcement staffing priorities, PHMSA marginally reduced Research and Development funding	-1,810	<u>0.0</u>
Subtotal, Pipeline Safety Program Increases/Decreases	10,776	8.0
PIPELINE SAFETY APPROPRIATION, TOTAL	93,291	191.0

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 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
01.00 Balance, start of year	20,620	24,597	25,236
01.90 Adjustment to reconcile to unavailable beginning balance	3,095	0	0
01.99 Revised Balance, start of year	23,715	24,597	25,236
Receipts:			
02.60 Pipeline safety user fees (offsetting governmental receipts)	60,100	61,657	75,120
04.00 Total: Balances and collections	83,815	86,254	100,356
Appropriations:			
05.00 Pipeline safety	(60,065)	(61,018)	(74,481)
06.10 Unobligated balance returned to receipts	847	0	0
07.99 Balance, end of year	24,597	25,236	25,875

DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Pipeline Safety

PROGRAM AND FINANCING (in thousands of dollars)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Obligations by program activity			
0.91 Total direct program	69,350	103,710	93,291
10.00 Total obligations	69,350	103,710	93,291
Budgetary resources available for obligation			
21.40 Unobligated balance available, start of year	19,815	23,882	0
22.00 New budget authority (gross)	74,915	79,828	93,291
22.10 Resources available from recoveries of prior year obligations	100	0	0
23.90 Total budgetary resources available for obligation	94,830	103,710	93,291
23.95 New obligations	-69,350	-103,710	-93,291
23.98 Unobligated balance expiring or withdrawn	-1,598	0	0
24.40 Unobligated balance available, end of year	23,882	0	0
New budget authority (gross), detail			
Discretionary			
40.20 Appropriation (special fund)	60,065	61,657	75,120
41.00 Tranferred to other accounts 69-1400	0	-639	-639
43.00 Appropriation (total)	60,065	61,018	74,481
Discretionary spending authority from offsetting collections:			
68.00 Offsetting collections (cash) (unexpired only)	12,834	18,810	18,810
68.10 Change in uncollected cust paymts fm Fed sources (unexp)	2,016	0	0
68.90 Spending authority fm offsetting collections (total)	14,850	18,810	18,810
70.00 Total new budget authority (gross)	74,915	79,828	93,291
Change in unpaid obligations			
Unpaid obligations, start of year:			
72.40 Obligated balance: Appropriation	31,516	21,317	48,141
73.10 New obligations	69,350	103,710	93,291
73.20 Total outlays (gross)	-76,153	-76,886	-90,697
73.40 Adjustments in expired accounts (net)	-1,296	0	0
73.45 Recoveries of prior year obligations	-100	0	0
74.00 Chg in Uncollected cust orders fm Fed Sources (unexpired)	-2,016	0	0
74.10 Chg in Uncollected cust orders fm Fed Sources (expired)	16	0	0
74.40 Obligated balance: Appropriation	21,317	48,141	50,735
Outlays (gross), detail			
86.90 Outlays from new discretionary authority	35,707	48,709	55,306
86.93 Outlays from discretionary balances	40,446	28,177	35,391
87.00 Total outlays (gross)	76,153	76,886	90,697
Offsets:			
Against gross budget authority and outlays			
Offsetting collections (cash) from:			
88.00 Federal sources	12,922	18,810	18,810
88.95 Portion of offsetting collection credited to unexpired accounts	2,016	0	0
88.96 Portion of offsetting collection credited to expired accounts	-87	0	0
Net budget authority and outlays			
89.00 Budget authority (net)	60,065	61,018	74,481
90.00 Outlays (net)	63,231	58,076	71,887
95.02 Unpaid Obligations, EOY	29,700		

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Pipeline Safety

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 69-5172-0-2-407

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Direct Obligations:			
Personnel Compensation:			
11.1 Full-time permanent	15,137	17,509	17,660
11.9 Total personnel compensation	15,137	17,509	17,660
12.1 Civilian personnel benefits	4,944	5,942	6,120
21.0 Travel and transportation of persons	1,764	2,626	2,664
23.1 GSA Rent	1,147	2,616	2,956
23.3 Communications, util, & misc. charges	922	990	1,165
25.1 Advisory & Assistance Service	15,157	15,524	15,725
25.2 Other services	2,247	2,880	2,412
25.3 Other purchases of goods & services			
from government accounts	2,394	3,690	3,365
25.5 Research and development contracts	4,730	13,529	5,972
31.0 Equipment	2,224	833	955
41.0 Grants	18,684	37,571	34,297
99.0 Subtotal, direct obligations	69,350	103,710	93,291
99.9 Total new obligations	69,350	103,710	93,291

EMPLOYMENT SUMMARY

 Direct :

1001 Civilian full-time equivalent employment	146.0	180.0	191.0
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PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
10 YEAR HISTORY OF BUDGET AUTHORITY

Pipeline Safety
(in dollars)

Estimates	Appropriations
1998 32,988,000	1998 29,421,000 1/
1999 32,163,000	1999 30,158,000 2, 3 & 4/
2000 33,939,000	2000 31,202,000 5/
2001 42,874,000	2001 39,468,977 6/
2002 46,286,000	2002 50,187,000 7/
2003 56,385,000	2003 55,837,595 8/
2004 48,336,000	2004 52,678,851 9/
2005 51,073,000	2005 54,040,262 10/
2006 54,165,000	2006 57,429,900 11/
2007 56,925,000	2007 60,065,297 12/
2008 55,770,000	2008 61,018,000
2009 74,481,000	

- 1/ Reflects reduction of \$44,000 for TASC (Sec. 320).
- 2/ Reflects reductions of \$210,000 for TASC (Sec. 320) and \$32,000 for administrative and travel expenses, P.L. 106-51.
- 3/ Excludes \$150,000 in emergency Y2K funds.
- 4/ Includes \$1,400,000 pipeline safety reserve.
- 5/ Reflects reduction of \$198,000 for TASC (Sec. 319).
- 6/ Reflects 0.22% reduction of \$87,023 (Sec. 1403 of P.L. 106-554).
- 7/ Reflects reductions of \$138,000 for TASC (Sec. 349 of P.L. 107-87 and Sec. 1106 of P.L. 107-117) and \$61,000 for administrative and travel expenses (Sec. 1403 of P.L. 107-206).
- 8/ Reflects reductions of \$166,000 for Working Capital Fund (Sec. 362 of Division I of P.L. 108-7) and \$366,405 for a 0.65% across-the-board cut (Sec. 601 of Division N of P.L. 108-7)
- 9/ Reflects reductions of \$311,649 for Working Capital Fund (Sec. 517 of Division F of P.L. 108-199) and \$314,500 for a 0.59% across-the-board cut (Sec. 168(b) of Division H of P.L. 108-199)
- 10/ Reflects reductions of \$290,586 for Working Capital Fund (Sec. 197 of Division H of P.L. 108-447) and \$438,152 for a 0.80% across-the-board cut (Sec. 122 of Division J of P.L. 108-447)
- 11/ Reflects reduction of \$580,100 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148)
- 12/ Reflects the funding levels provided by a full-year continuing resolution.

Detailed Justification for Pipeline Safety

Pipeline Safety

FY 2009 Request: \$93,291

Overview:

In partnership with state pipeline agencies, PHMSA oversees the safe, environmentally-sound, and reliable transportation of hazardous liquids and natural gas through a buried network of nearly 2.3 million miles of pipelines, serving over 69 million residential and commercial customers. Pipelines transport and supply over 64% of the fuel used to heat, cool and operate American homes, cars and businesses, including most of the energy that powers other transportation modes. PHMSA requests \$93,291,000 to administer and enforce the pipeline safety laws, including the Pipeline Inspection, Protection, Enforcement, and Safety Act of 2006 (PIPES Act), Public Law 109-468, in addition to supporting the President's policy for energy independence and the Secretary's priorities for safety, system performance, and 21st Century solutions.

With enactment of the PIPES Act, the Administration and Congress agreed on an ambitious agenda for PHMSA's pipeline safety program. One of the few laws passed in the final weeks of the 109th Congress, the PIPES Act received broad support among PHMSA's stakeholders, who share our concern about the growing risk to pipeline systems and public safety associated with construction—one of the leading causes of pipeline accidents. The prosperity of a growing economy over the past six years has fueled rapid development in American communities. As a result, the public faces increased risk of construction-related pipeline failures even as demand for energy increases. These trends compound the difficulty of improving safety protection for people living in urban and suburban areas along the Nation's distribution pipeline networks, where up to 75% of the human consequences from all pipeline failures already occur. With increasing demand and fuel cost, the reliability of this infrastructure is more important than ever.

The PIPES Act incorporated the Administration's core proposals to address these challenges. On the safety side, we focused on reducing construction-related damage, increasing financial and technical support for State oversight of pipelines, and building PHMSA's capability to target risk, particularly in operators whose poor performance threatens community safety or energy supply. In support of the President's goals of energy independence, we focused on expanding PHMSA's authority to improve the reliability of the national pipeline network and to facilitate new construction of energy facilities.

The PIPES Act reinforces and builds on PHMSA's successful risk-based Integrity Management strategy. We credit the Integrity Management Program (IMP) with driving the risk of serious pipeline incidents to historic lows. The PIPES Act requires extension of the program to distribution systems—the pipeline operations closest to people and most susceptible to the growing rate of construction-related damage. The PIPES Act also provided new emphasis on opportunities for people to make contributions to safety by managing risk in the control of pipelines, with emphasis on preventing fatigue. In a new

control room management initiative, PHMSA will integrate improved management of pipeline control and existing people-focused safety initiatives—including damage prevention, operator qualifications, and public education—into integrity management requirements.

PHMSA proposes to increase funding to help states address oversight demands, which have grown with encroachment on pipelines, aging infrastructure, corporate reorganization and streamlining, natural disasters, security threats, and general challenges to managing integrity of pipelines. The Pipeline Safety Improvement Act of 2002 first introduced significant new mandates to address these challenges, and more recently the PIPES Act added mandates for distribution integrity management, control room management improvements, and full regulation of all low pressure hazardous liquid pipelines. The PIPES Act mandates in particular increased requirements for inspection and oversight by state pipeline agencies. State pipeline agencies have struggled to meet this workforce issue for years.

As requested by the Administration, the PIPES Act raised the prior cap on PHMSA funding to State pipeline agencies from 50 to 80 percent. PHMSA's FY 2009 budget request proposes to increase funding for state grant programs by more than 50 percent over the President's request for FY 2008, to an average of 60% of program costs. This increased funding will support PHMSA and its state partners in expanding application of the Integrity Management approach to the entire distribution system. PHMSA also will increase incentives to States through new grant program funding to develop more effective damage prevention programs with strong emphasis on expanding the use of civil enforcement authority against parties who violate "one-call" laws.

In addition to improving public safety, the emphasis on preventing construction-related damage will have the dual benefit of reducing the likelihood of events that lead to road closures and increase highway congestion. PHMSA estimates that a minimum of three percent of road closures are precipitated by pipeline failures, usually construction-related damage. The PIPES Act also authorizes community information grants to make key information on pipelines readily available to communities to promote their involvement in advancing the safety and reliability of energy pipeline systems.

As the Administration proposed, the Act also validated and strengthened PHMSA's role in improving overall pipeline system reliability. Increasing the performance of existing pipeline systems is of strategic importance to the Nation's energy supply. PHMSA must face the challenges of prolonging the viability of continued supply of energy from aging fields and pipeline systems in the contiguous U.S., Alaska, and Canada; and expediting completion of the new Alaska Gas Pipeline. Of equal importance in meeting the President's objectives for reliable energy supply, we plan to demonstrate the feasibility and viability of using new and existing pipelines to transport alternative fuels, including ethanol, and are investing in technology and developing criteria for safety standards. Improving overall pipeline system performance also means building capability to respond to pipeline incidents and reduce road closures, evacuations, traffic congestion and other economic disruptions caused by pipeline releases.

To address these system reliability and safety concerns, the PIPES Act authorizes PHMSA to increase the number of PHMSA inspection and enforcement personnel. In this request, we ask for 16 new positions. In addition to focusing on safety and the environment, these inspectors will prioritize inspections on a risk basis to address new and emerging threats to the national energy supply, particularly lines of strategic importance and pipeline operators whose poor performance could lead to disruptions in supply.

The PIPES Act also granted PHMSA new authority to recover expenses of conducting design safety reviews and providing other technical assistance for expediting review of applications to build and operate new liquefied natural gas (LNG) terminals, which are critical to meeting current consumption demand. The PIPES Act granted the Administration's request for new authority for PHMSA to study the capacity of the Nation's oil pipeline network, to issue emergency waivers of pipeline regulations when circumstances warrant, and to assist in the restoration of the national energy infrastructure.

To offset new program costs from the PIPES Act, PHMSA proposes to assess and collect user fees from the gas transmission and hazardous liquid pipeline operators which are currently paying user fees.

FY 2008 Base:

We propose to restructure all of PHMSA's budget categories to align PHMSA's two major safety programs and to communicate better what we are doing and hope to achieve. For purposes of comparison, we have assumed a corresponding reordering in the FY 2008 base. This reordering did not eliminate, but expanded, several categories.

Salaries and Benefits and Administrative Expenses (\$32.1M) - Over 60 headquarters staff directly implement or support our pipeline safety program by:

- identifying, quantifying, and characterizing risks that pipeline operators must consider to safely manage their pipelines;
- developing standards against which pipelines and pipeline operators are inspected;
- administering and enforcing pipeline safety laws and regulations;
- developing new techniques to detect and prevent defects and to repair pipelines; and
- educating communities near pipelines on how to safely coexist with pipelines.

Approximately 100 regional staff inspect interstate pipelines or monitor State oversight of intrastate pipelines, to identify and reduce the more serious threats to pipeline safety. Our field personnel conduct inspections of pipeline operators, investigate pipeline incidents, participate in the development of technical standards, and provide information and technical assistance to communities in connection with pipeline safety matters.

Risk-Based, Data-Driven Solutions (\$2.1M)

- *Information and Analysis* – Accurate and timely information is critical to how we make safety decisions as a data-driven organization. PHMSA uses this funding to collect, manage, and analyze safety and environmental data on incidents, inspections, and operators’ systems to: (1) accurately assess risks and prioritize inspections, (2) identify safety measures that will reduce the likelihood of accidents or help improve response to accidents, and (3) review the performance of operators in finding and repairing defects.
- *Mapping and information systems* – PHMSA supports improved data quality and accessibility with this funding through integration of the National Pipeline Mapping System, with geospatial capability, and improved state-by-state pipeline inventory information. This system helps PHMSA, States and operators identify and target high consequence areas in prioritizing safety measures and oversight.
- *Multimodal Hazmat Intelligence Portal* – With this funding, PHMSA contributes to the Multimodal Portal—a single DOT-wide data system designed to allow DOT operating agencies to integrate previously “stovepiped” databases, collaborate on risk management efforts, and monitor business processes, thereby addressing the challenges identified by DOT and the PART review. The system is the product of a coordinated Departmental effort to close information gaps, maximize collaborative and information sharing opportunities, and increase the effectiveness of the respective modal enforcement activities. The Portal will provide more reliable information on regulated companies and additional performance information on all entities that transport hazardous materials by all modes of transportation, including pipeline. Annual funding for the Portal is \$1,500K, of which \$400K is funded in the Pipeline Safety appropriation.

Integrity Management (\$9.1M)

- *Pipeline Integrity Management* – PHMSA uses this funding to oversee pipeline operators’ implementation of Integrity Management programs. PHMSA’s Integrity Management Program (49 CFR 195.452) approach continues to show positive results in improved safety performance and environmental protection. PHMSA uses integrity management as the primary strategy for integrating protection of infrastructure and people, placing the responsibility on operators to systematically identify and assess risks on their systems, develop and implement plans and procedures to control risks, deploy attention and resources against the greatest risks (worst risk first), and evaluate the effectiveness of risk control over time. PHMSA’s oversight is critical to ensuring the adequacy of operators’ integrity management programs, as well as their compliance with safety regulations.
- *Permitting* – PHMSA uses this funding to facilitate an expedited environmental permitting process for pipeline repairs through the Pipeline Repair and Environmental Guidance System (PREGS), as required by the Pipeline Safety Improvement Act of 2002. Ten federal organizations with permitting responsibilities for pipeline repairs are coordinating permit approvals for operators to make repairs under their integrity management programs. The aim is

to improve safety while minimizing environmental impacts and mitigating possible energy disruptions. Agencies and operators use PREGS to electronically facilitate exchange of environmental data so repairs are completed within the timeframes required by federal pipeline safety regulations. Building on these efforts, PHMSA will promote permitting coordination among a much larger number of State and local agencies.

Compliance, Inspection and Enforcement (\$21.4M)

- *Compliance* – PHMSA obtains outside expert assistance with this funding by hiring experts to witness testing of pipeline repairs or review assessment reports. Such knowledge is essential for investigating unusual accidents, ensuring correct performance of remedial work, and observing new construction—all of which are extremely labor intensive and involve highly technical activities.
- *Grants to States* – Under the PIPES Act, PHMSA is authorized to increase state grants to 80 percent of eligible state expenses to oversee the safety of intrastate and (in some cases) interstate pipelines. We propose to exercise this new authority incrementally, using the increased authority to better target the relative risks each state faces.

State agencies inspect more than 90 percent of the national pipeline system and employ approximately 80 percent of the Nation's pipeline inspection workforce. State pipeline safety programs conduct 8,000 inspections each year, resulting in over 14,000 findings of non-compliance.

The PHMSA State pipeline safety grant program is to:

- encourage States to adopt all federal pipeline safety standards,
- encourage States to assume regulatory responsibility for all intrastate - pipelines and for agreed-upon interstate pipelines,
- help States focus oversight programs on serious risks, including the growing risk of construction-related damage,
- help States enforce new federal integrity management regulations,
- help States monitor pipeline operator qualifications, and
- help States review operators' public education programs.

State One-Call Grants – PHMSA provides this funding to States in support of one-call centers and communication systems. Following up on the Administration's legislative proposals (as adopted in the PIPES Act), PHMSA is working with state pipeline safety programs to support a nationwide campaign to educate state officials about the importance of effective one-call programs; promote the new nationwide 811 telephone number for preventing damage to pipelines and other underground infrastructure; and highlight the need for state officials to adopt legislation enacting civil enforcement authority to prosecute violators of damage prevention laws. This prevention campaign addresses the leading cause of pipeline-related fatalities and will also contribute to reducing non-recurring congestion.

Emergency Preparedness and Response (\$1.1)

- *Emergency Notification* –PHMSA uses this funding to support critical communications through the U.S. Coast Guard’s National Response Center (NRC)—the single federal reporting facility for oil, hazardous chemical, radiological, and pipeline incidents. The NRC operates 24 hours a day and immediately notifies PHMSA, the National Transportation Safety Board, and other responding agencies of pipeline incidents that meet certain severity criteria.
- *Oil Pollution Act Implementation* – PHMSA protects people and the environment by ensuring that pipeline operators can respond to significant oil spills. With this funding, PHMSA: (1) reviews and approves operator spill response plans; (2) oversees field and table-top exercises to strengthen operator readiness to respond to oil spills from pipelines; (3) conducts assessments and remediation of pipeline conditions which led to the spill; and (4) provides maintenance of access to information on the locations of unusually sensitive areas. Spill response planning is essential to reduce the environmental damage from both intentional and unintentional pipeline oil spills.

Training, Competency Standards and Qualifications (\$1.5)

- *Training and Information Dissemination* – PHMSA uses this funding to contract for experts to train approximately 400 State and 100 federal inspectors who routinely monitor the Nation’s 3,000 pipeline operators and 2.3 million miles of pipelines. PHMSA also uses the funding to support the agency’s response to approximately 7,000 requests annually for copies of pipeline safety regulations, guidance documents, manuals, diskettes, videos, and other materials.

Community Awareness and Protection (\$4.3M)

- *Community Assistance and Technical Services (CATS)* - The CATS program is a regional program designed to meet the growing demand for enhanced stakeholder communications, to support damage prevention efforts, and to help facilitate permitting processes related to pipeline safety. The CATS mission is to advance public safety, environmental protection, and pipeline reliability by facilitating clear communications among all pipeline stakeholders, including the public, pipeline operators, and government officials. PHMSA uses this funding to:
 - help States assess their damage prevention programs and opportunities;
 - broaden public awareness of our country’s energy transportation pipeline systems and help communities live safely with pipelines;
 - participate with State and regional damage prevention groups and the Common Ground Alliance—a national public-private partnership—to further implementation of damage prevention best practices;
 - deploy a national education program to alert citizens to use the new “811” one-call system for pipeline emergencies;
 - collaborate with federal, State and local regulatory agencies, and pipeline operators to facilitate timely issuance of permits necessary for conducting pipeline integrity activities and for permitting new Liquefied Natural Gas (LNG) facilities and other pipeline projects; and,

- provide funding for development and distribution of programs associated with community planning and preparedness for existing and alternative energy products transportation.

