

U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
FY 2011 BUDGET REQUEST
TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| TAB 1: Budget Summary | |
| Budget Overview | 1 |
| Exhibit I – Organization Chart | 4 |
| TAB 2: Budget Summary Tables | |
| Exhibit II-1 (Comparative Statement of New Budget Authority) | 7 |
| Exhibit II-2 (Request by Appropriation Account – Budgetary Resources) | 8 |
| Exhibit II-3 (Request by Appropriation Account and Strategic Objective) | 9 |
| Exhibit II-4 (Request by Appropriation Account – Budget Authority) | 10 |
| Exhibit II-5 (Request by Appropriation Account – Outlays) | 11 |
| Exhibit II-6 (Summary of Requested Funding Changes from Base) | 12 |
| Exhibit II-7 (Working Capital Fund) | 16 |
| Exhibit II-8 (Personnel Resource – Summary) | 17 |
| Exhibit II-9 (Resource Summary – Staffing) | 18 |
| Summary of Changes (FY 2010 to FY 2011) | 19 |
| Research and Special Programs Schedules | 20 |
| TAB 3: Budget Request by Appropriation Account | |
| <u>Pipeline Safety</u> | |
| Appropriations Language | 23 |
| Exhibit III-1 (Summary by Program Activity) | 24 |
| Program and Performance Statement | 24 |
| Exhibit III-2 (Summary Analysis of Changes from FY 2010 to FY 2011) | 25 |
| Unavailable Collections | 26 |
| Program and Financing Schedule | 27 |
| Object Classification and Personnel Summary | 28 |
| History of Appropriations | 29 |
| Detailed Justification for Pipeline Safety | 30 |
| Explanation of Funding Changes | 34 |
| <u>Oil Spill Liability Trust Fund</u> | |
| Oil Spill Liability Trust Fund Funding Table | 37 |
| Program and Performance Statement | 37 |
| Program and Financing Schedule | 38 |
| Object Classification | 39 |
| Detailed Explanation for Oil Spill Liability Trust Fund | 40 |

| | |
|---|----|
| <u>Hazardous Materials Safety</u> | |
| Appropriations Language | 43 |
| Exhibit III-1 (Summary by Program Activity) | 44 |
| Program and Performance Statement..... | 44 |
| Exhibit III-2 (Summary Analysis of Changes from FY 2010 to FY 2011) | 45 |
| Program and Financing Schedule..... | 46 |
| Object Classification and Personnel Summary | 47 |
| History of Appropriations | 48 |
| Detailed Justification for Hazardous Materials Safety | 49 |
| Explanation of Funding Changes | 54 |

| | |
|---|----|
| <u>Emergency Preparedness Grants</u> | |
| Appropriations Language | 57 |
| Exhibit III-1 (Summary by Program Activity) | 58 |
| Program and Performance Statement..... | 58 |
| Exhibit III-2 (Summary Analysis of Changes from FY 2010 to FY 2011) | 59 |
| Unavailable Collections | 60 |
| Program and Financing Schedule..... | 61 |
| Object Classification..... | 62 |
| History of Appropriations | 63 |
| Detailed Justification for Emergency Preparedness Grants | 65 |
| Explanation of Funding Changes | 68 |

| | |
|---|----|
| <u>Operational Expenses</u> | |
| Appropriations Language | 69 |
| Exhibit III-1 (Summary by Program Activity) | 70 |
| Program and Performance Statement..... | 70 |
| Exhibit III-2 (Summary Analysis of Changes from FY 2010 to FY 2011) | 71 |
| Program and Financing Schedule..... | 72 |
| Object Classification and Personnel Summary | 73 |
| History of Appropriations | 74 |
| Detailed Justification for Emergency Preparedness Grants | 75 |
| Explanation of Funding Changes | 79 |

TAB 4: Budget Request by Performance Goals

| | |
|--|----|
| Performance Overview | 81 |
| Exhibit IV-1 (PHMSA Request by Strategic Goal and Performance Goal)..... | 83 |
| Exhibit IV-2 (Performance Overview) | 84 |
| Exhibit IV-3 (Hazardous Materials and EP Grants Logic Model)..... | 87 |
| Exhibit IV-3 (Pipeline Safety Logic Model) | 92 |
| Exhibit IV-4 (Key Program Reviews, Assessments, or Evaluations)..... | 97 |

TAB 5: Research, Development and Technology Exhibits

| | |
|---|-----|
| Exhibit V-1 (RD&T Budget Request) | 105 |
|---|-----|

**U.S. DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
FY 2011 BUDGET REQUEST OVERVIEW**

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is requesting a budget of \$202.2 million and 468.5 direct full-time equivalent employees (FTEs) for fiscal year (FY) 2011. This request represents an increase of \$9.563 million from the FY 2010 enacted appropriation and includes \$4.9 million for baseline changes and \$4.6 million for program changes.

Major baseline increases for FY 2011 include the annualized cost of new positions authorized and funded in the FY 2010 enacted appropriation (\$2.9 million) (16 in Hazardous Materials (hazmat) Safety, 4 in Operational Expenses, and 18 in Pipeline Safety), the FY 2011 pay raise (\$576,000), and the annualized cost of the 2010 pay raise (\$248,000).