Research & Development (\$8.2M) – PHMSA uses its R&D funding to improve pipeline inspection technology and analysis tools and strengthen industry’s ability to effectively manage pipeline integrity. Research is improving operators’ ability to prevent damage to pipelines, detect leaks, improve oversight of operations and control functions, and strengthen pipe materials. The agency studies promising technologies and processes that enhance efforts in reducing threats to people or the environment from pipeline operations, including use of alternative fuels. We identified enhancements in field inspection tools that resulted in a 50 percent increase in sensitivity to defects, a capacity to inspect lines that are 30 to 50 percent smaller in size, and a capacity to identify defects on both longitudinal and circumferential welds of pipelines. PHMSA also successfully developed and demonstrated new tools for non-destructive testing of integrity of pipelines under roads, the mapping of all underground utilities with ground penetrating radar, and detection of leaks from medium altitude aircraft. We conduct research in four major areas:

- Enhanced operations, control, and monitoring. Better corrosion detection technology and direct assessment techniques are allowing operators to detect and remedy pipeline defects before a release occurs.
- Damage prevention and leak detection. PHMSA is supporting R&D to reduce the number of incidents and accidents resulting from excavation damage and outside force, and to detect liquid and natural gas leaks before loss of product occurs. Our efforts are improving the ability of in-line inspection tools to detect pipeline defects; producing technologies to reveal defects in unpiggable pipelines; improving remote and real-time monitoring for encroachment, unauthorized excavation, and pipeline damage; and improving directional drilling to avoid damage to underground utilities.
- Improved material performance. PHMSA support for R&D that will increase the strength and integrity of the pipeline network allows operators to better identify pipeline segments having a higher risk of failure and take appropriate corrective action. Our research is improving (1) pipeline materials to better withstand construction related damage, corrosion, and cracking; (2) welding techniques; and (3) models for assessment of corrosion and remaining pipe strength.
- Damage prevention technology development grants – PHMSA supports development of technology, including wireless and global positioning technology, to facilitate the prevention of pipeline damage caused by demolition, excavation, and construction-related activities. Outside force damage is one of the leading causes of release incidents, and federal incentives are accelerating systems’ development.

PHMSA’s efforts are helping reduce the number of serious pipeline incidents—those resulting in death or injury—and the risk of hazardous liquid spills in high consequence

areas, the two principal measures used to gauge the success of the pipeline safety program.

Anticipated FY 2008 Accomplishments:

PHMSA expects to achieve its targets by strengthening partnerships with States, increasing damage prevention efforts, and leveraging technology. Our strategic goals for FY 2008 are to reduce serious accidents, reduce spills affecting high consequence areas, and increase the reliability of oil and natural gas pipelines.

PHMSA expects to achieve substantial progress in several program areas related to the PIPES Act mandates that are discussed in the following section.

Accomplishments Expected under PIPES Act Authorities:

- Helping States through State Damage Prevention Grants: PHMSA continues to search for innovative ways to reduce excavation damage to pipelines. The new damage prevention grant program will provide new funding for States to implement improvements in damage prevention programs. As directed by the PIPES Act of 2006, grants will be used to help States build effective statewide damage prevention programs that address all nine elements outlined in the PIPES Act. Based on existing differences among the States, we expect the grants will be used for a variety of damage prevention activities, including training, awareness, data collection, and enforcement.
- Damage Prevention Technology Development Grants: This Pipes Act initiative is designed to stimulate development of new technology, including wireless and global positioning technology, to facilitate the prevention of pipeline damage caused by demolition, excavation, and construction-related activities.
- Significant Rulemakings for Pipeline Safety:
 - (a) Distribution Integrity Management: As required by the PIPES Act, PHMSA expects to establish an oversight program and regulations requiring each operator of gas distribution pipelines—the largest segment of the nation’s pipeline network and the operations in which most pipeline-related injuries and deaths occur—to develop and implement programs to better assure the integrity of their pipeline systems, including the use of excess flow valves. This program includes a simplified integrity management process to minimize the burdens to small operators.
 - (b) Low Stress Pipelines: As required by the PIPES Act, PHMSA expects to issue regulations in FY 2008 for high-risk, larger diameter, rural low stress hazardous liquid pipelines that are within ½ mile of an unusually sensitive area.
 - (c) Control Room Management: As required by the PIPES Act and to address NTSB recommendations for pipeline control room operators, PHMSA

expects to issue regulations to address fatigue, the man-machine interface, and qualifications and training for people working in pipeline control rooms.

PHMSA also anticipates substantial progress in the following program areas and special projects:

Integrity Management Programs:

- Continue inspecting hazardous liquid and natural gas transmission operators, ensuring they aggressively inspect and repair their pipelines.
- Complete the first round of federal gas integrity management program inspections; to date, operators have assessed approximately 10,100 miles of high consequence area mileage under our integrity management rule, resulting in 497 repairs classified as needing immediate attention and 2,386 scheduled repairs completed.
- Complete hazardous liquid integrity management program inspections; to date, operators have assessed over 82,000 miles of pipelines in high consequence areas under our integrity management rule, resulting in 49,800 repairs to date. The second round of liquid inspections will be completed in CY 2008.
- Complete development of inspection support materials and begin inspections of the natural gas distribution systems. Working with our State partners and a broad range of stakeholders, we will focus attention on areas presenting the highest risk, an approach providing States flexibility to accommodate their unique circumstances.
- Continue providing basic and advanced training to federal and State inspectors, particularly supporting gas transmission and distribution integrity management, and continue increasing the use of distance learning technologies.
- Develop special permit criteria for risk-based assessment intervals, rather than fixed 7-year intervals, for the threat of corrosion. PHMSA expects operators will continue to apply for special permits in FY 2008 for extending their inspection intervals for corrosion.
- Continue improving guidance for performing guided wave inspections of casings on pipelines which cannot be inspected by pressure testing or direct assessment.
- Develop Frequently Asked Questions (FAQs), training, and websites to support the Distribution Integrity Management Program and our state pipeline safety programs.
- Continue to explore opportunities to capture better quality and meaningful data to allow more efficient and focused integrity inspections.
- Pilot an Inspection Integration Program to restructure the scope and scheduling of inspections by using the best available data to focus on the highest risks, optimize the use of PHMSA inspection resources, and integrate field inspections with other

PHMSA programs. PHMSA expects to improve operator performance, while continuing to verify operator compliance with pipeline safety regulations.

Enforcement: In FY 2008, PHMSA will bring the Safety Monitoring and Reporting Tool (SMART) on-line, providing cradle to grave tracking of compliance from inspection through final actions with improved real-time status and accountability tracking of enforcement cases. SMART also will provide PHMSA the ability to query incident and annual reports and other data sources more efficiently, with better data integration and an expanded analytical toolset. PHMSA will publish information from SMART for public access through the new Public Awareness portal, increasing the transparency of our enforcement program.

Risk-Based, Data-Driven Solutions: PHMSA will focus on data quality, integration and content issues to successfully implement a risk-based and performance-focused safety program. PHMSA plans to develop a standard operating procedure to maintain basic quality of data collected, correlate data needs among existing data systems, and develop a process to communicate changes so information is consistent.

We will continue to improve the quality of the data we collect through both collaborative data teams and rulemaking. We will expand analytical capability with a new regional focus on more in-depth accident investigations. We will also develop improved statistical models of risk to help target our activities and resources.

Research and Development: PHMSA will support deployment of robotic tools for internally inspecting natural gas pipelines that are currently unpiggable. This new technology, co-funded with other federal agencies and the pipeline industry, targets pipelines not accessible by existing in-line inspection tools. These robots will enable natural gas transmission and distribution operators to inspect pipelines in high consequence areas and meet critical safety requirements. PHMSA will also support work with industry and the Federal Aviation Administration to facilitate use of new technologies for unmanned aerial surveillance of pipeline rights of way, permitting safer, more efficient detection of pipeline incidents and threats to pipeline integrity.

Increased Operating Pressure for Pipelines: PHMSA will develop safety standards for increasing the maximum allowable operating pressure for certain new and existing natural gas transmission pipelines manufactured and installed in accordance with modern design standards. This action will help to enhance pipeline operating efficiency and increase energy capacity. This increase in operating pressure will ease supply constraints by increasing pipeline capacity by up to 10 percent. Special monitoring by PHMSA inspectors will be required to confirm that operators taking advantage of this new regulatory flexibility comply with all preconditions, including special life cycle management practices.

National Pipeline Mapping System (NPMS): In early FY 2008, PHMSA expects to complete a final rule requiring low-stress hazardous liquid pipeline operators to submit mapping data to the NPMS. As a result, PHMSA expects to process a higher volume and improved quality of geospatial pipeline data through operators' use of global positioning

networks. Local government planners are encouraged to incorporate a transmission pipeline “layer” in their mapping system to ensure early coordination of development plans with pipeline operators. This transmission pipeline “layer” is available through the NPMS and will support PHMSA’s initiative to establish safe land use standards for pipeline maintenance, construction and development in proximity to populated areas.

Transmission Pipelines and Land Use Planning: PHMSA will collaborate with an enterprise of stakeholders, including property developers, local governments, and the pipeline industry, to develop best practices and establish safe land use standards for pipeline maintenance, construction and development in proximity to populated areas. This non-regulatory initiative is using teams of stakeholders to (1) develop best practices for specification, acquisition, development, and maintenance of operators’ rights-of-way; (2) improve communication among pipeline operators and residents along the rights-of-way; and (3) promote awareness of pipeline safety.

Facilitating Permits of New Pipelines: To help permit new energy facilities:

- PHMSA continues to give technical assistance to the Federal Energy Regulatory Commission (FERC), DOE, and other federal agencies on pipeline safety concerns. There are 40 LNG proposed projects onshore and offshore of the continental U.S. We perform pre-siting safety analyses, including permit applications from other agencies, for each application. In addition, PHMSA assists these agencies in many public meetings to explain and address pipeline safety concerns of the public.
- Operators are aggressively testing and repairing pipelines. Much of the repair work requires local, State or federal permits, yet repairs are time-sensitive. We work diligently to facilitate more difficult repair permits. PHMSA is facilitating the use of the Pipeline Repair and Environmental Guidance System, or PREGS. Our web-based system for the environmental permit review process provides early electronic notification of proposed pipeline repairs to federal agencies involved in the review process and allows coordination and approval of recommended best practices for operators to use to manage environmental damage when repairing lines. In mid-2008, PHMSA expects to pilot test PREGS in Alaska. The U.S. Fish and Wildlife Service and pipeline representatives in Alaska expressed interest in using PREGS and developing recommended best management practices for an environmental permit review process for Alaska. We expect to complete three pilot projects by the end of FY 2008.

FY 2009 Budget Request:

PHMSA is requesting \$93,291,000, an increase of \$13,463,000 above the FY 2008 Enacted Budget. PHMSA’s request ensures the implementation of the PIPES Act of 2006 while supporting the President’s energy independence policy.

The financial support provided through this request would enable PHMSA to:

(1) continue implementation of our integrity management program (IMP) safety protocols, including extending IMP to gas distribution systems; (2) provide essential funding to States that have assumed pipeline safety responsibilities by increasing the cap on Federal funds to better target risk and encourage States to remain in the program; (3) ensure adequate Federal inspection and enforcement capabilities to focus on poor performing operators and ensure the reliability of key strategic energy pipelines; and (4) continue research needed to improve corrosion and leak detection technology, as well as to reduce impediments to the transportation of alternative energy sources such as ethanol.

We are seeking funding for the following major program areas and special projects consistent with the levels authorized by Congress in the PIPES Act:

- PHMSA is requesting an additional \$11,279,000 for State Pipeline Safety grants to better target the relative risks each State faces, and to help reduce the burden on States that have taken on more statutorily mandated requirements.
- To help ensure that we have adequate inspection and enforcement capabilities and to successfully address Congressional and Administration priorities, we are requesting \$2,045,000 for 16 new inspection and enforcement positions. These positions will address Alaska gas pipeline and trans-boundary pipeline issues; facilitate improvements in poor performing operators; enhance data analysis and incident investigations; inspect new pipeline construction, including transportation of developing alternative energy sources such as ethanol; monitor compliance with safety conditions that are tied to increased operating pressure on natural gas transmission pipelines; and respond expeditiously to capacity-constraint concerns in connection with pipeline incidents. Additionally, PHMSA is in discussion with the State of Alaska and other federal agencies to increase our participation in the Joint Program Office in Alaska. Increasing our presence in Alaska will fortify the oversight of the critical TransAlaska Pipe Line System and sharpen our focus on supply reliability.
- To promote living safely with alternative fuels, we are requesting \$100,000 to evaluate how to transport ethanol products through existing pipelines, what mitigation strategies might be necessary to transport such products through existing lines, and how new pipelines might be designed to transport ethanol-rich products or “neat” ethanol.

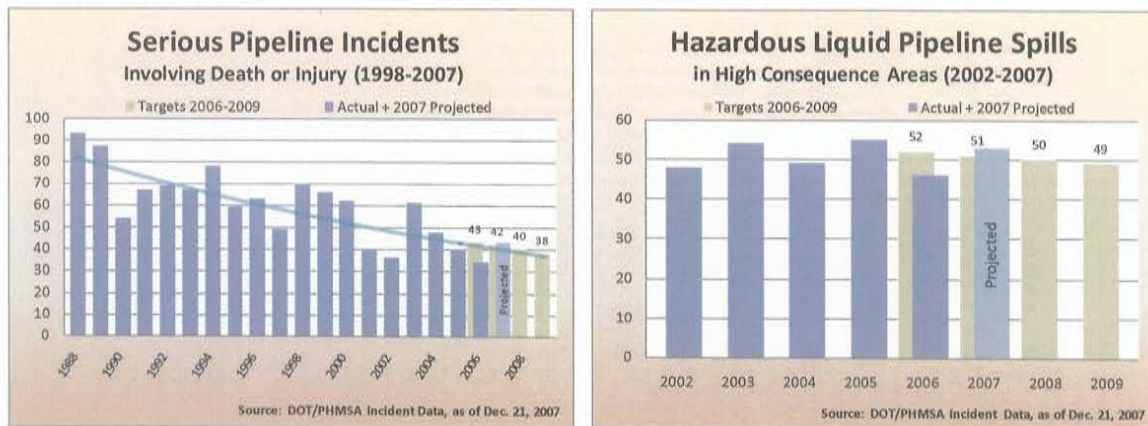
To offset these increases and to fund current services increases in FY 2009, PHMSA will increase its existing pipeline safety user fees to cover any increase in appropriations. To meet our commitment to the States, and to annualize the positions Congress gave us in FY 2008, PHMSA (1) marginally reduced Integrity Management funding (-\$838,000) and (2) temporarily reduced Research and Development (R&D) (-\$1,810,000) – while leaving our R&D priority on damage prevention and leak detection.

PHMSA obtained cost recovery authority for safety reviews of Liquefied Natural Gas (LNG) facility designs under the PIPES Act. Beginning in FY 2008, we propose to exercise that authority by collecting for design reviews to help address the nation's growing need for LNG facilities to deliver critical energy supplies.

PIPES Act of 2006 (120 STAT. 3496-3497) authorizes, the Secretary of Transportation to require persons requesting a facility design safety review of a liquefied natural gas facility to pay the associated staff costs relating to such reviews as incurred by the Secretary. The Secretary will deposit all funds paid for the safety review services in a Department of Treasury receipt account. Funds deposited in this receipt account are authorized to be appropriated for LNG safety review services.

Our Performance Goals:

In 2009, we aim to reduce the number of serious pipeline incidents (those involving death or injury) to not more than 38, and the number of hazardous liquid pipeline spills in high consequence areas to no more than 49.



Challenges to meeting our performance targets in FY 2009:

1. Verifying, enforcing and expanding integrity management requirements comprehensively: In the Pipeline Safety Improvement Act (PSIA) of 2002, Congress charged the agency to review and verify operator compliance with its integrity management requirements and, where appropriate, initiate enforcement action.

PHMSA is finding increased risks and a higher rate of repair in high consequence areas: 1 repair for every 2.5 miles of hazardous liquid pipelines and 1 repair for every 7 miles in transmission pipelines in high consequence areas. In addition, inspectors require an average of 240 hours per operator to review test results and repair plans and to verify that these operators take needed actions to comprehensively implement their integrity management programs. Over 90% of integrity management (IM) program assessments resulted in some form of enforcement action, some more serious than others. Our FY 2009 request supports continuing efforts to address these

challenges. Our staff will visit more frequently those pipeline operators who are most challenged in complying with integrity management programs.

As required by the PIPES Act of 2006, PHMSA is extending the principles and practices of integrity management from transmission pipelines to gas distribution systems. PHMSA will develop minimum standards for integrity management (IM) programs for distribution pipelines. We will require each gas distribution pipeline operator to develop and follow a written IM plan, including evaluation of the operator's system. Gas IM verification and enforcement, primarily States' functions, will require the agency to rapidly train its inspector workforce to respond to States' requests. We will strengthen States' reporting and use of risk-based information for planning their work, assisting small operators, targeting poor-performing operators, and supporting operators' damage prevention programs and Common Ground Alliance programs.

In accordance with statutory requirements, PHMSA will require gas distribution operators to install excess flow valves (EFVs) in certain circumstances and to provide annual reporting on the number of installed EFVs. We are aggressively analyzing our fiscal base and programs to better allocate resources to address these challenges.

Following mandates in the PIPES Act of 2006 and recommendations from the National Transportation Safety Board, PHMSA is developing a control room management program to emphasize the importance of human interactions, both errors and mitigating actions, in preventing risk to pipeline system integrity. This effort draws together all existing program components, regulatory and non-regulatory, and integrates management of people working in pipeline control rooms into required IM plans.

Control Room Management: Human error—including inadequate training or qualifications, fatigue, or the negative influences of drugs or alcohol—can cause or exacerbate events involving releases leading to safety impacts.

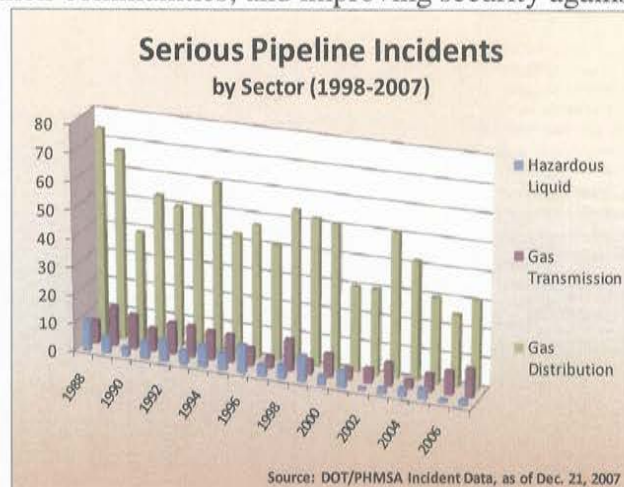
- **Control Room Management:** This program will be designed as a holistic part of the IM program efforts and will use information gathered during public meetings about noteworthy pipeline safety and integrity practices to develop an approach to control room management that enhances safety and reduces the risks associated with human factors, including a maximum limit on the hours of service for controllers.
 - **SCADA Standards:** PHMSA will issue standards implementing three NTSB recommendations on the operation of supervisory control and data acquisition systems (SCADA), including: (1) use of graphics on SCADA; (2) review and audit of alarms on monitoring equipment; and (3) pipeline controller training.
2. **Federal monitoring of State enforcement of Integrity Management Program (IMP) and Operator Qualification (OQ) regulations:** PHMSA and its State partners will continue monitoring and coordinating enforcement of IMP and OQ regulations.

These inspections are more comprehensive and challenging than standard inspections, presenting more challenge for federal oversight of the national program. For example, PHMSA's OQ regulations require operators of gas and hazardous liquid pipelines to conduct programs for qualifying individuals who perform certain safety related tasks on pipelines. Without uniform enforcement, a pipeline company could face a patchwork of different enforcement protocols in different States, potentially leading to safety problems.

3. **Sharing Responsibility: Incentivizing States and preparing States and other stakeholders to take over more pipeline safety tasks:**

State Pipeline Safety Grants - PHMSA is requesting a significant increase, more than a 50% increase over FY 2008 funding, for grants to assist State pipeline agencies with inspection and enforcement responsibilities. By increasing federal funding an average of 60% of total costs, we will encourage States to remain active and committed partners in pipeline safety, while better targeting grant funding to the risks that States are addressing. Our proposal will direct an additional \$11,279,000 to the State Pipeline Safety grant program, using the increased authority under the PIPES Act to better balance funding and risk across states to help fund the growing mandates that States are addressing.

In the past few years, State pipeline agencies have shouldered a significant burden for oversight and enforcement. States have increased their workload 25% by enforcing natural gas integrity management regulations; enforcing operator qualification programs for intrastate pipeline operators; verifying that pipeline operators educate the public about pipeline issues in their communities; and improving security against attacks on facilities by reviewing security plans of the most critical operators. Our State partners have primarily focused on inspecting intrastate pipeline facilities for compliance with basic regulatory requirements. The number of State inspections of service connections on distribution systems will increase dramatically with gas distribution IM program responsibilities.



Gas distribution pipelines account for 80% of all serious pipeline incidents (those involving a death or injury), and serious incidents are correlated with pipeline mileage. The systems under State purview are a major factor in our ability to achieve our goals for pipeline safety. Half of the gas distribution incidents over the past three years were caused by outside force damage, including excavation by third parties. Economic growth normally brings an increase in commercial and residential

development, which increases the probability of excavation (outside force) damage to pipelines. Our pipeline safety program has taken seriously the need to address outside force damage through several national initiatives. However, this remains the top cause of the most serious pipeline incidents: those causing death or injury.

State One-call Grants – PHMSA’s one-call grant program supports new and ongoing projects, like those of Virginia and Minnesota, at the State level. These projects focus on reducing construction related damage to underground pipelines by funding one-call programs. Through PHMSA’s joint efforts with government and the private sector, the FCC designated “811” as the nationwide one-call number for citizens and industry to call prior to excavating. These calls are automatically switched to the local area provider. PHMSA will continue to assist States to model successful State programs that significantly reduce construction-related damage.

4. Improving Infrastructure Resiliency - Permitting:

Removing impediments to repair pipelines - As the pipeline industry continues to implement Integrity Management Program requirements, the use of new detection technologies is revealing more pipe defects in high consequence areas than previously observed. Hazardous liquid and gas pipeline operators have made over 52,683 repairs as a result of the integrity management regulations. This has resulted in PHMSA and other federal, State and local permitting agencies conducting many consultations to facilitate repairs for pipeline segments requiring thousands of federal, State and local permits. Work continues to streamline federal agencies’ processes for permit approvals on non-federal lands. PHMSA continues to help sponsor development of a library of biological assessments, opinions and best management practices for protecting resources on the 66,000 sites that were identified where pipelines and high consequence areas coexist on non-federal lands. PHMSA expects to implement a real-time permit streamlining information technology solution in FY 2010.

5. Living Safely With Alternative Energy: This new initiative incorporates a comprehensive approach to investigating the transportation safety implications of new fuel technologies, improving safety of their transportation, and regulating when necessary. It also involves outreach to assure our stakeholders, state and local community officials, and the general public receives the benefit, and relative safety, of these new materials as they enter the marketplace. Working with other federal agencies and stakeholders, PHMSA will use an enterprise approach to guide the assessment of risks posed by the transportation of alternative fuels, including ethanol; identify and lead any necessary cooperative research projects concerning technical requirements; facilitate the sponsorship of such research; and support the development of best practices and consensus standards for addressing risks and managing technical issues. PHMSA is working with the industry to rapidly overcome the challenges associated with fuel grade ethanol and more potent ethanol blends and is determining how to evaluate what management changes are needed so that ethanol-rich products can be transported through existing pipelines, what mitigation strategies might be necessary to transport such products through existing lines, and how new pipelines can be designed to transport ethanol-rich products. PHMSA works with

industry groups and other federal agencies to proceed with this research is well underway and producing promising results.

6. Assuring the safety of, and meeting the growing demand for, Liquefied Natural Gas (LNG) facilities: As more homes and businesses switch to natural gas, the demand can only be met by expanding the number of LNG ports and other facilities. As the need for additional LNG facilities becomes more pressing, FERC has asked the agency to perform safety assessments that are well-considered and timely for approximately 20 new interstate natural gas pipeline projects each year. These assessments will identify risks to communities near pipelines, risks to pipelines that need to be mitigated, and design requirements that need to be met. The Administration now expects over 40 applications for new onshore and deepwater LNG facilities. PHMSA will provide technical assistance during the permitting process to help gauge the adequacy of the design for the facilities and provide balanced and factual information to the communities. After permits are granted and construction begins, the agency will need to devote increased inspection resources to verify that operators comply with requirements. As directed by the PIPES Act, we are requesting appropriation authority to use funds collected to reimburse the costs associated with design safety reviews, consulting and field work.
7. Bringing to market R&D technologies to improve pipeline safety and global harmonization: Through the pipeline safety R&D program, PHMSA fosters development of new technologies that operators can use to improve safety performance and to comply with regulatory requirements; strengthens national consensus standards; and improves the knowledge available to better understand safety issues. We are focused on near-term technology development needs and we support technology demonstrations, such as remote sensing of gas leaks and internal inspection of currently unpiggable pipelines. We are maximizing the return on our R&D investment by coordinating activities with other federal agencies such as the Department of Commerce's National Institutes of Standards and Technology and the Department of Interior.

Commitments in State funding include the R&D requirements identified in the Pipeline Inspection, Protection, Enforcement and Safety Act of 2006, the Pipeline Safety Improvement Act of 2002, the Five Year Interagency Research and Development Program Plan for pipeline safety, and the PHMSA Pipeline Safety R&D Strategic Plan.

Additionally PHMSA must facilitate the development of LNG facilities, as well as new pipeline systems—including the Alaska Gas Pipeline project—to assure the application of existing and developing pipeline design, construction, operation and maintenance standards; and to assure that plans meet pipeline safety and integrity management requirements.

With the objective of enhanced pipeline safety, we will work to harmonize national and international pipeline safety standards to facilitate the construction and safe operation of international and cross-border pipeline facilities affecting both U.S. and

international projects. Currently, operators of cross-border pipeline facilities may face different standards on each side of the border. PHMSA will participate in international standard-setting bodies and engage in activities to remove impediments to cross-border operations, such as harmonizing conflicting training and workforce qualification requirements, and facilitate the international exchange of pipeline safety information and technology.

8. Making better use of pipeline data: The National Transportation Safety Board and the DOT's Inspector General recommended that PHMSA improve its collection and use of natural gas incident data and hazardous liquid accident data to perform more sound analysis and evaluation of pipeline operator performance. As a data-driven organization, we need a strong foundation of risk-based information for safety decision making and allocation of limited resources. This begins with a critical understanding of the threats and vulnerabilities that lead to pipeline failures.

PHMSA will develop an improved data capability that will help us to better identify and focus on pipeline segments at higher risk of failure and take appropriate corrective actions by integrating our National Pipeline Mapping System geospatial capabilities with improved state-by-state operator pipeline system inventory information that we seek to obtain through a data improvement rulemaking.

9. Minimizing Adverse Effects of Population Encroachment: In an expanding economy, demands for new housing and commercial facilities provide incentives for developers to build on land near what had formerly been rural pipelines. With more people living and working closer to aging pipelines, we need to increase oversight of the integrity of those pipelines. Increased demand for product will strain the capacity of aging pipeline infrastructure and will result in reduced capacity, either because aging components fail or because systems must be operated at reduced rates to prevent failures. We will devote substantial inspection resources to ensure safety, prevent dangerous overuse of aging infrastructure, and take appropriate actions to protect communities.
10. Responding to Emergencies: As demonstrated by the tragic Gulf Coast storms in 2005, PHMSA's institutional capacity and detailed knowledge of pipeline operations are essential to achieving rapid restoration of operations to maintain critical energy supplies after a disaster or other emergency supply disruption. We are working to ensure that PHMSA can respond rapidly to natural disasters by issuing emergency waivers of pipeline safety regulations when necessary. PHMSA also is performing a study in conjunction with the Department of Energy to identify liquid pipeline transportation capacity restrictions affecting energy supplies. Natural disasters, increased demand, aging infrastructure, pressure reduction and pipeline repairs resulting from the integrity management inspections have highlighted the need to ensure that transportation of our Nation's energy supply is not interrupted by capacity restrictions.

Explanation of Funding Changes for Pipeline Safety

<u>Pipeline Safety</u>	<u>Increase/Decrease: Amount (000K) / FTE</u>
	\$13,463K / 11.5 FTE

Adjustments to Base:

- | | |
|--|------------------|
| • This increase is for annualization (three months) of the proposed FY 2008 pay raise of 3.5 percent | \$169K / 0 FTE |
| • This increase is for nine months of the Jan. 2009 requested pay raise of 2.9 percent | \$466K / 0 FTE |
| • This increase is for annulization of the FY 2008 Enacted additional positions that were funded at half year cost | \$659K / 3.5 FTE |
| • Decrease of 1 day pay in FY 2008 | \$-82K / 0 FTE |
| • GSA Rent | \$176K / 0 FTE |
| • Working Capital Fund | \$238K / 0 FTE |
| • Inflation increases for all contract, grant and R&D programs at 2.3 percent. | \$1,061K / 0 FTE |

Program Increases and Decreases:

- | | |
|---------------------------------------|------------------|
| • Inspection and Enforcement Staffing | \$2,045K / 8 FTE |
|---------------------------------------|------------------|

To help meet the important challenges 1, 2, 3, and 9 discussed on the previous pages, \$2,045,000 and 16 inspection and enforcement positions to focus on poor performing operators, work on the proposed Alaska Gas Pipeline, provide increased attention to all Alaska pipelines and trans-boundary pipelines, and respond to incidents that may constrain energy supplies and impact fuel reliability. The new inspectors also will oversee compliance with safety conditions placed on certain existing gas transmission pipelines that we have allowed to operate at increased pressure and capacity.

- | | |
|--|--------------------|
| • Compliance, Inspection and Enforcement | \$11, 279K / 0 FTE |
|--|--------------------|

To help meet the important challenges 1, 3, and 9, discussed on the previous pages, increased funding to states of \$11,279,000 for helping the State pipeline agencies manage the 25% increase in workload for statutorily mandated requirements and inspection and enforcement activities for operator qualification and integrity management inspections, and additional new requirements recommended by DOT's IG for gas distribution systems, affecting 1.9 million miles of natural gas distribution pipelines. Our State partners inspect more than 90% of the total national pipeline system. Increasing the cap

on Federal funds from 50% to 80% allows us to better target funding to risk and to encourage States to remain in the pipeline safety program.

- Alternative Fuels \$100K / 0 FTE

To help meet the important challenge 5, discussed on the previous pages, \$100,000 to research how ethanol-rich products can be transported through existing pipelines, what management and mitigation strategies are necessary to transport such products through existing lines, and how new pipelines can be designed in order to transport ethanol-rich products.

- Integrity Management -\$838K / 0 FTE

To meet our commitment to the States, and successfully address Congressional and Administration inspection and enforcement staffing priorities, PHMSA marginally reduced Integrity Management funding.

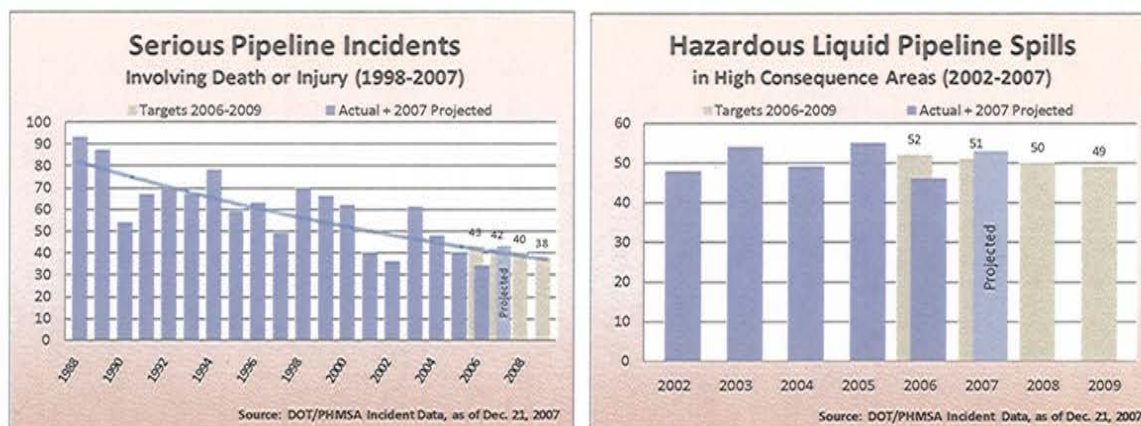
- Research and Development -\$1,810 / 0 FTE

To meet our commitment to the States, and successfully address Congressional and Administration inspection and enforcement staffing priorities, PHMSA marginally reduced Research and Development funding.

PERFORMANCE OVERVIEW

Annual Performance Results and Targets

The Pipeline and Hazardous Materials Safety Administration integrates performance results into its budget request to demonstrate alignment with the Department of Transportation Strategic Plan. We track the following two DOT-level performance measures to demonstrate program results:



Strategic Objective: Safety

Performance Goal: Number of serious pipeline incidents (involving death or injury)

	2004	2005	2006	2007	2008	2009
CY Target:			43	42	40	38
CY Actual:	48	40	34	43 _(projected)		

Strategic Objective: Environmental Stewardship

Performance Goal: Number of hazardous liquid pipeline spills in high consequence areas

	2004	2005	2006	2007	2008	2009
CY Target:			52	51	50	49
CY Actual:	49	55	46	53 _(projected)		

Strategic Objective: Reduced Congestion

Performance Goal: Percent of pipeline system capacity lost due to accidents, incidents, or mandatory reductions in operating pressure. Measure: (to be developed).

	2004	2005	2006	2007	2008	2009
CY Target:					TBD	TBD
CY Actual:	TBD	TBD	TBD	TBD	TBD*2007 is projected	

PIPELINE SAFETY

PROGRAM ASSESSMENT RATING TOOL (PART) ANALYSIS

In a FY 2004, PART analysis, PHMSA's pipeline safety program was categorized as a moderately effective program with a score of 81. The PART analysis found areas where PHMSA could improve its management of the Pipeline Safety Program.

The PART recommendations and our actions are listed below:

Pipeline Safety Program: Moderately Effective

Recommendation #1: Enhance program resources for States to address the performance of gas transmission pipelines.

Action plan: We are requesting resources to provide better technical oversight and are planning recurring systematic evaluation of pipeline safety activities.

Status: The PIPES Act of 2006 included a provision to increase the cap on Federal funds to support State pipeline safety programs from 50% to 80% of reasonable expenses. PHMSA requested additional funding in FY2008 and FY2009. PHMSA recruited and filled positions in FY 2007, and launched the program in FY2008 subject to recurring systematic evaluations beginning in FY2009.

Recommendation #2: Include language in pipeline safety grant agreements to ensure State program partners commit to and report on the program's long-term and annual goals.

Action plan: PHMSA developed the language to incorporate the recommendations in pipeline safety agreements and sent letters to State program chairmen setting forth the new challenges. PHMSA is holding regional meetings with the States to follow up on the chairmen letters and to discuss long term and annual goals.

Status: PHMSA is on track to fulfill this recommendation. Language was developed to be included in the application for funds sent out to State Agencies, and letters have been sent to State program chairmen.

Recommendation #3: Finalize program-wide strategic plan, including research and development activities.

Action plan: We have completed the program-wide strategic plan that includes research and development activities.

Status: Completed draft program wide strategic plan that includes research and development and issued an agency wide strategic plan on August 8, 2007. PHMSA's

strategic plan completed in line with revamped DOT strategic plan to ensure that goals are in sync.

Recommendation #4: PHMSA is developing three efficiency measures: 1) time to prepare notices of probable violation, 2) time to process notices of probable violation, and 3) total time from detection of a deficiency to issuing a final order.

Action plan: Develop a methodology and analyze the data to come up with reasonable baselines for the measures.

Status: PHMSA has developed three efficiency measures: 1) Time to prepare notices of probable violation, 2) Time to process notices of probable violation, and 3) total time from detection of a deficiency to issuing a final order. PHMSA anticipates that the baseline for all 3 efficiency measures will be in place by the end of FY 2008.

Program and Performance Statement

The Oil Pollution Act of 1990 requires the preparation of oil spill response plans by pipeline operators to minimize the environmental impact of oil spills and to improve public and private sector response capabilities. The Pipeline and Hazardous Materials Safety Administration (PHMSA) is responsible for the review, approval and testing of these plans, and for ensuring that the public and the environment are provided with an adequate level of protection from such spills. PHMSA does this through data analysis, spill monitoring, pipeline mapping, environmental indexing, and advanced technologies to detect and prevent leaks.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

OIL SPILL LIABILITY TRUST FUND

FUNDS ALLOCATION

	FY 2007	FY 2008	FY 2009
	<u>Actual</u>	<u>Enacted</u>	<u>Request</u>
Salary & Benefits and Administrative Expenses	\$1,219,000	\$2,100,000	\$2,100,000
Risk-Based Data Driven Solutions			
Information and Analysis	750,000	980,000	
Mapping and Information Systems	275,000	631,000	
Haz Mat Intermodal Portal	0	0	
Subtotal	1,025,000	1,611,000	1,611,000
Integrity Management			
Pipeline Integrity Management	3,509,000	3,950,000	
Permitting	710,000	726,000	
Subtotal	4,219,000	4,676,000	4,676,000
Compliance Inspection & Enforcement			
Compliance	100,000	206,000	
State Pipeline Base Grants	2,380,590	4,995,000	
State One-call Grants	0	0	
Subtotal	2,480,590	5,201,000	5,201,000
Emergency Preparedness			
Emergency Notification	0	0	
Implementing the Oil Pollution Act	2,213,000	662,000	
Subtotal	2,213,000	662,000	662,000
Training, Competency Standards & Quals			
Training and Information Dissemination	513,000	890,000	
Emergency Response Grants	0	0	
Subtotal	513,000	890,000	890,000
Community Awareness & Protection			
Community Assist & Tech Services	1,288,240	1,485,000	
Info Grants to Communities	0	0	
State Damage Prevention Grants	0	0	
Subtotal	1,288,240	1,485,000	1,485,000
Research & Development			
Enhanced Ops	545,000	555,000	
Damage Prevention	927,170	1,080,000	
Improved Material Perf	420,000	550,000	
Tech Development Grants	0	0	
Subtotal	1,892,170	2,185,000	2,185,000
Total Trust Fund Share	14,850,000	18,810,000	18,810,000

DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Trust Fund Share of Pipeline Safety

PROGRAM AND FINANCING (in thousands of dollars)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Obligations by program activity			
0.91 Total direct program	14,850	18,810	18,810
10.00 Total obligations (Object Class 94.0)	14,850	18,810	18,810
Budgetary resources available for obligation			
22.00 New budget authority (gross)	14,850	18,810	18,810
23.90 Total budgetary resources available for obligation	14,850	18,810	18,810
23.95 New obligations	-14,850	-18,810	-18,810
24.40 Unobligated balance available, end of year	0	0	0
New budget authority (gross), detail			
Discretionary			
40.00 Appropriation (definite)	14,850	18,810	18,810
43.00 Appropriation (total)	14,850	18,810	18,810
70.00 Total new budget authority (gross)	14,850	18,810	18,810
Change in unpaid obligations			
Unpaid obligations, start of year:			
72.40 Obligated balance: Appropriation	6,368	8,383	11,918
73.10 New obligations	14,850	18,810	18,810
73.20 Total outlays (gross)	-12,835	-15,275	-18,007
74.40 Obligated balance: Appropriation	8,383	11,918	12,721
Outlays (gross), detail			
86.90 Outlays from new discretionary authority	6,768	9,217	9,217
86.93 Outlays from discretionary balances	6,066	6,058	8,790
87.00 Total outlays (gross)	12,835	15,275	18,007
Net budget authority and outlays			
89.00 Budget authority (net)	14,850	18,810	18,810
90.00 Outlays (net)	12,835	15,275	18,007
95.02 Unpaid Obligations, EOY	8,383		

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Trust Fund Share of Pipeline Safety

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 69-8121-0-7-407

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Direct Obligations:			
94.0 Financial Transfers	14,850	18,810	18,810
99.9 Total obligations*	14,850	18,810	18,810

* These funds are obligated through and expenditure transfer to the Pipeline Safety appropriation.

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
10 YEAR HISTORY OF BUDGET AUTHORITY

Trust Fund Share of Pipeline Safety
(Oil Spill Liability Trust Fund)
(in dollars)

Estimates	Appropriations
1998 2,328,000	1998 3,300,000
1999 3,300,000	1999 4,248,000
2000 4,248,000	2000 5,479,000
2001 4,263,000	2001 7,471,526 1/
2002 7,472,000	2002 7,864,000
2003 7,472,000	2003 7,423,432 2/
2004 18,741,000	2004 12,923,300 3/
2005 19,000,000	2005 14,880,000 4/
2006 19,000,000	2006 14,850,000 5/
2007 18,810,000	2007 14,850,000 6/
2008 18,810,000	2008 14,850,000
2009 18,810,000	

1/ Reflects 0.22% reduction of \$16,474 (Sec. 1403 of P.L. 106-554).