FY 2011 program changes requested include increases for state pipeline grants to help oversee the safe operation of the national pipeline system (\$3.8 million); system development of the Hazmat Intelligence Portal (HIP), which serves the Federal community responsible for protecting people and the environment from accidental or terrorist-related hazmat releases (\$847,000); and technology improvements as part of PHMSA's Information Technology (IT) Modernization Blueprint (\$650,000).

Since its establishment in 2006, PHMSA has administered comprehensive, nationwide programs designed to protect the public and the environment from the risks inherent in the commercial transportation of hazardous materials by air, rail, vessel, highway and pipeline. In support of President Obama's environmental and economic agenda, PHMSA is helping the nation strive towards the goal of becoming more energy independent. Efforts such as the oversight of safety and reliability of energy pipelines, strict regulation of hazardous materials transportation, technical assistance programs and grants for planning and training to states, territories, and Native American tribes, and enhancements in research programs through new methods and technologies are vital components to the President's vision. PHMSA's Strategic Plan¹ drives the agency's actions in building its capabilities, making the best use of information to reduce risks and guide decisions to improve overall performance.

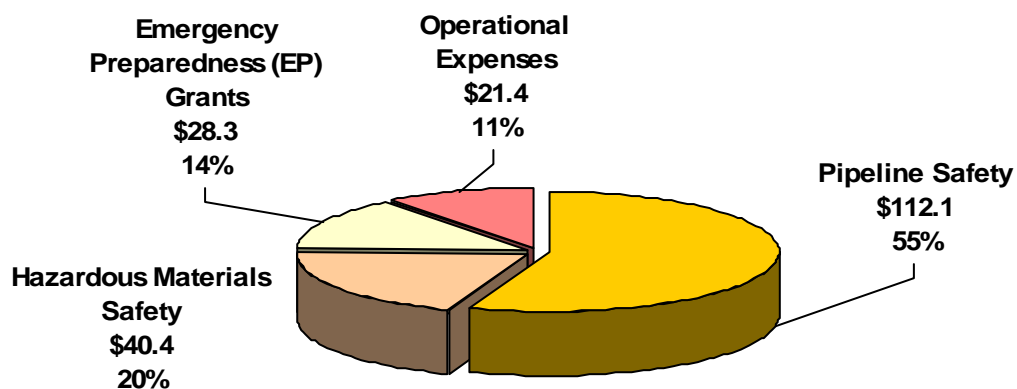
Currently, PHMSA oversees the transportation of hazardous liquids and natural gas through a network of 2.5 million miles of pipelines, serving over 69 million residential and commercial customers. These pipelines transport and supply 68 percent of the fuel used to heat, cool and operate American homes, cars, and businesses, including most of the energy powering other transportation modes. In addition to its pipeline safety role, PHMSA oversees the safe and secure shipment of more than one million daily movements of hazardous materials by all transportation modes, including explosive, poisonous, corrosive, flammable, and radioactive materials. Many of these materials are essential to the American public and local economies due to their use in farming, medical applications, manufacturing, mining and other industrial processes.

¹ PHMSA's Strategic Plan can be downloaded at www.phmsa.gov/about/mission.

PHMSA's work often goes unnoticed due to its successful efforts in reducing and containing serious incidents that could affect local communities. Over the past decade, the number of pipeline incidents resulting in death or major injury has declined by 4-5 percent per year, while the number of hazmat incidents involving death or major injury reached a historical low in 2009.

For FY 2011, PHMSA's budget request emphasizes two key goals: (1) protecting the public and (2) protecting the environment.

FY 2011 funding is requested by appropriation as follows (*in millions*):



PHMSA's FY 2011 budget request includes funding for essential activities that pertain to the overall success of PHMSA's mission in safety.

Pipeline Safety (\$112.111 million / 215 FTE): Of this amount \$18.905 million is requested from the Oil Spill Liability Trust Fund and \$1.0 million is transferred from the Operational Expenses account to fund the Information Grants to Communities. PHMSA is requesting a net increase of \$5.9 million for adjustments to base (\$1.8 million) and program changes (\$4.1 million). With the requested level of funding, PHMSA will implement a new and significant federal pipeline regulation for distribution pipelines and support the federal focus on poor performing operators. Most importantly, the funding request includes a major incentive to improve state participation in the program and thus is essential to the success of the national Pipeline Safety program.

The funding request will support each stage of pipeline projects en route. Funding will also provide technical assistance for all major pipelines nationwide that require inspection work or considerable construction inspection work. In the Pipeline Safety request, a transfer of \$1 million is included from Operational Expenses for "Information Grants to Communities," which will be awarded to support technical assistance for local communities and organizations in addressing pipeline safety issues and to help promote public participation in pipeline safety proceedings.

All of these efforts enable PHMSA to carry out a comprehensive, nationwide Pipeline Safety program protecting people and the environment from the risks inherent in the transportation of hazardous materials by pipeline.