2/ Reflects a reduction of \$48,568 for a 0.65% across-the-board cut (Sec. 601 of Division N of P.L. 108-7)

3/ Reflects a reduction of \$76,700 for a 0.59% across-the-board cut (Sec. 168(b) of Division H of P.L. 108-199)

4/ Reflects reductions of \$120,000 for a 0.80% across-the-board cut (Sec. 122 of Division J of P.L. 108-447)

5/ Reflects reduction of \$150,000 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148)

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

Detailed Explanation for Oil Spill Liability Trust Fund

Overview:

The following categories describe recent PHMSA activities that directly relate to preventing and mitigating the effects of oil spills into water and environmentally sensitive areas:

Salary & Benefits and Administrative Expenses: PHMSA Headquarters and regional staff and related administrative costs directly related to addressing environmental policy, regulatory development, inspections, including accident investigations and pipeline construction, and response plan reviews and exercises for hazardous liquid pipelines.

Risk-Based Data Driven Solutions:

Information and Analysis - Contract support for incident reporting, data collection and analysis activities and software support for hazardous liquid pipelines. Activities related to identifying accident cause and consequences, and evaluating and acting on environmental impacts, particularly those related to protecting drinking water resources. Projects include support for IT consolidation, routine regulatory activities, including NEPA requirement documentation and research, economic, and paperwork reduction analysis.

Mapping and Information Systems - Collecting and digitizing more accurate liquid pipeline location information as it becomes available, to be used in conjunction with data on population, drinking water intakes, and terrain needed to set priorities for prevention and response actions and maintenance of national pipeline mapping system.

Integrity Management:

Pipeline Integrity Management - Contract support for systematically identifying hazardous liquid risks and comparing relative likelihood and consequences, and reviewing liquid operators' integrity management plans. Studies to assist inspectors in assessing hazardous liquid operators' compliance with integrity management rules include: Electrical Resistance Welding (ERW) and Lap-Welded Longitudinal Seam Assessments Bottom-side Dent Study, External Corrosion Direct Assessment Study, Hazardous Liquid Leak Detection Techniques and Processes, Spike Hydrostatic Test Evaluations, and Effectiveness of Data Integration in Pipeline Integrity Management Programs.

Permitting - Contract support for the establishment of an information system to meet requirements for Section 16 Permit Repair Streamlining including development of an electronic data base (the Pipeline Repair and Environmental guidance System, or PREGS) needed for pipeline repairs and facilitating environmental data exchange among permitting agencies and operators.

Compliance Inspection & Enforcement:

Compliance - Field engineering and technical support for monitoring hazardous liquid pipeline spills and remediation. Services of qualified and unbiased Subject Matter

Experts (SME's) for pipeline incident evaluations, to determine the root cause and contributing factors; and for pipeline inspections, to verify that pipeline construction and repair practices comply with project specifications and requirements.

Pipeline Safety Grants - Funding for State pipeline safety agencies program activities for oversight of intrastate hazardous liquid pipelines and some interstate pipelines, including operation and maintenance, construction and repairs and damage prevention.

Emergency Preparedness:

Implementing the Oil Pollution Act – Collecting and certifying pipeline operator spill response plans, providing field and tabletop exercises to strengthen operator readiness, monitoring major spills and clean-up efforts, and maintaining access to information on the location of environmentally sensitive areas, including drinking water and other ecological resource areas.

Training, Competency Standards & Qualifications:

Training & Information Dissemination - Classes and seminars for Federal and State inspectors to address hazardous liquid risks and system integrity. Computer based training to update safety evaluations of hazardous liquid pipeline systems.

Community Awareness and Protection:

Community Assistance and Technical Services - Contract support to facilitate clear communication among all pipeline stakeholders including educating first responders, community awareness workshops; enhanced communications to support IMP, and damage prevention awareness.

Research & Development:

Damage Prevention and Leak Detection - Research focusing on improved monitoring for encroachment, unauthorized excavation and pipeline damage to hazardous liquid pipelines; developing new technologies to reveal defects in unpiggable pipelines; investigating new technologies to prevent damage to hazardous liquid pipelines; detecting pipeline defects; and quickly and accurately locating hazardous liquid pipeline leaks (specifically, small leaks that occur near water). Projects include the use of unmanned underwater and aerial vehicles for pipeline surveillance, the Hazardous Liquids Airborne Lidar Observation Study, and effectiveness of prevention methods for excavation damage.

Enhanced Operations, Controls & Monitoring - Research to improve an operator's ability to identify and eliminate pipeline defects: better corrosion detection technology and direct assessment techniques on hazardous liquid lines before a release occurs. Projects include development of internal corrosion direct assessment for liquid petroleum pipelines, applying external corrosion direct assessment for areas difficult to inspect, human factors analysis of pipeline monitoring and control operations, a pipeline assessment and repair manual, and integrity management for wrinkle bends and buckles.

Improved Material Performance - Research focusing on improved pipeline materials to better withstand construction-related damage, corrosion and cracking; better welding techniques; and improved models for corrosion assessment and pipe strength for better identification of pipeline segments having a higher risk of failure. Projects include evaluation of hydrogen cracking in weld metal, mechanical damage at welds, evaluation and validation of aboveground techniques for coating condition assessment, and nonlinear mechanical damage severity criteria for delayed failures in pipelines.

**Emergency Preparedness
Grants**

EMERGENCY PREPAREDNESS GRANTS

(EMERGENCY PREPAREDNESS FUND)

For necessary expenses to carry out 49 U.S.C. 5128(b), \$188,000, to be derived from the Emergency Preparedness Fund, to remain available until September 30, [2009] *2010* :

Provided, That not more than \$28,318,000 shall be made available for obligation in fiscal year [2008] *2009* from amounts made available by 49 U.S.C. 5116(i) and 5128(b)-(c):

Provided further, That none of the funds made available by 49 U.S.C. 5116(i), 5128(b), or 5128(c) shall be made available for obligation by individuals other than the Secretary of Transportation, or her designee. (*Department of Transportation Appropriations Act, 2008.*)

Program and Performance Statement

Federal hazardous material law (49 U.S.C. 5101 et seq.), established a national registration program for shippers and carriers of hazardous materials. These fees finance emergency preparedness planning and training grants, development of a training curriculum for emergency responders, and technical assistance to States, political subdivisions, and Indian tribes.

EXHIBIT III-1

EMERGENCY PREPAREDNESS GRANTS

APPROPRIATION SUMMARY BY PROGRAM ACTIVITY (000's)

	FY 2007 <u>Actual</u>	FY 2008 <u>Enacted</u>	FY 2009 <u>Request</u>	FY 08 to 09 <u>Change</u>
Grants	12,785	25,800	23,800	-2000.0
Technical Assistance	150	150	150	0.0
Administrative Expenses	400	555	555	0.0
Curriculum Development	198	188	188	0.0
ER Guidebook	500	625	2,125	1500.0
Supplemental Training Grants	250	1,000	1,000	0.0
Grants and Cooperative Agreements	<u>0</u>	<u>0</u>	<u>500</u>	<u>500.0</u>
Total, Emergency Preparedness	14,283	28,318	28,318	0

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

EMERGENCY PREPAREDNESS GRANTS

SUMMARY ANALYSIS OF CHANGE FROM FY 2008 TO FY 2009

Appropriations, Obligation Limitations and Exempt Obligations

<u>APPROPRIATION</u>	Dollars in <u>thousands</u>	<u>FTE</u>
EMERGENCY PREPAREDNESS GRANTS		
FY 2008 Enacted	28,318 <u>0</u>	0
EMERGENCY PREPAREDNESS GRANTS, TOTAL	28,318	0.0

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Emergency Preparedness Grants
Unavailable Collections (in thousands of dollars)

Identification code 69-5282-0-2-407	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
01.99 Balance, start of year	21,308	25,219	19,240
Adjustments	3,169		
01.99 Revised balance, start of year	24,477	25,219	19,240
Receipts:			
02.20 Emergency preparedness fund (offsetting proprietary receipts)	14,674	22,339	27,107
04.00 Total: Balances and collections	39,151	47,558	46,347
Appropriations:			
05.00 Emergency preparedness grants	(14,284)	(28,318)	(28,318)
06.10 Unobligated balance returned to receipts	0	0	0
Adjustments	352	0	0
07.99 Balance, end of year	25,219	19,240	18,029

DEPARTMENT OF TRANSPORTATION

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Emergency Preparedness Grants

PROGRAM AND FINANCING (in thousands of dollars)

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Estimate
Obligations by program activity			
0.01 Grants	14,283	27,318	27,318
0.02 Supplemental training grants	0	1,000	1,000
10.00 Total obligations	14,283	28,318	28,318
Budgetary resources available for obligation			
22.00 New budget authority (gross)	14,133	28,318	28,318
22.10 Resources available from recoveries of prior year obligations	150	0	0
23.90 Total budgetary resources available for obligation	14,283	28,318	28,318
23.95 New obligations	-14,283	-28,318	-28,318
24.40 Unobligated balance available, end of year	0	0	0
New budget authority (gross), detail			
Discretionary			
40.20 Appropriation (special fund)	198	188	188
43.00 Appropriation (total discretionary)	198	188	188
Mandatory			
60.20 Appropriation (special fund)	14,476	28,130	28,130
60.45 Portion reduced from obligations (-)	-544	0	0
62.50 Appropriation (total mandatory)	13,932	28,130	28,130
Discretionary spending authority from offsetting collections:			
68.00 Offsetting collections (cash) (unexpired only)	3	0	0
68.90 Spending authority fm offsetting collections (total)	3	0	0
70.00 Total new budget authority (gross)	14,133	28,318	28,318
Change in unpaid obligations			
Unpaid obligations, start of year:			
72.40 Obligated balance: Appropriation	22,365	23,079	26,318
73.10 New obligations	14,283	28,318	28,318
73.20 Total outlays (gross)	-13,420	-25,078	-28,867
73.45 Recoveries of prior year obligations	-150	0	0
74.40 Obligated balance: Appropriation	23,079	26,318	25,769
Outlays (gross), detail			
86.90 Outlays from new discretionary authority	0	10,478	10,478
86.93 Outlays from mandatory balances	13,420	14,601	18,389
87.00 Total outlays (gross)	13,420	25,078	28,867
Offsets:			
<i>Against gross budget authority and outlays</i>			
Offsetting collections (cash) from:			
88.00 Federal sources	3	0	0
Net budget authority and outlays			
89.00 Budget authority (net)	14,130	28,318	28,318
90.00 Outlays (net)	13,417	25,078	28,867
95.02 Unpaid Obligations, EOY	23,079		

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Emergency Preparedness Grants

OBJECT CLASSIFICATION (in thousands of dollars)

Identification code 69-5282-0-2-407

	FY 2007	FY 2008	FY 2009
	Actual	Estimate	Estimate
Direct Obligations:			
Personnel Compensation:			
41.0 Grants, subsidies, and contributions	14,283	26,800	26,800
99.5 Below reporting threshold	0	1,518	1,518
99.9 Total new obligations	14,283	28,318	28,318

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
10 YEAR HISTORY OF BUDGET AUTHORITY

Emergency Preparedness Grants

(Discretionary)

(in dollars)

Estimates		Appropriations	
1998	200,000	1998	200,000
1999	200,000	1999	200,000
2000	200,000	2000	200,000
2001	200,000	2001	199,560 1/
2002	200,000	2002	200,000
2003	200,000	2003	198,700 2/
2004	200,000	2004	198,820 3/
2005	200,000	2005	198,400 4/
2006	200,000	2006	198,000 5/
2007	198,000	2007	198,000 6/
2008	188,000	2008	188,000
2009	188,000		

1/ Reflects 0.22% reduction of \$440 (Sec. 1403 of P.L. 106-554).

2/ Reflects a reduction of \$1,300 for a 0.65% across-the-board cut (Sec. 601 of Division N of P.L. 108-7)

3/ Reflects a reduction of \$1,180 for a 0.59% across-the-board cut (Sec. 168(b) of Division H of P.L. 108-199)

4/ Reflects reductions of \$1,600 for a 0.80% across-the-board cut (Sec. 122 of Division J of P.L. 108-447)

5/ Reflects reduction of \$2,000 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148)

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

Emergency Preparedness Grants
(Appropriation Limitation-Mandatory)
(in dollars)

Estimates		Appropriations	
1998	0	1998	0
1999	0	1999	11,200,000
2000	0	2000	0
2001	0	2001	14,268,980 1/
2002	0	2002	14,300,000
2003	0	2003	14,298,700 2/
2004	0	2004	14,298,820 3/
2005	0	2005	14,298,400 4/
2006	0	2006	14,298,000 5/
2007	0	2007	14,298,000 6/
2008	0	2008	28,318,000
2009	0		

1/ Reflects 0.22% reduction of \$31,020 (Sec. 1403 of P.L. 106-554)

2/ Reflects a reduction of \$1,300 for a 0.65% across-the-board cut (Sec. 601 of Division N of P.L. 108-7)

3/ Reflects a reduction of \$1,180 for a 0.59% across-the-board cut (Sec. 168(b) of Division H of P.L. 108-199)

4/ Reflects reductions of \$1,600 for a 0.80% across-the-board cut (Sec. 122 of Division J of P.L. 108-447).

5/ Reflects reduction of \$2,000 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148)

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

Detailed Justification for Emergency Preparedness Grants

Emergency Preparedness Grants

FY 2009 Request: \$28,318K

Overview:

PHMSA prepares communities to respond to hazardous materials incidents through its Hazardous Materials Emergency Preparedness Grants (HMEP) program.

FY 2008 Base:

Planning Grants to States and Local Emergency Planning Committees (LEPCs) and Training Grants to States and LEPCs (\$21.8M) – Up to one million shipments of hazardous materials pass through communities across the U.S. every day. New materials, consumer, industrial and energy products resulting from advances in technology are continually introduced into society without the benefit of considering the implications and capabilities of emergency responders. The risk of a serious incident can and has had a significant impact upon the country. Thus, communities must prudently prepare plans to respond to such incidents, and must train response personnel to ensure these plans can be effectively implemented. By providing funds that might not otherwise be available for training and planning for hazardous materials incidents, this \$21.8M of grants funding significantly improves hazardous materials planning and emergency response at all levels of government and in the private sector. PHMSA working with companies, States, local response organizations, other Federal agencies and the public to leverage these limited resources to reduce the consequences of a hazardous materials release or failure (harm to people, environment, and economic impacts such as destruction to infrastructure or loss of vital supplies needed to power the economy and sustain economic growth).

Supplemental Public Sector Training Grants (\$1.0M) – This funding goes to build capacity and the availability of hazardous materials training instructors to conduct training programs and enhance the knowledge base for local responders. For many years, PHMSA has provided grants to the International Association of Fire Fighters (IAFF) to annually conduct 10 “Train the Trainer” training sessions throughout the nation. As a result, about 2,200 State-level hazardous materials instructors are now qualified to train local responders in their States. IAFF estimates that each trainer trains an average of 47 local responders. To-date, the PHMSA training grant to the IAFF has resulted in over 67,000 local responders being trained in the response to hazardous materials incidents by IAFF trained instructors. The additional funding in FY08 permits a substantial expansion of the IAFF program.

Oversight & Technical Assistance (\$0.2M) – This technical assistance provides experts to review oral and written progress reports at national sessions held for the purpose of helping grantees meet minimum standards for responding to hazardous materials incidents. Specifically, this funding goes to plan and hold 15 annual, national monitoring and technical assistance sessions where grantees, responders and LEPC members present program accomplishments and receive technical assistance from a team of Federal and non-Federal experts. These national sessions provide practical tailored assistance,

including review and discussion of successful effective practices and case studies. We identify those programs that work particularly well and use that information to help other States strengthen their planning and training programs.

Personnel Compensation and Benefits and Administrative Support (\$0.5M) - This funding will be used for: 1) salaries of three Federal employees and for staff travel and other administrative expenses necessary to assist States, territories and Indian tribes to prepare formula grant applications, to evaluate applications under our new competitive grant program, and to resolve problems during program implementation; 2) contractor support to migrate the Grants Automated Data and Information Control System to a new Oracle-based platform to enhance efficiency, enhance performance metrics and accountability (e.g., accept grant applications over the Internet); and (3) to develop and design an information system to implement the new competitive grant program.

Emergency Response Guidebook (\$0.6M) - Approximately every four years, PHMSA publishes an updated version of the Emergency Response Guidebook (ERG). The 2008 ERG will be offered for the first time in a format that can be easily downloaded and accessed using a Personal Data Assistant (PDA). The ERG was developed by DOT for use by “first responders”—i.e., those public safety personnel first dispatched to the scene of a hazardous materials spill, such as firefighters, police, and emergency services personnel. It is a guide for initial actions to be taken to protect first responders and the general public during hazardous materials incidents. This book is also widely used by the transportation industry. The ERG has been hailed as the single most valuable reference for initial response to hazardous materials emergencies. Its usefulness results in large part from constant efforts to ensure its accuracy. To increase this usefulness, funding will be used to develop and deliver training materials on the proper use of the guidebook. The 2008 ERG will be published in FY 2008 using funds from FY 2005, FY 2006, FY 2007, and FY 2008. It is anticipated that approximately 2.7 million copies, both printed and electronic, of the 2008 ERG will be distributed.

Training Curriculum Development to FEMA (\$0.2M) - Federal hazardous materials transportation law requires the Secretary of Transportation to develop and periodically update a curriculum to train public sector emergency response and preparedness teams. Establishing a national curriculum, based upon performance standards, greatly assists responders to deal with hazardous materials emergencies. The curriculum contains: a) recommended courses of study for training public sector employees to respond to accidents and incidents involving the transportation of hazardous materials; b) recommended basic courses and hours of instruction; and c) appropriate emergency response training and planning programs developed under other Federal programs. The first public edition of the draft curriculum guidelines was released in March 1994, and has been updated annually since then. Over 24,000 updated copies of the guidelines and assessed courses are distributed annually to grantees and local fire departments.

Hazardous Materials Instructor Training Grants (\$4.0M): A key to our success is leveraging and expanding the knowledge base associated with the safe transportation of hazardous materials. This new program, established under provisions of SAFETEA-LU,

provides funding to non-profit hazmat organizations to train hazmat instructors and to develop training and outreach tools to enhance and expand the hazardous materials training reach. Training and outreach is a key component to enhancing safety. A particular challenge is reaching infrequent shippers and consumers. This funding will enhance the quality of training for instructors and the tools available to them for providing training to employees of companies that ship hazardous materials, to ensure that hazardous materials are transported safely. This training will provide a source of employee training to hazmat employers, who by law are responsible for ensuring that their employees are adequately trained in the safe shipment of hazardous materials.

Anticipated FY 2008 Accomplishments:

In 2008, available HMEP Grant funding increases from \$12.8 million to \$28.3 million. With this funding increase, our goal is to provide technical assistance in helping States and LEPCs to update and develop at least 3,500 Emergency Plans. Our goal is to also ensure that approximately 180,000 Hazmat responders are properly trained. In addition, through a new training program, also funded with hazmat registration fees, PHMSA will provide up to \$4 million in funding to non-profit hazmat employee organizations. Unlike our traditional HMEP Grants to states, the new grant program will be competitive. These competitive grants will be made to organizations that demonstrate an expertise in conducting a training program for hazmat employees and have the ability to reach and involve in a training program a target population of hazmat employees.

FY 2009 Budget Request:

PHMSA is requesting \$28,318,000 which is the same level as the FY 2008 President's Budget. The Emergency Preparedness Grants program will continue to support and prepare communities to minimize the deaths, injuries, property damage and economic disruptions from hazardous materials transportation incidents.

Our security, preparedness and response goals:

In FY 2009, we aim to achieve several ambitious goals through our grant funding to states:

- Train 293,000 emergency responders
- Train 25,000 hazmat employees
- Complete 4,000 emergency response plans

Challenges to meeting our performance targets in 2009:

New training standards require major revisions to first responder training curriculum. PHMSA's HMEP Grants unit has participated in the evolutionary development of public sector training for emergency responders since its inception. The training is based on requirements of the National Fire Protection Association, particularly its Standard 472 for Professional Competence of Responders to Hazardous Materials Incidents and OSHA law 29CFR 1910.120q. NFPA has recently revised the 472 standard to add new mission specific agent competencies for first responders at all levels, including awareness, operations, technician and incident commander levels, as well as hazardous materials branch officers, hazardous materials branch safety officers, and other specialist employees. The core competencies have been expanded to cover new areas, including

criminal/terrorist activities, weapons of mass destruction, and radioactive materials. The hazmat training curriculum must be revised to reflect the new standards. Emphasis will be on assisting responders many of whom are volunteer firefighters to the thousands of hazmat incidents each year.

The need for information to make quick decisions during a response is critical. The National Fire Incident Reporting System captures limited information on hazmat incidents where a fire was involved. However more detailed information, to support root cause analysis, is currently being sought by other organizations such as the National Association of State Fire Marshals and the International Association of Fire Chiefs. The emergency response community must also understand and raise the capabilities of emergency response agencies to address the new challenges in the future, particularly the introduction and expansion of alternative fuels, including ethanol.

Explanation of Funding Changes for Emergency Preparedness Grants

<u>Emergency Preparedness Grants</u>	<u>Increase/Decrease: Amount (\$000K) / FTE</u>
	\$0 / 0

Program Changes to Improve Efficiency

- Hazardous Materials Instructor Training Grants -\$2,000K / 0

To accommodate higher priority activities for emergency responders in 2009, PHMSA is proposing to decrease the grants made to non-profit hazmat employee organizations. Given this is a new program in 2008 that is still in its formative stage, it is anticipated there will be minimal impact to this program.

- Grants and Cooperative Agreements \$1,500 / 0

PHMSA proposes a new initiative to use its authority to establish grants and cooperative agreements (49 U.S.C. 5121(g)) to strengthen the capabilities of our partners in the emergency response community at the Federal, State and local level. We would create a data repository of training materials developed using HMEP grant funds. The repository will also capture lessons learned from responses to hazardous materials transportation incidents to better identify the root causes of these incidents to be used to prevent future incidents. Currently limited data is available on emergency response to serious incidents. This initiative will focus on the following key measures: average time to respond on scene to a hazmat transportation incident; time to secure the area after arriving on scene; total time to return the system to normal after an incident; aggregate training level of first responders nationwide; and deaths and injuries occurring after first responders arrive on scene. The partnership that is developed between the fire service and PHMSA will help identify strengths and gaps in hazardous material response planning and training improving curriculum development and help grantees focus on critical needs. It will also discover methods to better communicate hazards to emergency responders.

- Emergency Response Guidebook \$500K / 0

To address the challenge that emergency responders receive adequate training in the use of the ERG, PHMSA proposes developing and delivering training materials using various media techniques on the use of the guidebook that will be provided free of charge for all emergency responders.

In addition, PHMSA is exploring enhancements to provide emergency responders with on-scene information to better determine evacuation distances and rerouting of traffic to address non-recurrent congestion caused by hazardous materials incidents.

EMERGENCY PREPAREDNESS GRANTS

PROGRAM ASSESSMENT RATING TOOL (PART) ANALYSIS

In a FY 2003, PART analysis, the Emergency Preparedness Grant program was categorized as a moderately effective program with a score of 83.

The PART recommendations and PHMSA/PHH actions are listed below:

Emergency Preparedness Grant Program: Moderately Effective

Recommendation #1: Schedule a comprehensive program evaluation to be conducted in FY 2007.

Action plan: The Volpe National Transportation Systems Center completed.

Recommendation #2: Develop closer linkage between program's performance goals and grantees' performance goals.

Action plan: Our first step is to characterize the current degree of alignment between DOT's hazmat safety goal and State grantee activities. PHMSA/PHH plans to: (1) present alignment analysis to State grantees, (2) develop "Logic model" linking HMEP-supported activities to safety goal, (3) review grantee annual reports, gather additional documentation from sub-sample, and (4) assess alignment between activities and DOT goals.

Section IV
Performance Budget

EXHIBIT IV-1

FY 2009 BUDGET REQUEST BY STRATEGIC OBJECTIVE AND PERFORMANCE GOAL
PIPELINE and HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(dollars in thousands)

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES	FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
1. SAFETY			
A. Reduce transportation related deaths and injuries (final outcome)	50,166	65,170	64,837
<i>FTE associated with this Performance Goal</i>	164.3	177.3	176.4
a. Reduce death, injuries etc. from Hazmat transportation incidents			
B. Reduce transportation related deaths and injuries (final outcome)	50,444	59,144	70,887
<i>FTE associated with this Performance Goal</i>	111.0	137.3	147.1
b. Reduce death, injuries etc. from Pipeline transportation incidents			
SAFETY SUBTOTAL	100,610	124,314	135,724
SAFETY FTE SUBTOTAL	275.3	314.6	323.5
2. REDUCED CONGESTION			
A. Reduce impediments to the effeicient movement of freight over the transportation network, epecially at key freight gateways	0	1,983	1,438
<i>FTE associated with this Performance Goal</i>	0.0	2.9	2.9
Pipeline system capacity lost due to incidents, corrective action orders and other issues			
3. GLOBAL CONNECTIVITY			
A. Expand business opportunities for all businesses in the transportation sector, especially women-owned and disadvantaged businesses	0	0	0
<i>FTE associated with this Performance Goal</i>	0.0	0.0	0.0
awarded to women owned or disadvantaged buisnesses			
B. Harmonized and standardized regulatory and facilitation requirements in the international arena	0	402	396
<i>FTE associated with this Performance Goal</i>	0.0	3.5	3.5
Percent of hazmat proposals in which the U.S. prevails in international organizations			
GLOBAL CONNECTIVITY SUBTOTAL	0	402	396
GLOBAL CONNECTIVITY FTE SUBTOTAL	0.0	3.5	3.5

EXHIBIT IV-1

FY 2009 BUDGET REQUEST BY STRATEGIC OBJECTIVE AND PERFORMANCE GOAL
PIPELINE and HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(dollars in thousands)

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES	FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
4. ENVIRONMENT			
A. Reduce pollution and other adverse environmental effects from transportation and transportation facilities	29,366	23,556	25,959
<i>FTE associated with this Performance Goal</i>	59.2	68.5	71.1
Number of hazardous liquid pipeline spills in high consequence areas			
6. ORGANIZATIONAL EXCELLENCE			
B. President's Management Agenda	3,976	4,021	4,222
<i>FTE associated with this Performance Goal</i>	9.5	8.5	8.5
TOTAL APPROPS + OB. LIM. + EXEMPT OBS	133,952	154,276	167,739
TOTAL DIRECT FTE	344.0	398.0	409.5

CROSSWALK BETWEEN THE PERFORMANCE BUDGET and THE TRADITIONAL BUDGET

for FY 2007

(dollars in thousands)

DOT Strategic Goals	PHMSA Performance Goals	Hazmat Safety Appropriation	Administrative Expenses	Pipeline Safety Appropriation	EP Grants Appropriation	TOTAL PHMSA
Safety	1A Reduce deaths, injuries, property damage and economic disruptions from hazardous materials transportation incidents	26,723	9,160		14,283	50,166
	1B Reduce deaths, injuries, property damage and economic disruptions from pipeline incidents		3,188	47,256		50,444
Environment	4A Reduce the amount of oil and other hazardous liquids spilled from pipelines		1,707	27,659		29,366
Organizational Excellence	6B Implement the President's Management Agenda		3,976			3,976
TOTALS		26,723	18,031	74,915	14,283	133,952
FTE		141.0	57.0	146.0	0	344.0

CROSSWALK BETWEEN THE PERFORMANCE BUDGET and THE TRADITIONAL BUDGET

for FY 2008

(dollars in thousands)

DOT Strategic Goals	PHMSA Performance Goals	Hazmat Safety Appropriation	Operations	Pipeline Safety Appropriation	EP Grants Appropriation	TOTAL PHMSA
Safety	1A Reduce transportation related deaths and injuries (final outcome)	27,776	9,077		28,318	65,171
	1B Reduce transportation related deaths and injuries (final outcome)		3,194	55,949		59,143
	2A Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		67	1,916		1,983
Reduced Congestion						
Global Connectivity	3A Harmonize and standardize regulatory and facilitation requirements in the international area.	224	178			402
Environment	4A Reduce pollution and other adverse environmental effects from transportation and transportation facilities		1,593	21,963		23,556
Security	5B Effective response to emergencies affecting the transportation sector				0	0
Organizational Excellence	6B Implement the President's Management Agenda		4,021			4,021
TOTALS		28,000	18,130	79,828	28,318	154,276
FTE		155.5	63.0	179.5	0	398.0

CROSSWALK BETWEEN THE PERFORMANCE BUDGET and THE TRADITIONAL BUDGET

for FY 2009

(dollars in thousands)

DOT Strategic Goals	PHMSA Performance Goals	Hazmat Safety Appropriation	Operations*	Pipeline Safety Appropriation	EP Grants Appropriation	TOTAL PHMSA
Safety	1A Reduce transportation related deaths and injuries (final outcome)	27,776	8,743		28,318	64,837
	1B Reduce transportation related deaths and injuries (final outcome)		3,323	67,564		70,887
Reduced Congestion	2A Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways		65	1,373		1,438
Global Connectivity	3A Expand business opportunities for all businesses in the transportation sector, especially women-owned and disadvantaged businesses	0	0			0
	3B Harmonize and standardize regulatory and facilitation requirements in the international area.	224	172			396
Environment	4A Reduce pollution and other adverse environmental effects from transportation and transportation facilities		1,605	24,354		25,959
Security	5B Effective response to emergencies affecting the transportation sector	0			0	0
Organizational Excellence	6B Implement the President's Management Agenda		4,222			4,222
TOTALS		28,000	18,130	93,291	28,318	167,739
FTE		155.5	63.0	191.0	0	409.5

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

1. SAFETY PERFORMANCE GOALS

A. "Reduction in transportation-related deaths and injuries"

This funding request contributes to the DOT safety strategic goal and one of its Performance Goals: "Reduce deaths, injuries, property damage and economic disruptions from hazardous materials transportation incidents (**final outcome**).” Because the number of deaths, injuries, property damage and economic disruptions due to hazardous materials in transport is small, and thus subject to significant statistical variations inherent in small numbers, a much better measure of success for this Performance Goal, and one leading indicator of future problems, is the “number of serious hazardous materials incidents” occurring in transportation, an **intermediate outcome** Performance Goal.

DOT Performance Goal:

Number of serious hazardous materials transportation incidents:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CY Target:	509	503	470	466	462	458
CY Actual:	492	528	494	462*		

*Projected, based on data through September 2007.

The total resources requested to achieve this Performance Goal 1A are:

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES	FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
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1. SAFETY

A. Reduce transportation related deaths and injuries (final outcome)	50,166	65,170	64,837
<i>FTE associated with this Performance Goal</i>	<i>164.3</i>	<i>177.3</i>	<i>176.4</i>
a. Reduce death, injuries etc. from Hazmat transportation incidents			

MARGINAL COST OF PERFORMANCE

Requested program changes from FY 2008 associated with reducing the number of serious hazardous materials incidents in transportation:

<u>Appropriation</u>	<u>FY 2009 Baseline</u>		<u>FY 2009 Increase</u>		<u>FY 2009 Request</u>	
	<u>(\$000)</u>	<u>FTE's</u>	<u>(\$000)</u>	<u>FTE's</u>	<u>(\$000)</u>	<u>FTE's</u>
Hazardous Materials Safety	29,033	152.5	-1,257	0.0	27,776	152.5
Emergency Preparedness	28,318	0.0	0	0.0	28,318	0.0
Administrative Expenses	9,245	24.8	-502	-0.9	8,743	23.9
TOTAL	66,596	177.3	-1,759	-0.9	64,837	176.4

Number of serious hazardous materials incidents in transportation:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Target:	509	503	470	466	462	458
Actual:	492	528	494	462*		

* From January through May, 2007.

<u>Baseline Performance Level</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
1) Inspections conducted	1,800	1,800	1,800	1,800
2) Number of Inspectors Trained	36	36	36	36

Incremental Performance

Target with Program Changes

--Eliminating Unnecessary inspections		-100	-200	-200
--Identification of higher-risk inspection subjects		100	200	+200
Additional Inspection Capacity				+250
Additional DOT-wide inspectors trained	0	0	0	0

Performance target with Program Changes

Inspections conducted	1,800	1,800	1,800	2,050
Inspectors Trained	36	36	36	36

Marginal cost narrative: PHMSA requests \$64,714 K in total funding to support the goal of reducing serious hazardous materials incidents. Part of this funding will go to support the Intermodal Hazardous Materials Portal. We expect that the Portal, when fully implemented, will lead to more efficient targeting of inspection subjects based on their historical regulatory compliance performance across DOT agencies. The new system will allow improved targeting of inspections by reducing the number of inspector visits to companies that are no longer in business, and by bypassing companies that have been subject to inspections by other DOT modes. We anticipate that, within PHMSA, this will provide the ability to conduct 200 better- targeted inspections. Other modes will also

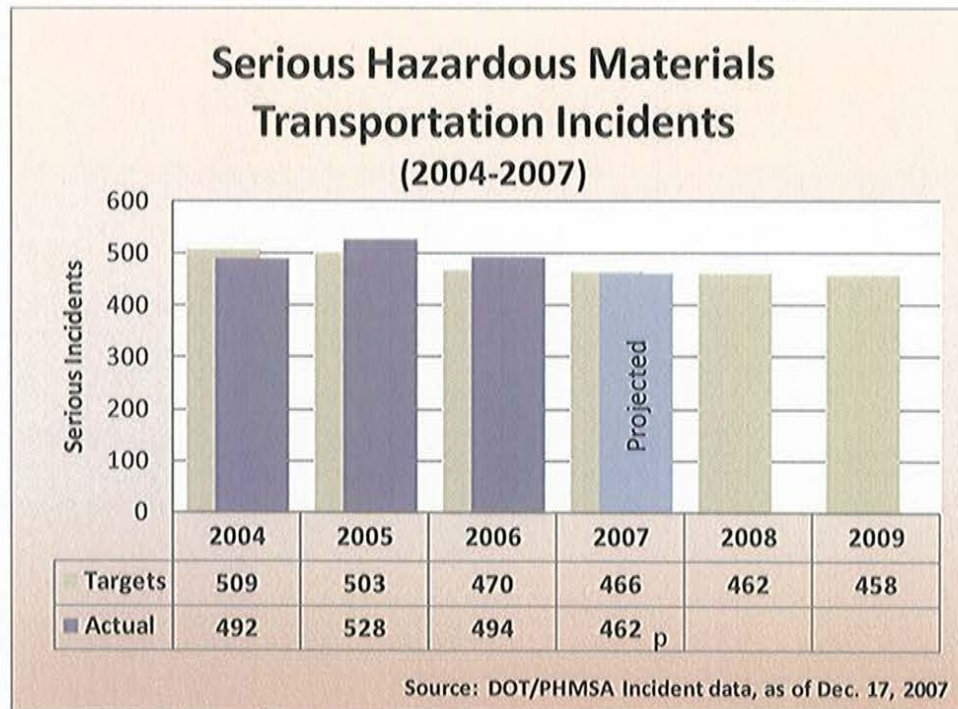
achieve efficiencies as a result of the Portal. Each inspection costs approximately \$3,400^[1].

As we ramp up our inspector staffing, PHMSA will require additional resources to provide training, both for its exiting and newly-hired staff, and inspectors in other modes with hazardous materials jurisdiction. PHMSA also plans to extend its investigator training to hazmat investigators from the other DOT modes. The core, refresher and specialized training will be offered to all DOT hazmat investigators. The total number of dedicated hazmat investigators is 532, from FRA (56), FAA (150), and FMCSA (26, plus 300 state investigators delegated hazmat responsibility for the FMCSA).

Long-term strategies for achieving this Performance Goal: PHMSA has six long-term strategies for reducing deaths, injuries, property damage and economic disruption from hazardous materials transportation incidents:

1. Standards Development...Develop and maintain national standards for the safe, secure transportation of hazardous materials;
2. Outreach...Obtain compliance with these standards through:
 - a. Formal training and development of educational materials;
 - b. Distributing educational materials and descriptive literature on specific requirements of our Hazardous Materials Regulations (HMR) to shippers, carriers, enforcement personnel and the public;
3. Enforcement...Manage a national program of safety inspection and enforcement to determine compliance with the HMR; conduct about 1,600 inspections per year;
4. Emergency Response...Provide funds to States for planning and training to minimize the consequences of hazardous materials incidents when they do occur;
5. Emergency Response Guidebook...Publish and distribute the Emergency Response Guidebook, the principal source document used by State and local response personnel and industry to handle hazardous materials when an incident occurs; and
6. Research and Development...Conduct selected R&D to analyze and monitor hazardous materials transportation safety issues.

^[1] PHMSA conducts approximately 1,800 inspections per year with a staff of 36 inspectors. We assumed an average grade/step of 13/5, or \$119,412 in total PC&B. Total inspector expenses thus are \$4 million. In addition, PHMSA spends \$646 K for package testing and \$242K in administrative support, for a total direct cost of \$5.2 million. To this we estimate an additional 10% in additional engineering assistance-a total of \$5.7 million, or \$3,400 per inspection.



PHMSA's Hazardous Materials Information System (HMIS) is the data source for all hazardous materials incidents. Hazardous materials carriers report this data to PHMSA. Serious incidents show the universe of situations that did, or had the potential to, lead to fatalities and injuries. A serious incident is one that results in:

- A fatality or major injury caused by the release of a hazardous material;
- A release or exposure to fire which results in the closure of a major transportation artery;
- The evacuation of 25 or more employees or responders or any number of the general public as a result of release of a hazardous material or exposure to fire;
- The alteration of an aircraft flight plan or operation as a result of a hazardous materials incident;
- The release of radioactive materials from a Type B packaging (a packaging which can withstand a 30' drop, a puncture, a crush, a fire, or water immersion);
- The suspected release of a Risk Group 3 or 4 infectious substance (substances for which no treatment is available, such as the Ebola virus, or for which limited treatment is available, such as West Nile fever or St. Louis encephalitis);
- The release of over 11.9 gallons or 882 pounds of a severe marine pollutant; or
- The release of a bulk quantity (over 119 gallons or 882 pounds) of a hazardous material.

This measure tracks only transportation related releases of hazardous materials that are in commerce. Volume of spills is not tracked, as this does not necessarily indicate risk. Although the number of incidents is likely to be underreported, such error is probably small in comparison to the annual variation due to chance.

PHMSA reviews and verifies the accuracy of its HMIS data by:

- Periodic follow-up reviews by the HMIS manager of the hard copy report data entered into the system;
- Verification audits of data entered into the HMIS;
- Cross walking HMIS reports against the USCG's National Response Center telephonic accident log;
- Cross walking HMIS reports with FRA's Accident Report data;
- Cross walking HMIS reports with FHWA's Safetynet Accident data.
- Following up on incidents discovered in the media and reports from other Federal agencies to ensure that an HMIS report is submitted.

Performance Issues to solve or address: Many of the materials used in manufacturing and many of the retail products sold to consumers are hazardous materials. There are approximately one million shipments of hazardous materials each day in the United States--over 10% of all freight tonnage transported. Examples are gasoline, anhydrous ammonia, liquid nitrogen, compressed gas, dynamite, poisons, sulfuric acid, and radioactive material. While essential to our Nation's quality of life and economic vitality, the release of these materials during transportation, whether accidental or intentional, could result in serious injury or death, property damage or economic disruptions.

The Federal Aviation Administration (FAA), the Federal Motor Carrier Safety Administration (FMCSA), the Federal Railroad Administration (FRA), the Department of Homeland Security's U.S. Coast Guard (USCG) and PHMSA each perform Hazmat inspections and enforcement. Together, these organizations are responsible for meeting the Department's goal of reducing the number of serious hazardous materials incidents in transportation to 458 in FY 2009.

FAA, FMCSA, FRA and USCG primarily inspect carriers for compliance with all the safety regulations for each of those modes, of which hazmat requirements are a small part. Those hazmat inspections typically consist of a review of records to insure compliance with training and shipping documentation requirements. PHMSA, on the other hand, primarily inspects the nations: 200,000 shippers; 7,000 packaging manufacturers, packaging self-certifiers and third-party package certifiers; and 3,000 cylinder retesters and drum reconditioners. PHMSA's inspection of shippers, for example, looks at whether the shipper is using the proper packaging, whether shipper personnel have received the required training, and whether the shipper has the proper registration, shipping papers, marking and labeling of the hazardous material being transported.

Anticipated FY 2008 Accomplishments:

In 2008 we are on track to meet our CY performance target of reducing serious hazardous materials incidents. We will continue to enhance our performance measures to better define and focus our efforts to the highest risk areas in all modes of transport. We

are developing a new basis of performance measurement that will be a risk -based index for measuring the safety performance of all modes of transportation.

- We will continue to enhance the capabilities and application of the intermodal enforcement database to better target poor performing companies for inspection and follow-up. This database will be used by enforcement personnel from PHMSA, FAA, FMCSA, FRA, DHS (USCG) as well as State and local officials to plan and undertake inspections of hazardous materials shippers, carriers, freight forwarders, packaging manufacturers, testing facilities and others engaged in hazardous materials safety functions. The database supplies enforcement personnel with information that enhance their ability to conduct inspections, identify non-compliance issues and to promote safety. This results in more effective use of enforcement resources and enhanced compliance and safety.
- We plan to further harmonize the Hazardous Materials Regulations with international standards. Virtually all hazardous materials imported to or exported from the United States are transported in accordance with international regulations and the Hazardous Materials Regulations. The objective of the Administration's hazardous materials safety program is to establish and maintain a global system of hazardous materials transportation regulations that will enhance the free and safe movement of hazardous materials. Harmonization with international standards enhances safety, promotes voluntary compliance, and supports free trade while minimizing the regulatory burden on the public.
- We plan to continue to partner with the regulated public to enhance compliance and promote safety. We will continue to conduct outreach seminars and visit public and private entities engaged in functions related to the transportation of hazardous materials to enhance compliance and safety. We will develop and update educational materials and improve distribution to reach a higher percent of our target audience. We will respond even more quickly to stakeholder requests for assistance in understanding and complying with the regulations by telephone through the Hazardous Materials Information Center and in writing through letters of clarification.
- We will continue to issue special permits and approvals to promote innovation, support new technologies, and enable U.S. industry to maintain its competitive edge in the global economy while maintaining a high level of safety.
- We will address the ongoing problem of undeclared hazardous materials shipments through a number of focused initiatives, including outreach, enforcement and regulatory development.
- We will continue to ensure all standards are based on quantified risk as we take a systems approach to maximize safety benefits while minimizing burden and costs to the public. We will address the safety issues of transporting hazardous materials by air, including unique risks posed by oxygen cylinders and lithium

batteries. We will harmonize our standards with recently adopted international safety standards, to the extent consistent with our goals. We will provide relief as warranted in response to industry petitions and requests for special permits.

1. SAFETY PERFORMANCE GOALS

B. "Reduction in transportation-related deaths and injuries"

This funding request contributes to the DOT safety strategic goal to "Enhance public health and safety by working toward the elimination of transportation-related deaths and injuries." From a safety perspective, one of the most basic questions the public expects us to be able to answer is: *How safe is pipeline transportation, and is it getting safer over time?* We measure this outcome over time by tracking serious pipeline incidents—failures that result in death or injury requiring hospitalization.

DOT Performance Goal:

Number of serious incidents for natural gas and hazardous liquid pipelines:

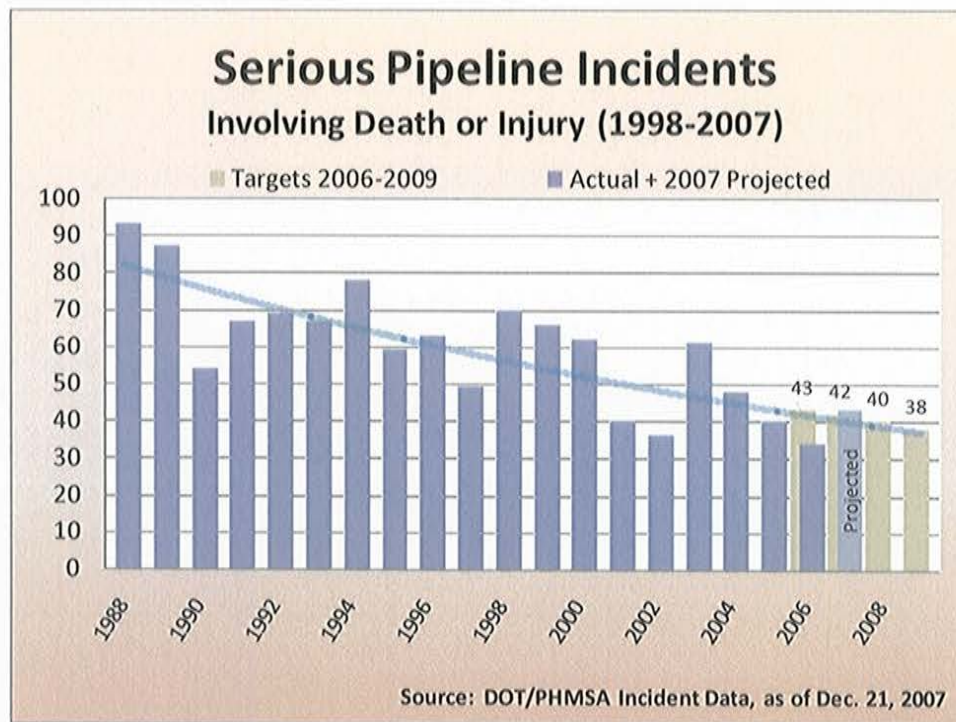
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CY Target:			43	42	40	38
CY Actual:	48	40	34	43 _(projected)		

The total resources requested to achieve this Performance Goal 1B are:

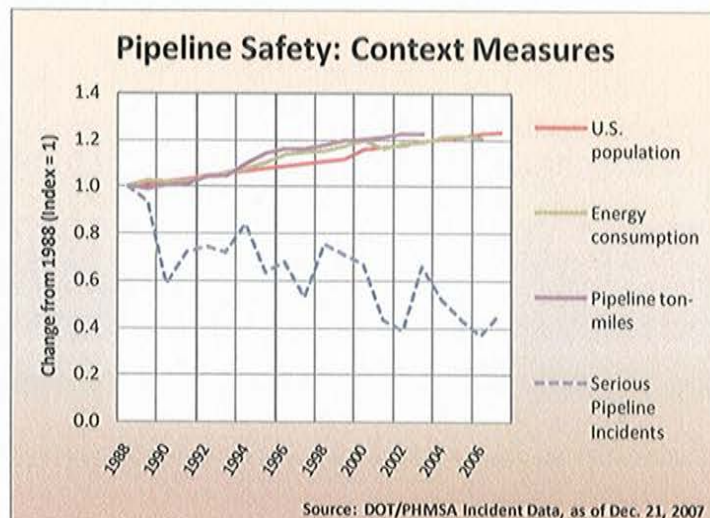
PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES		FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
B.	Reduce transportation related deaths and injuries (final outcome)	50,444	59,144	70,887
	<i>FTE associated with this Performance Goal</i>	<i>111.0</i>	<i>137.3</i>	<i>147.1</i>
b.	Reduce death, injuries etc. from Pipeline transportation incidents			

Performance Measure: Serious Pipeline Incidents

The national pipeline safety program has been successful in driving down the risk by targeting safety areas with the highest return. This FY 2009 budget request will help us continue to sharpen our focus while maintaining the gains we have made over 20 years. We expect to continue the long-term trend of reducing the number of serious pipeline incidents—those resulting in death or injury—by 10% every three years.



Data limitations: Reporting of incidents involving deaths or injuries is believed to be the most reliable of all reportable incidents. The numbers, however, are relatively small, so it is difficult to interpret or disaggregate the data for single years. The standard deviation around the trendline is one tool to help reflect this uncertainty; another is to track key risk indicators that are tied statistically to serious incidents. Some combination of these tools will be used in assessing performance against the baseline. This indicator is not normalized for changes in exposure, although it should be viewed in the context of changes in energy consumption, U.S. population, or ton-miles of product moved by pipeline.



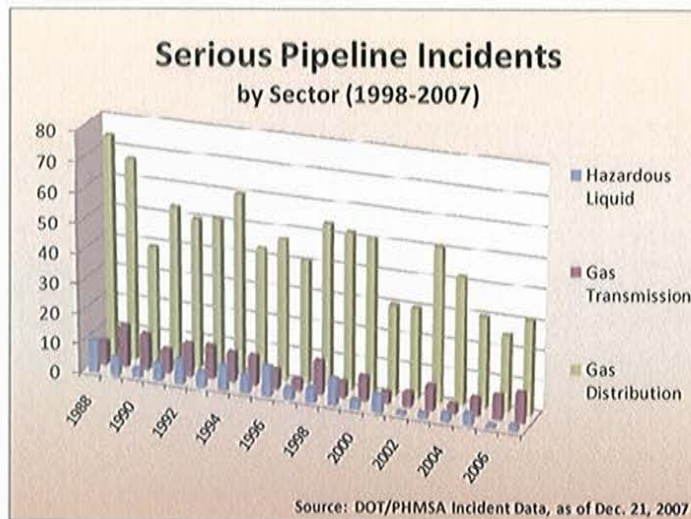
Operators file reports on natural gas pipeline incidents and hazardous liquid pipeline accidents within 30 days. Complete calendar year (CY) data are available by March 1 of the following year. Data from a CY that has ended can nonetheless still go up or down in future years because supplemental reports are often filed when additional information becomes available after the initial filing.

PHMSA reviews and verifies the accuracy of this data by:

- Computer validation of unacceptable or unusual data (such as pipeline diameters over 36" when they are seldom over that size).
- Field audits where a pipeline inspector goes out and verifies that the cause was properly stated in the pipeline operator's report.
- Requiring supplemental reports when PHMSA finds obvious reporting shortcomings or when the pipeline operator finds additional, relevant information not known at the time of filing.

Performance issues to solve or address:

Gas distribution systems: Nearly eighty percent (over 900) of all serious pipeline incidents over the past 20 years were from gas distribution systems, despite the fact that



these systems reported only about one-third of all incidents. Gas distribution systems are inspected and monitored by the states through certification of their pipeline safety programs or (in one case) by agreement. PHMSA evaluates and monitors these state programs, and provides grant funding to support them.

Excavation and other outside force damage: Economic growth normally brings an increase in

commercial and residential development, which increases the probability of excavation (outside force) damage to pipelines—a major factor in pipeline safety. Half of the gas distribution incidents over the past three years (2005-07) were caused by outside force damage, including excavation by third parties. The national pipeline safety program has taken seriously the need to address outside force damage through several national initiatives. However, this remains a common cause of the most serious pipeline incidents: those causing death or injury.

Operator performance: Each of the major sectors of pipeline operations presents some unique characteristics. But they have one thing in common: serious incidents are concentrated in a relatively small number of operators. From about 2,500 pipeline

operators, two percent (about 50 operators) with more than one serious incident over five years account for two-thirds of all serious incidents.

PHMSA is focusing special attention on operators who have demonstrated weak performance. We have developed detailed inspection protocols and compliance profiles of pipeline operators under our Integrity Management programs. We have initiated executive performance reviews to address systemic issues to the highest levels of the operating companies. We are developing plans to reformulate our inspection priorities under an "Inspection Integration" initiative. We also plan to develop a program for using Safety Orders to address potentially unsafe conditions that do not rise to the level of a "hazardous condition" – subject to Congressional standards and criteria in the pipeline safety reauthorization.

Strategies for achieving our goal: Our safety performance goal is to reduce serious pipeline incidents to 38 in 2009. We have three main strategic initiatives to meet this performance goal:

- Managing risk and integrity;
- Sharing knowledge and responsibility; and
- Improving our stewardship.

PHMSA has transformed its entire regulatory approach to better focus on pipeline integrity management, and is transforming its internal management decision-making processes to better allocate available resources to manage pipeline risks. PHMSA is focused on new initiatives aimed at sharing knowledge and responsibility by partnering with organizations like Common Ground Alliance and National Association of State Fire Marshals to identify and promote the best damage prevention practices, and educating and informing communities about how they can live safely with pipelines. Similarly, PHMSA initiated a broad-based research and development program partnering with others to prioritize, share and develop new technologies and tools to improve safety through detection, damage prevention and improved material performance.

Because of PHMSA's role in overseeing pipelines, we provide unique insight and knowledge in working with other federal agencies in supporting our government's national energy policies. As the leading federal agency for pipelines, PHMSA plays a key stewardship role on energy permitting and pre-citing safety advice by facilitating information exchange and public awareness. By following this strategy, PHMSA envisions a national pipeline infrastructure that protects the safety and health of the public, the environment, and the reliability of energy supplies to the consumer.

Anticipated FY 2008 accomplishments:

PHMSA expects to achieve its ambitious targets by raising the bar on safety—setting higher standards, strengthening our partnerships with States, and leveraging technology. We anticipate substantial progress in the following areas, as elaborated in the Detailed Justification for Pipeline Safety:

- Integrity Management Programs
- Damage prevention
- One-call enforcement
- Distribution Integrity Management Program
- Inspection Integration
- Control room Management
- Enforcement
- Data Quality
- Research and Development
- Public Awareness Programs
- National Pipeline Mapping System
- Transmission Pipelines and Land Use Planning
- Pipeline safety consulting for other Federal agencies

FY 2009 Performance Budget Request:

The FY 2009 request realigns our programs in keeping with a one PHMSA approach. We will align and focus our efforts on: 1) risk-based, data-driven solutions; 2) integrity management; 3) compliance, inspection and enforcement; 4) emergency preparedness and response; 5) training, competency standards and qualifications; 6) community awareness and protection; 7) research and development; and 8) living safely with alternative energy.

This funding request is consistent with the PIPES Act and would enable PHMSA to: 1) continue implementation of our important integrity management program (IMP) safety protocols; 2) provide essential funding to States that have assumed pipeline safety responsibilities by increasing the cap on Federal funds to encourage States to remain in the program; 3) ensure adequate inspection and enforcement capabilities; and 4) maintain research funding to continue improvements in corrosion and leak detection technology.

We are seeking funding to help achieve objectives authorized by Congress in the PIPES Act and to help meet the President's and Secretary's goals. The PIPES Act took an enterprise approach where all the stakeholders came together, all views were sought, everyone had an equal voice, and solution was a consensus.

Resources Needed to Overcome our Performance Issues: The following resources are needed as elaborated in the Detailed Justification for Pipeline Safety:

- To target risks in gas distribution systems, which account for 80% of serious pipeline incidents we are proposing an increase of \$11,279,000- for State Pipeline Safety grants directed to States that have taken on more statutorily mandated requirements—to move us closer to our share goal of 80% by 2010 as directed by the PIPES Act. By incrementally increasing our share to an average of 60% this year, we will help target the sector that dominates the risk to people from pipelines.

- To help ensure that we have adequate inspection/enforcement capabilities and are not stretched dangerously thin, we are requesting an increase of \$2,045,000 for 16 inspection and enforcement positions to be located in our regional offices to focus on poor performing operators, work on the proposed Alaska Gas Pipeline, provide increased attention to all Alaska pipelines and trans-boundary pipelines, and respond to incidents that may constrain energy supplies and impact fuel reliability. The new inspectors also will oversee compliance with safety conditions placed on certain existing gas transmission pipelines that we have permitted to operate at increased pressure and capacity.
- To research whether ethanol-rich products can be transported through existing pipelines, what mitigation strategies might be necessary to transport such products through lines, and how new pipelines might be designed to transport ethanol-rich products, we are requesting \$100,000.

To offset these increases and to fund current services increases in FY 2009, PHMSA will increase its existing pipeline safety user fees to cover any increase in appropriations. To meet our commitment to the States, and to annualize the positions Congress gave us in FY 2008, PHMSA (1) marginally reduced Integrity Management funding (-\$838,000) and (2) temporarily reduced Research and Development (R&D) (-\$1,810,000) – while leaving our R&D priority on damage prevention and leak detection.

PHMSA obtained cost recovery authority for safety reviews of Liquefied Natural Gas (LNG) facility designs under the PIPES Act. Beginning in FY 2008, we propose to exercise that authority by collecting for design reviews to help address the nation's growing need for LNG facilities to deliver critical energy supplies.

PIPES Act of 2006 (120 STAT. 3496-3497) authorizes, the Secretary of Transportation to require persons requesting a facility design safety review of a liquefied natural gas facility to pay the associated staff costs relating to such reviews as incurred by the Secretary. The Secretary will deposit all funds paid for the safety review services in a Department of Treasury account. Funds deposited in this Department of Treasury account are authorized to be appropriated for LNG safety review services.

2. REDUCED CONGESTION PERFORMANCE GOAL

A. "Reduced impediments to the efficient movement of freight over the transportation network, especially at key freight gateways"

This funding request contributes to the DOT mobility strategic goal to "Reduce congestion and other impediments to using the Nation's transportation system." PHMSA has a basic responsibility to balance its primary safety and environmental efforts with the potential adverse impacts on the capacity of the pipeline system. That system delivers most of the oil and natural gas needed to sustain the U.S. economy and provide for the basic heating and transportation needs of the American public. We need to be able to answer the question: *To what extent is pipeline transportation impeded or constrained by safety issues?* We will measure this outcome over time by tracking the total loss of capacity due to accidents, incidents, and corrective action orders that require reduced operating pressures.

DOT Performance Goal:

Pipeline system capacity lost due to incidents, corrective action orders and other issues:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CY Target:						TBD
CY Actual:	TBD	TBD	TBD	TBD	TBD	TBD

The total resources requested to achieve this Performance Goal 2B are:

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES

2. REDUCED CONGESTION

A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways

0	1,983	1,438
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FTE associated with this Performance Goal

0.0	2.9	2.9
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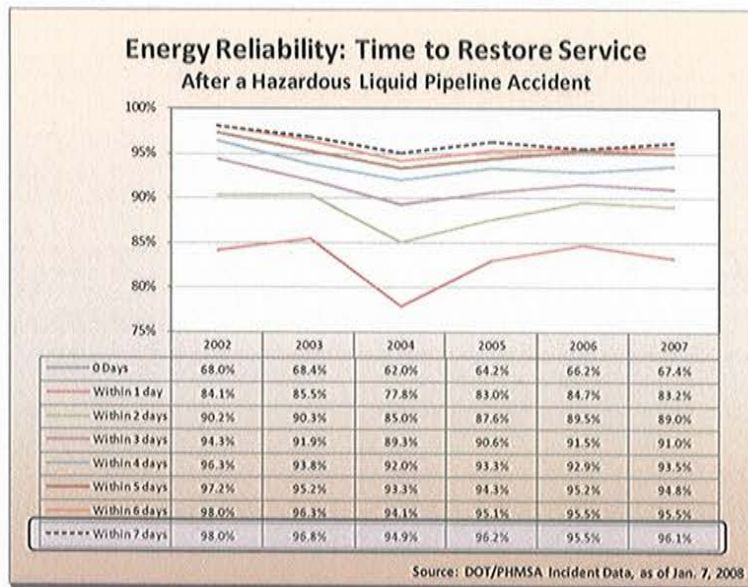
Pipeline system capacity lost due to incidents,
corrective action orders and other issues

Performance issues to solve or address:

Corrective action orders: In the Pipeline Safety Improvement Act (PSIA) of 2002, Congress charged the agency to review and verify operator compliance with its new integrity management requirements and, where appropriate, initiate enforcement action. Over 40 pipeline operators are now operating under Corrective Action Orders (CAOs), 3.5 times the number prior to initiating IMP inspections. This is resulting in pressure reductions in communities like Phoenix, Tucson, Cincinnati, Kansas City, Seattle and 20 other mid-size and smaller cities. On average, these reductions are in place for 2-3 years, substantially affecting pipeline throughput. We believe the FY 2009 request is crucial to reducing these timeframes.

Accidents and incidents: Any accidental release of product reduces the capacity of the pipeline system. Some amount of product is lost, and some additional amount of capacity is lost from the immediate actions of the operator after a release to stop the flow of product in the pipeline until the system can be repaired and returned to operation. In this sense, many of the actions we take to prevent accidents and incidents help maintain the operational capacity of the system as well. Some of the actions we take to mitigate the consequences of a release – like issuing corrective orders – can have the opposite effect, and this is where it is important for the agency to consider the broader impacts of ensuring reliable energy supplies to the Nation.

Over the past six years, hazardous liquid pipeline operators have been able to restore service after an accident within 1 day over 80% of the time, and within 7 days over 95% of the time. Given the critical role these pipelines have in delivering the nation's energy supplies, both prevention and mitigation of accidents is important.



Expanding system capacity: PHMSA also plays some role in helping to expedite environmental reviews for repairs and for building new pipelines; and it has begun to evaluate the potential for increasing the maximum operating pressure on certain new pipelines constructed with advanced materials that might warrant waivers of the old rules.

Strategies for achieving our goal: Our performance goal is to reduce the percent of pipeline capacity lost due to accidents, incidents, and corrective action orders. We have three main strategic initiatives to meet this performance goal:

- Managing risk and integrity;
- Sharing knowledge and responsibility; and
- Improving our stewardship.

PHMSA has transformed its entire regulatory approach to better focus on pipeline integrity management, and is transforming its internal management decision-making processes to better allocate available resources to manage pipeline risks. PHMSA is focused on new initiatives aimed at sharing knowledge and responsibility by partnering with organizations like Common Ground Alliance and National Association of State Fire Marshals to identify and promote the best damage prevention practices, and educating and informing communities about how they can live safely with pipelines. Similarly, PHMSA initiated a broad-based research and development program partnering with others to prioritize, share and develop new technologies and tools to improve safety through detection, damage prevention and improved material performance.

Because of PHMSA's role in overseeing pipelines, we provide unique insight and knowledge in working with other federal agencies in supporting our government's national energy policies. As the cognizant federal agency for pipelines, PHMSA plays a key stewardship role on energy permitting and guiding pre-citing safety advice by facilitating information exchange and public awareness. By following this strategy, PHMSA envisions a national pipeline infrastructure that ensures safety and health of the public, protects the environment, and provides a reliable supply of energy to the consumer.

Anticipated FY 2008 accomplishments:

PHMSA expects to achieve its ambitious targets by raising the bar on safety—setting higher standards that can prevent pipeline incidents in the first place, strengthening our partnerships with States, and leveraging technology. We anticipate substantial progress in the following areas, as elaborated in the Detailed Justification for Pipeline Safety:

- Integrity Management Programs
- Damage prevention
- One-call enforcement
- Distribution Integrity Management Program
- Inspection Integration
- Control room Management
- Enforcement
- Data Quality
- Research and Development
- Public Awareness Programs
- National Pipeline Mapping System
- Transmission Pipelines and Land Use Planning
- Pipeline safety consulting for other Federal agencies

FY 2009 Performance Budget Request:

The FY 2009 request realigns our programs in keeping with a one PHMSA approach and supports the Secretary's initiatives on safety, system performance and 21st Century solutions. We will align and focus our efforts on: 1) risk-based, data-driven solutions; 2) integrity management; 3) compliance, inspection and enforcement; 4) emergency preparedness and response; 5) training, competency standards and qualifications; 6) community awareness and protection; 7) research and development; and 8) living safely with alternative energy.

This funding request is consistent with the PIPES Act and would enable PHMSA to: 1) continue implementation of our important integrity management program (IMP) safety protocols; 2) provide essential funding to States that have assumed pipeline safety responsibilities by increasing the cap on Federal funds to encourage States to remain in the program; 3) ensure adequate inspection and enforcement capabilities; 4) restore research funding to continue improvements in corrosion and leak detection technology; 5) promote community awareness and understanding of pipeline safety activities; 6) help States, county and local governments prepare for pipeline emergencies; 7) facilitate the approval of environmental permits that will ensure pipeline repairs begin quickly, energy deliveries are not disrupted, and proper safeguards are maintained for the environment.

We are seeking funding consistent with the levels authorized by Congress in the PIPES Act. The PIPES Act took an enterprise approach where all the stakeholders came together, all views were sought, everyone had an equal voice and solution was consensus.

Resources Needed to Overcome our Performance Issues: The following resources are needed as elaborated in the Detailed Justification for Pipeline Safety:

- To help ensure that we have adequate inspection/enforcement capabilities and are not stretched dangerously thin, we are requesting an increase of \$2,045,000 for 16 inspection and enforcement positions to be located in our regional offices to focus on poor performing operators, work on the proposed Alaska Gas Pipeline, provide increased attention to all Alaska pipelines and trans-boundary pipelines, and respond to incidents that may constrain energy supplies and impact fuel reliability. The new inspectors also will oversee compliance with safety conditions placed on certain existing gas transmission pipelines for which we have allowed to increase operating pressure and capacity.

To offset these increases and to fund current services increases in FY 2009, PHMSA will increase its existing pipeline safety user fees to cover any increase in appropriations. To meet our commitment to the States, and to annualize the positions Congress gave us in FY 2008, PHMSA (1) marginally reduced Integrity Management funding (-\$838,000) and (2) temporarily reduced Research and Development (R&D) (-\$1,810,000) – while leaving our R&D priority on damage prevention and leak detection.

3. GLOBAL CONNECTIVITY PERFORMANCE GOAL

B. “Harmonized and standardized regulatory and facilitation requirements in the international arena”

This funding request contributes to the DOT global connectivity strategic goal and one of its Performance Goals: “Portion of proposals in which the U.S. prevails in international organizations” Harmonized and standardized regulatory and facilitation requirements in the international arena (**final outcome**).” Due in part to safety concerns, nations may erect barriers to the import and export of hazardous materials, including many products where the U.S. enjoys a technological advantage, including radiopharmaceuticals, consumer energy products (i.e. batteries and fuel cells), and industrial chemicals. PHMSA actively participates in 16 forums per year to assure a level playing field for these high-margin products. We measure our success by calculating the number of positions sponsored by the US that are adopted by international bodies. **intermediate outcome**

DOT Performance Goal:

Percent of hazmat proposals in which the U.S. prevails in international organizations:

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Target:	0	0	50	50	50	50
Actual:	0	0	67	60*		

*Estimated

(These include 2 IAEA and 2 ISO meetings per year Tech supports)

The total resources requested to achieve this Performance Goal 3B are:

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES	FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
B. Harmonized and standardized regulatory and facilitation requirements in the international arena	0	402	396
<i>FTE associated with this Performance Goal</i>	<i>0.0</i>	<i>3.5</i>	<i>3.5</i>

Percent of hazmat proposals in which the U.S.
prevails in international organizations

Long-term strategies for achieving this Performance Goal: PHMSA has two long-term strategies for reducing deaths, injuries, property damage and economic disruption from hazardous materials transportation incidents:

1. Regulation Development...Develop international standards for the safe, secure transportation of hazardous materials across borders, and advocate for their adoption among trading partners; incorporate international standards into HMR; develop international standards to facilitate trade supporting U.S. industries;
2. Research and Development...Conduct selected R&D to analyze and monitor international hazardous materials transportation safety issues.

Anticipated FY 2008 accomplishments:

Completed international review of the testing and capability requirements of Intermediate Bulk Containers (IBCs). The amended international testing requirements are consistent with those currently required by the U.S. Hazardous Materials Regulations. These amendments will improve the level of safety for international shipments and enhance global competitiveness for U.S. chemical manufacturers.

Finalized amendments to the testing, packaging, and hazard communication requirements to enhance the safe transport to lithium batteries. Based on numerous incidents of fire or dangerous evolution of heat related to lithium batteries both in use, storage and transportation, the US led an effort to enhance the safety provisions for consumer type batteries that are provided a wide range of transport regulatory exceptions and transported in various configurations world-wide.

Finalize a review of the portable tank requirements for liquid materials that pose a toxic by inhalation hazard. Ensure amendments are incorporated in the international transport regulations to enhance the safety requirements for these materials and harmonize the portable tank provisions consistent with the U.S. Hazardous Materials Regulations.

Continue partnering with U.S., European, and Asian industries, and international governments to amend liquefied gas cylinder maximum filling levels to enhance safety and to provide global harmonization. The new transport filling levels are the result of a government and academia collaboration, while taking into account industry best practices. The resulting amendments enhance safety and reduce competitive disadvantages to U.S. industries through harmonization.

Anticipated FY 2009 accomplishments:

- Partner with U.S. industry, government and other stakeholders to develop international requirements for the transportation of fuel cell cartridges and equipment powered by fuel cells to facilitate commercialization of this emerging technology. Fuel cells hold significant potential as a distributed energy alternative to existing energy power technologies.

- Lead the completion of an international review of the testing and capability requirements of Intermediate Bulk Containers (IBCs). The amended international testing requirements will be consistent with those currently required by the U.S. Hazardous Materials Regulations. These amendments will improve the level of safety for international shipments and enhance global competitiveness for U.S. chemical manufacturers.
- Effectively oppose the adoption of requirements that are not supported by risk based cost benefit analysis, incident data and root cause analysis that would impose unjustified burdens on U.S. industry.
- Initiate partnership with U.S., European, and Asian industries, and international governments to amend intermodal portable maximum filling levels to enhance safety and to provide global harmonization. The new transport filling levels will be established through government and academia collaboration, while taking into account industry best practices. The resulting amendments enhance safety and reduce competitive disadvantages to U.S. industries through harmonization.

4. ENVIRONMENTAL PERFORMANCE GOAL

A. "Reduction in pollution and other adverse environmental effects from transportation and transportation facilities"

This funding request contributes to the DOT environmental strategic outcome goal to reduce pollution and other adverse environmental effects of transportation and transportation facilities. From an environmental perspective, one of the most basic questions the public expects us to be able to answer is: *How much risk do pipelines pose to the environment, and how is that changing over time?* We measure this outcome by tracking hazardous liquid spills in high consequence areas (HCAs). This indicator focuses on accidents that present a particular potential for environmental harm due to their location. HCAs include commercially navigable waterways, areas with concentrated population, and drinking water or ecological resources that are unusually sensitive to environmental damage from a hazardous liquid pipeline release.

DOT Performance Goal

Number of hazardous liquid pipeline spills in high consequence areas:

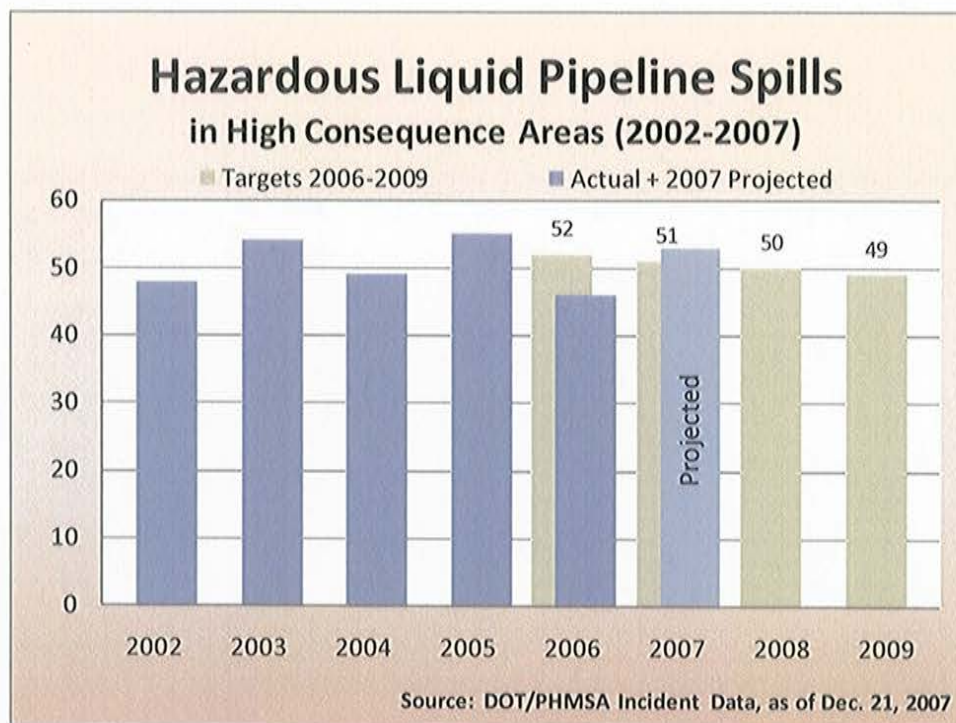
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
CY Target:			52	51	50	49
CY Actual:	49	55	46	53 _(projected)		

The total resources requested to achieve this Performance Goal 4A are:

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES	FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
4. ENVIRONMENT			
A. Reduce pollution and other adverse environmental effects from transportation and transportation facilities	29,366	23,556	25,959
<i>FTE associated with this Performance Goal</i>	59.2	68.5	71.1
Number of hazardous liquid pipeline spills in high consequence areas			

Performance Measure: Hazardous Liquid Pipeline Spills in High Consequence Areas

This FY 2009 budget request will help us continue our efforts to reverse the upward trend in hazardous liquid spills in high consequence areas.



Data limitations: Operator estimates of spill volume are subject to some uncertainty; it may be particularly difficult to distinguish amounts just above or below 5 barrels (the threshold for detailed reporting of all spills). This uncertainty clearly can affect the number of reported spills. The numbers are also relatively small, so it is difficult to interpret or disaggregate the data for single years. This indicator is not normalized for changes in exposure, although it should be viewed in the context of changes in energy consumption or ton-miles moved by pipeline to help show changes in exposure over time.

Operators file reports within 30 days of the leak. Complete calendar year (CY) data are available by March 1 of the following year. PHMSA reviews and verifies the accuracy of this data by:

- Computer validation of acceptable report parameters (such as pipeline size).
- Field audits where a pipeline inspector goes out and verifies that the cause was properly stated in the pipeline operator's report.
- Requiring supplemental reports when PHMSA finds obvious reporting shortcomings or when the pipeline operator finds additional, relevant information not known at the time of filing;
- An annual examination of PHMSA's 7000-1 incident reports by the American Society of Mechanical Engineers (ASME) liquid data review subcommittee; and

- Having “Initial, Supplemental, and Final” data fields on the Form 7000-1. Such fields allow us to see whether the initial reports required within 30 days of a leak are later followed up with supplemental and/or final data reports.

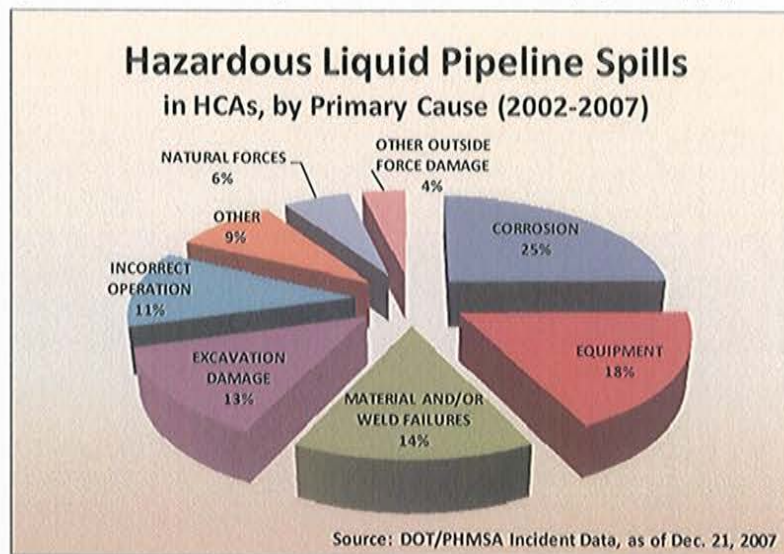
Performance issues to solve or address:

Operator performance: There are 300 operators of hazardous liquid pipelines. About half of all spills in HCAs over the past five years were from nine pipeline operators—who managed about 28% of the total HCA mileage. Most of these operators had both high *numbers* of spills and higher than average *rates* of HCA spills per 1,000 HCA miles. This suggests that targeting operators with particularly weak performance records could provide disproportionate results in reducing spills that pose special environmental concern.

PHMSA is focusing special attention on operators who have demonstrated weak performance. We have developed detailed inspection protocols and compliance profiles of pipeline operators under our Integrity Management programs. We have initiated executive performance reviews to address systemic issues to the highest levels of the operating companies. We are developing plans to reformulate our inspection priorities under an “Inspection Integration” initiative. We also plan to develop a program for using Safety Orders to address potentially unsafe conditions that do not rise to the level of a “hazardous condition” – subject to Congressional standards and criteria in the pipeline safety reauthorization.

Corrosion, material/weld failures: Corrosion is the leading cause of spills in high consequence areas, accounting for 25% of these spills. Failures of the equipment, pipe material and/or welds accounted for another 32% of spills in HCAs over the past four years. PHMSA’s integrity management program provides a special focus on finding and repairing these kinds of defects before they become failures.

Outside force damage: Spills caused by outside force damage—including both excavation damage and natural forces—accounted for almost one quarter of all HCA spills over the past six years (2002-2005).



Strategies for achieving our goal: Our environmental performance goal is to reduce the number of hazardous liquid pipeline spills to 49 by 2009. We have three main strategic initiatives to meet this performance goal:

- Managing risk and integrity;
- Sharing knowledge and responsibility; and
- Improving our stewardship.

PHMSA has transformed its entire regulatory approach to better focus on pipeline integrity management and is transforming its internal management decision-making processes to better allocate available resources to manage pipeline risks. PHMSA is focused on new initiatives aimed at sharing knowledge and responsibility by partnering with organizations like Common Ground Alliance and National Association of State Fire Marshals to identify and promote the best damage prevention practices, and educating and informing communities about how they can live safely with pipelines. Similarly, PHMSA initiated a broad-based research and development program partnering with others to prioritize, share and develop new technologies and tools to improve safety through detection, damage prevention and improved material performance.

Because of PHMSA's role in overseeing pipelines, we provide unique insight and knowledge in working with other federal agencies in supporting our government's national energy policies. As the preeminent federal agency for pipelines, PHMSA plays a key stewardship role on energy permitting and guiding pre-citing safety advice by facilitating information exchange and public awareness. By following this strategy, PHMSA envisions a national pipeline infrastructure that ensures safety and health of the public, protects the environment and ensures reliable energy sources.

Anticipated 2008 accomplishments: PHMSA expects to achieve its ambitious targets by raising the bar on safety—setting higher standards, strengthening our partnerships with States, and leveraging technology. We anticipate substantial progress in the following areas, as elaborated in the Detailed Justification for Pipeline Safety:

- Integrity Management Programs
- Damage prevention
- One-call enforcement
- Distribution Integrity Management Program
- Inspection Integration
- Control room Management
- Enforcement
- Data Quality
- Research and Development
- Public Awareness Programs
- National Pipeline Mapping System
- Transmission Pipelines and Land Use Planning
- Pipeline safety consulting for other Federal agencies

FY 2009 Performance Budget Request:

The FY 2009 request realigns our programs in keeping with a one PHMSA approach. We will align and focus our efforts on: 1) risk-based, data-driven solutions; 2) integrity management; 3) compliance, inspection and enforcement; 4) emergency preparedness and response; 5) training, competency standards and qualifications; 6) community awareness and protection; 7) research and development; and 8) living safely with alternative energy.

This funding request is consistent with the PIPES Act and would enable PHMSA to: 1) continue implementation of our important integrity management program safety protocols; 2) provide essential funding to States that have assumed pipeline safety responsibilities by increasing the cap on Federal funds to encourage States to remain in the program; 3) ensure adequate inspection and enforcement capabilities; and 4) maintain research funding to continue improvements in corrosion and leak detection technology.

We are seeking funding to help achieve objectives authorized by Congress in the PIPES Act and to help meet the President's and Secretary's goals. The PIPES Act took an enterprise approach where all the stakeholders came together, all views were sought, everyone had an equal voice and solution was consensus.

Resources Needed to Overcome our Performance Issues:

- To help ensure that we have adequate inspection/enforcement capabilities and are not stretched dangerously thin, we are requesting an increase of \$2,045,000 for 16 inspection and enforcement positions to be located in our regional offices to focus on poor performing operators, work on the proposed Alaska Gas Pipeline, provide increased attention to all Alaska pipelines and trans-boundary pipelines, and respond to incidents that may constrain energy supplies and impact fuel reliability. The new inspectors also will oversee compliance with safety conditions placed on certain existing gas transmission pipelines that we have permitted to operate at increased pressure and capacity.
- To research whether ethanol-rich products can be transported through existing pipelines, what mitigation strategies might be necessary to transport such products through lines, and how new pipelines might be designed to transport ethanol-rich products, we are requesting \$100,000.

To offset these increases and to fund current services increases in FY 2009, PHMSA will increase its existing pipeline safety user fees to cover any increase in appropriations. To meet our commitment to the States, and to annualize the positions Congress gave us in FY 2008, PHMSA (1) marginally reduced Integrity Management funding (-\$838,000) and (2) temporarily reduced Research and Development (R&D) (-\$1,810,000) – while leaving our R&D priority on damage prevention and leak detection.

6. ORGANIZATIONAL EXCELLENCE PERFORMANCE GOALS

B. “Advance the Department’s ability to manage for results and achieve goals of the President’s Management Agenda”

This funding request contributes to DOT’s main organizational excellence strategic goal to implement the President’s Management Agenda (PMA) to improve 1) strategic management of human capital; 2) competitive sourcing; 3) e-government; 4) improved financial performance; and 5) budget and performance integration. Those PMA items make up about 20% of Program Support.

The estimated resources requested to achieve this Performance Goal 6B are:

PERFORMANCE GOALS & MEASURES by PROGRAM ACTIVITIES	FY 2007 ENACTED	FY 2008 ENACTED	FY 2009 REQUEST
6. ORGANIZATIONAL EXCELLENCE			
B. President's Management Agenda	3,976	4,021	4,222
<i>FTE associated with this Performance Goal</i>	<i>9.5</i>	<i>8.5</i>	<i>8.5</i>

PHMSA contributes to the President’s PMA goals in many ways:

- We are providing complete government-to-government, government-to-business, and business-to-government information exchange (such as electronic communications, filing pipeline incident reports and online applications for exemptions from hazardous materials regulations) to reduce the costs to taxpayers of acquiring the information, goods and services needed to accomplish PHMSA’s safety, environmental and homeland and national security goals.
- We are using information technology (IT) to deliver services to programs in more efficient and cost effective manner.
- We are moving towards competitive sourcing by competing 100% of PHMSA’s commercial functions identified in the FAIR Act inventory in order to deliver better services at the best value for the taxpayer.
- By the end of FY 2007, we will convert 70% of all eligible service contracts into performance-based contracts.

- We are implementing strategies and programs to recruit, develop, and retain mission-critical skills and to close competency gaps, which will in turn improve organizational and workforce productivity. We are also introducing more meaningful employee appraisal programs to enhance accountability and recognize and reward our best performers.
- We are integrating additional and more sophisticated Performance Measures (e.g., Marginal Cost of Performance for Hazardous Materials Safety) into the Budget request. We are continuing to maintain “zero travel card delinquencies.” We are capturing and reporting program cost data by DOT strategic goal. We have received Unqualified General Audit Opinions on PHMSA’s Financial Statements.
- We are supporting twelve of the President’s e-Government Initiatives and realizing real time benefits from the business gateway to the IT infrastructure LOB.

EXHIBIT V-1

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

DEPARTMENT OF TRANSPORTATION

R&D BUDGET AUTHORITY
(in thousands of dollars)

	FY 2007 <u>Enacted</u>	FY 2008 <u>Enacted</u>	FY 2009 <u>Request</u>
<u>Hazardous Materials Safety</u>			
1. Hazardous Materials	1,829	1,761	1,802
2. PC&B and Operations *	<u>464</u>	<u>480</u>	<u>480</u>
Subtotal, Hazardous Materials Safety	2,293	2,241	2,282
 <u>Pipeline Safety</u>			
1. Pipeline Safety**	8,907	8,184	5,784
2. PC&B and Operations*	<u>551</u>	<u>589</u>	<u>608</u>
Subtotal, Pipeline Safety	9,458	8,773	6,392
 TOTAL R&D BUDGET AUTHORITY	 11,751	 11,014	 8,674

* NOTE: Proposed Appropriation name change from "Administrative Expenses" to " Operations"

FY 2009 RESEARCH DEVELOPMENT AND TECHNOLOGY BUDGET REQUEST BY STRATEGIC GOAL
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
 Appropriations, Obligation Limitations, and Exempt Obligations
 (dollars in thousands)

APPROPRIATION RD&T PROGRAM ACTIVITY PERFORMANCE GOAL	STRATEGIC GOALS						TOTAL
	SAFETY	REDUCED CONGESTION	GLOBAL CONNECTIVITY	ENVIRON	SECURITY	ORGAN EXCELLENCE	
HAZARDOUS MATERIALS SAFETY	1,802				0		1,802
Research and Development							
1 A. Reduce transportation related deaths and injuries (final outcome)	1,802						1,802
Information Systems	507						507
Research and Analysis	649						649
Regulation Compliance	646						646
3A. Harmonize and standardize regulatory and facilitation requirements in the international arena							
5B. Effective response to emergencies affecting the transportation sector							
Research and Analysis					0		0
OPERATIONS-PHH*	446	0	0	0	34	0	480
all PC&B and Administrative Expenses	446				34		480
TOTAL PHH	2,248				34		2,282
PIPELINE SAFETY	4,256	84		1,444			5,784
Research and Development	4,256	84					4,340
1 B. Reduce transportation related deaths and injuries (final outcome)							
Technical Assistance Grants	0						0
Control and Monitoring	878						878
Permit Streamlining	0						0
Damage Prevention and Leak Detection	2,349						2,349
Improved Material Performance	1,129						1,129
2A. Reduce impediments to the efficient movement of freight over the transportation network, especially at key freight gateways							
Damage Prevention and Leak Detection		84					84
4 A. Reduce pollution and other adverse environmental effects from transportation and transportation facilities	0			1,444			1,444
Technical Assistance Grants	0			0			0
Control and Monitoring	0			377			377
Damage Prevention and Leak Detection	0			990			990
Improved Material Performance	0			77			77
OPERATIONS-PHP*	356	48		204			608
PC&B and Administrative Expenses	356	48		204			608
TOTAL PHP	4,612	132		1,648			6,392
TOTAL FY 2009 REQUEST	6,860	132	0	1,648	34	0	8,674
TOTAL FTE (direct funded only)	7.0	0.0	0.0	1.8	0.0	0.0	8.8

*NOTE: Proposed Appropriation name change from "Administrative Expenses" to "Operations"

EXHIBIT V-2

Hazardous Materials Safety FY 2009 RD&T Budget Request (\$1,802K)

RD&T Program	FY 2009 Request	Safety	Mobility	Global Conn.	Environ	Security	Org. Excell.
Hazardous Materials Safety (OHMS)	\$1,761						
Information Systems	507	507					
Research and Analysis	649	649					
Regulation Compliance	646	646					
Operations	480	480					
Subtotal, R&D	1,802	1,802					
Total PHMSA OHMS	2,282	2,282					

RD&T PROGRAM: HAZARDOUS MATERIALS SAFETY AMOUNT REQUESTED FOR FY 2009: \$1,802

Projects

Information Systems

Objective: Develop, modify and implement business intelligence solutions with the potential to reduce the time in identification of Hazmat regulation and enforcement related problems and/or opportunities. These tools aid in the process of decision support based on the extensive information available in PHMSA information systems.

Description: The HMIS is the central repository for all Hazardous Materials Safety program information. HMIS plays a central role in the day-to-day operations of the office, and provides the informational basis to drive program prioritization decisions. This funding will be used to incorporate new, state-of-the-art information products and custom programming to maximize the usefulness of the system to all users.

Outputs:

- Automation of the reporting of information through web-based technology.
- Design of management decision support systems for regulation and enforcement.
- Integration of mobile device support for inspection and enforcement teams.
- Design and implementation of tools and portal-based user interface to HMIS information and its analysis through dashboards, drill-downs and graphs.

RD&T Partners:

This repository is unique in the world and provides information to other Federal agencies, State and local governments, our regulated industries, as well as our global partners in the United Nations.

FY 2009 Funding: \$507K

RD&T Strategies Supported:

No other nation collects such detailed information on hazmat transportation incidents which are used to support the Department's safety goal by better understanding and addressing causal risk factors.

Research and Analysis

Objective: The transport of hazardous materials exposes the public to risks. We identify those risks -- *risk assessment* -- and find ways to minimize their potential impacts -- *risk management* -- so that we can improve safety. These funds pay for the technical information, analyses and research needed to manage the public risk associated with hazardous materials transportation without imposing undue burdens on industry.

Description: PHMSA conducts engineering analyses into the causes and effects of hazmat incidents to determine the level of risk presented by different materials, package types, and mode characteristics. Such studies provide the analytical foundation for regulatory and outreach activities, multi-modal enforcement initiatives, and training curriculum development.

Outputs:

- Scientifically based updates to the Emergency Response Guidebook.
- Development of non-destructive inspection techniques to improve cylinder re-qualification.
- Tools to better understand safety and security risks.
- Studies supporting regulatory changes and providing the basis for adaptation of international standards.
- Evaluation of evolving technologies to transport hazardous materials.

RD&T Partners:

Using an enterprise approach, PHH collaborates and coordinates with U.S. government agencies (Federal, state, and local), and industry trade organizations to identify the right priorities, find the best researchers, assure good performance with quality products, and apply the findings to our programs.

FY 2009 Funding: \$649K

RD&T Strategies Supported:

This funding supports the Department's safety goal by understanding and addressing causal risk factors and seeking incident mitigation strategies.

Regulation Compliance

Objective: These funds are used to conduct package testing to ensure the integrity of hazardous materials packaging. We also purchase and test all of the more expensive intermediate bulk containers.

Description: The United States Army Materiel Command, Logistics Support Activity, Packaging, Storage, and Containerization Center, located in Tobyhanna, Pennsylvania, provide all testing services. This testing program has uncovered a large number of packaging that do not meet our performance-based standards, including steel, plastic, and fiber drums of various sizes, and fiberboard boxes. The program has successfully focused industry's attention on manufacturing packaging that will safely contain hazardous materials during transportation.

Outputs:

- Testing of new packages used by shippers, to promote the integrity of the hazardous materials transportation system.
- Discovery, and removal from service, of packaging that do not meet our performance-based standards, including steel, plastic, and fiber drums of various sizes, and fiberboard boxes

RD&T Partners:

Industry partners who ship and transport hazardous materials to identify and report packaging that may not meet regulatory standards

FY 2009 Funding: \$646K

RD&T strategies supported:

This program supports the Department's safety goal by understanding and addressing causal risk factors associated with hazardous materials packaging and assessing new technologies, designs and procedures.

Exhibit V-3

SUPPORT FOR SECRETARIAL AND ADMINISTRATION RD&T PRIORITIES
PIPELINE and HAZARDOUS MATERIAL SAFETY ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(dollars in thousands)

<u>PRIORITY:</u>	<u>SUPPORTING RD&T PROGRAMS</u>	<u>FY 2009 REQUEST</u>
<u>Safety</u>		
Hazardous Materials Safety	Information Systems	507
	Research and Analysis	649
	Regulation and Compliance	646
Total-- Hazardous Materials Safety		1,802

EXHIBIT V-4

Hazardous Materials Safety

R&D Investment Criterion	How Applied	Actions Reflected in FY 2009 Request
Relevance	Projects primarily support DOT's Safety goal and the Secretary's hazmat transportation safety priority. Most work is done in concert with other DOT modes, other federal agencies (e.g., DHS, NRC, DOE) to ensure relevance across the federal government.	Emphasis on multimodal involvement in systems development, information systems development, and research and development, and testing to maximize relevance to the DOT mission, program purpose, and the Federal government as a whole.
Quality	Info Systems: Prototyping. Competitive contracting and selection of capable performers. Research and Analysis: technical reviews, peer reviews, wide sharing of results encouraging feedback on quality and usefulness of effort, used as a basis for regulatory analysis and changes.	Existing program expectations are maintained while adding resources in key areas, such as packaging testing. Plans are to expand web access to overall program structure and projects during FY2008.
Performance	Program management principles are applied in conducting RD&T projects. Stakeholders are involved in all stages of projects, as appropriate. Objectives are clearly defined and the results are evident in changes to the regulatory system. Overall program is outlined at intermodal meetings and in public forums (e.g., Transportation Research Board hazardous materials committee meetings).	Establishment of a cooperative hazardous materials research program will strengthen and formalize involvement of stakeholders in developing a research agenda, defining projects, providing input and feedback, and evaluating performance while providing additional funding to perform research and analysis / development in vital areas.

EXHIBIT V-2

Pipeline Safety FY 2009 RD&T Budget Request (\$5,784K)

RD&T Program	FY 2009 Request	Safety	Mobility	Global Conn.	Environ.	Security	Org Excell
Pipeline Safety (PHP)							
Damage prevention and leak detection (T)	3,323	2,249	84		990		
Enhanced operations, control, and monitoring (T)	1,255	878			377		
Improved material performance	1,206	1,129			77		
Operations	608	356	48		204		
Subtotal, R&D	1,206	1,129	0		77		
Subtotal, Technology Investment (T)	4,578	3,127	84		1,367		
Total, Pipeline Safety	6,392	4,612	132		1,648		

*In order to improve our overall effectiveness and efficiency, PHMSA has new categories that better reflect the budgeted activities. Mapping and data integration were included in R&D in FY2008, but are now categorized as Risk-Based Data Driven solutions.

RD&T PROGRAM: PIPELINE SAFETY
AMOUNT REQUESTED FOR FY 2009: \$5,784K

Projects

Damage prevention and leak detection

Objective: Reducing the number of incidents and accidents resulting from excavation damage and outside force and detecting liquid and natural gas leaks before loss of large quantities of product occurs.

Description: Damage to pipe by excavation and outside force continues to be a leading cause of pipeline failure. Preventing or reducing such damage to pipelines would dramatically improve pipeline safety. Excavation damage is most often caused by contact with the pipe while digging around it. Much of the damage is caused by operators of backhoes, bulldozers, and even shovels, where people have failed to locate the pipe before digging. Leak detection continues to present a challenge, especially for small leaks. Ecological and drinking water resources can be impacted by small hazardous liquid pipeline leaks that are not quickly detected. Among the possibilities for improving leak detection are monitoring systems that can detect small releases, sensors for small leak detection, technologies for aerial surveillance for airborne chemicals, improvements in the cost and effectiveness of current leak detection systems, and satellite imaging.

Outputs:

- Subsurface mapping technology
- Pipe detection technology for HDD
- ROW monitoring technology
- Aerial leak detection systems (helicopter, fixed wing & UAV based)
- Ground based leak detection systems

RD&T Partners:

- Department of the Interior, Minerals Management Service
- Department of Energy, National Energy Technology Laboratory
- Environmental Protection Agency
- Research and Innovative Technology Administration

FY 2009 Funding: \$3,323K

RD&T Strategies Supported:

Safety

- Conduct and support research to understand and address the causal factors and risks in accidents and to anticipate future safety risks in all transportation modes
- Conduct and support research to determine the most effective ways of mitigating the consequences of transportation accidents and incidents in all modes

Environmental Stewardship

- Conduct and support research to understand the various impacts of transportation activities on the natural and built environment and communities and to advance technologies and concepts to mitigate those impacts

Enhanced operations, controls, and monitoring

Objective: Improving the safety of pipeline operations through enhanced controls and human factors management, identifying critical pipeline defects using inline inspection and direct assessment, and improving the capability to characterize the severity of defects in pipeline systems and to mitigate them before they lead to incidents or accidents.

Description: Inspection and assessment of pipe condition are essential tools for determining the safety, reliability and soundness of pipe. Key to understanding the integrity of pipelines is an ability to characterize the severity of defects and to mitigate them before they can lead to incidents or accidents. Some defects are critical and must be removed for safe operation. Some defects present longer term problems, especially when the defects are time-dependent. Detection and resolution of active corrosion is an example. Other defects, while detectable, are stable anomalies in the pipe and present no threat to pipeline operation. Topics of interest include technologies and procedures designed to minimize operator error, research on the effects of managing pipeline controller shift change and potential solutions for minimizing those effects, and the human interface in incident/accident management and routine operations. Currently

PHMSA coordinates and disseminates Human Factors research activities through the Human Factors Coordinating Council (HFCC). In addition, PHMSA has representation on the newly formed Human Factors Research Group organized by RITA and plans to focus future coordination via that group and the HFCC.

Outputs:

- Expanded use of Direct Assessment
- New & more powerful inspection technology
- Robotic inspection platforms
- New human factor protocols for pipeline monitoring and control operations
- New models to characterize damage
- New protocols to streamline repairs

RD&T Partners:

- Department of the Interior, Minerals Management Service
- Department of Energy, National Energy Technology Laboratory
- Environmental Protection Agency
- Department of Commerce, National Oceanic and Atmospheric Administration
- Research and Innovative Technology Administration

FY 2009 Funding: \$1,255K

RD&T Strategies Supported:

Safety

- Conduct and support research to understand and address the causal factors and risks in accidents and to anticipate future safety risks in all transportation modes
- Conduct and support research to determine the most effective ways of mitigating the consequences of transportation accidents and incidents in all modes

Environmental Stewardship

- Conduct and support research to understand the various impacts of transportation activities on the natural and built environment and communities and to advance technologies and concepts to mitigate those impacts

Improved material performance

Objective: Improving pipeline materials, fabrication, design and construction practices.

Description: Improved pipeline materials can better withstand construction-related damage, corrosion, and cracking. Better welding techniques and improved models for assessment of corrosion will lessen future damage and better predict remaining pipe strength. Pipeline coating improvements will reduce corrosion rates and allow pipelines to operate years past their original design life. In addition, addressing the safety impacts

of moving new biofuels such as bio-diesel, hydrogen and ethanol through pipelines must be investigated.

PHMSA will coordinate improved pipeline materials RD&T with RITA and FHWA. Previous coordination with FHWA and highlighting improved pipeline materials RD&T at the annual TRB Meeting indicated that some fundamental research on materials might be compared and strategies aligned with FHWA, even though the materials focus by PHMSA is very threat-specific to pipeline operations and the research is strongly tied to consensus standards representing the pipeline industry. However, PHMSA recently awarded new RD&T contracts dealing with pipeline coatings. This may be an area of possible alignment, and PHMSA be meeting with FHWA to investigate synergies.

Outputs:

- Strain based design standards
- New construction protocols
- Better pipeline coatings
- Expanded use of plastics and composites
- Knowledge of pipeline safety impacts from biofuels (hydrogen/ethanol)

RD&T Partners:

- Department of the Interior, Minerals Management Service
- Department of Energy, National Energy Technology Laboratory
- Department of Commerce, National Institute of Standards and Technology
- Department of Agriculture, Transportation Services Branch
- Research and Innovative Technology Administration

FY 2009 Funding: \$1,206K

RD&T Strategies Supported:

Safety

- Conduct and support research to understand and address the causal factors and risks in accidents and to anticipate future safety risks in all transportation modes
- Conduct and support research to determine the most effective ways of mitigating the consequences of transportation accidents and incidents in all modes

Environmental Stewardship

- Conduct and support research to understand the various impacts of transportation activities on the natural and built environment and communities and to advance technologies and concepts to mitigate those impacts

Exhibit V-3

SUPPORT FOR SECRETARIAL AND ADMINISTRATION RD&T PRIORITIES
PIPELINE and HAZARDOUS MATERIAL SAFETY ADMINISTRATION
Appropriations, Obligation Limitations & Exempt Obligations
(dollars in thousands)

PRIORITY:

Safety

Pipeline Safety	Technical Assistance Grants	0
	Control and Monitoring	878
	Damage Prevention and Leak Detection	2,249
	Improved Material Performance	1,129
Total Safety-- Pipeline Safety		4,256

Reduced Congestion

Pipeline Safety	Damage Prevention and Leak Detection	84
Total Reduce Congestion-- Pipeline Safety		84

Total-- Pipeline Safety		4,340
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EXHIBIT V-4

Pipeline Safety

R&D Investment Criterion	How Applied	Actions Reflected in FY 2009 Request
Relevance	To meet the <i>Relevance</i> test, the RD&T program has complete plans with clear goals and performance criteria relevant to the needs of the Nation. Program articulates the potential public benefits of the program with emphasis on the mission, technical and scientific merit of the technological innovation, and the needs of the customers impacted. Program relevance is assessed periodically through a look back at what was really accomplished.	<ul style="list-style-type: none"> • Annual Program Review by RITA. • PHP Blue Ribbon Panel for programmatic stakeholder input. • PHP R&D Forum for stakeholder identification of priorities. • Merit Review Panel to review and rank proposed research for relevance. • Strong review criteria relevant to the needs of the Nation. • Annual active project peer review to retain mission relevance.
Quality	To meet the <i>Quality</i> test, the RD&T program will contract out in an appropriate manner and assess for quality results in a clear and transparent manner. Procurement processes for solicitation and award of contracts are systematic, clear, and based on a competitive, merit-based process. The program documents and justifies how quality is maintained when it spends funds through means other than a competitive, merit-based process. Program quality is assessed periodically through external reviews that look back at what was really accomplished.	<ul style="list-style-type: none"> • Use of competitive research solicitations. • Merit Review Panel to review and rank research for quality. • Strong review criteria addressing quality. • Matching COTR technical background with project subject matter. • Annual Program Review (RITA). • PHP Blue Ribbon Panel for programmatic stakeholder input. • Annual active project peer review to keep quality high.
Performance	To meet the <i>Performance</i> test, the RD&T program is managed in a manner to produce short and long-term R&D objectives. Performance goals are established and documented for appropriate output and outcome measures. Performance measures or metrics promote not just performance, but also innovation and dissemination of knowledge.	<ul style="list-style-type: none"> • All RD&T solicitations require quantifiable performance based metrics for deliverables that are tied to payable milestones • Government/Industry Merit Review Panel to heighten RD&T visibility to industry partners. • Annual active project peer review to keep performance high.

PHMSA's Pipeline Safety R&D Program is applying the OMB R&T Investment Criteria in conjunction with an overall systematic process to address program and project effectiveness (<http://primis.phmsa.dot.gov/rd/evaluation.htm>). The methods applied are done annually or on a periodic basis. All internal and external feedback indicates program relevance, performance and quality actions and outputs are effective or on the right track in being effective. Influence is minor in enacting major changes to our management process. Program and project peer reviews are conducted annually and internal and external stakeholders are informed of progress in setting targets and output expectations. Implementation of some final program actions will show PHMSA's program can produce output targets and measurement of program impact by FY 2009.