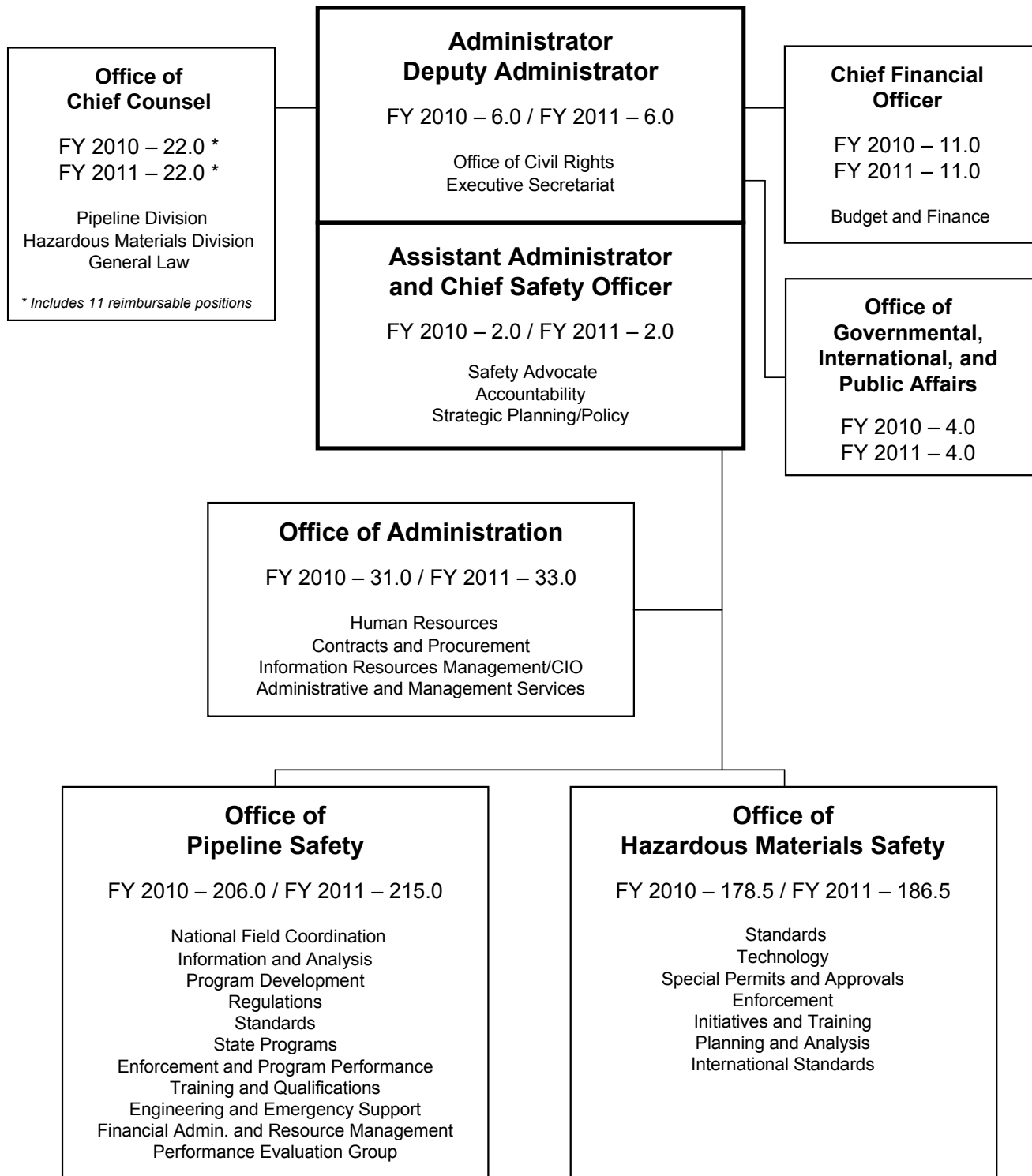
Hazardous Materials Safety (\$40.434 million / 186.5 FTE): The request reflects PHMSA's Special Permits and Approvals Action Plan that addresses challenges identified in 2009 by the Department's Office of the Inspector General to enhance and improve (1) safety oversight of the Special Permits program, (2) operational efficiency within the Office of Special Permits and Approvals, (3) coordination between Office of Special Permits and Approvals and its federal partners, and (4) data collection and analysis.

The FY 2011 request includes a net increase for Hazardous Materials Safety of \$2.4 million, which includes adjustments to base (\$2.5 million) and net program reduction of \$100,000. The request includes funding to better evaluate special permits and approvals, conduct thorough fitness reviews, and improve hazardous materials data preservation and research methods. Funding will also play a significant role in supporting the implementation of two action plans to improve operational efficiency within the Office of Special Permits and Approvals and improve coordination between PHMSA and its modal partners. The funds support the multimodal Hazmat Intelligence Portal (HIP) system to maintain its effectiveness and to enhance the system to ensure the security of agency business processes as well as the development of a better Information Technology system and improved data collection and analysis. Funding for the Hazardous Materials Information System (HMIS) also provides for sound grants management processing and internal financial controls. Each of these activities provides PHMSA with the proper tools to achieve its mission goals and enhance its ability to meet its special permits and approvals responsibilities.

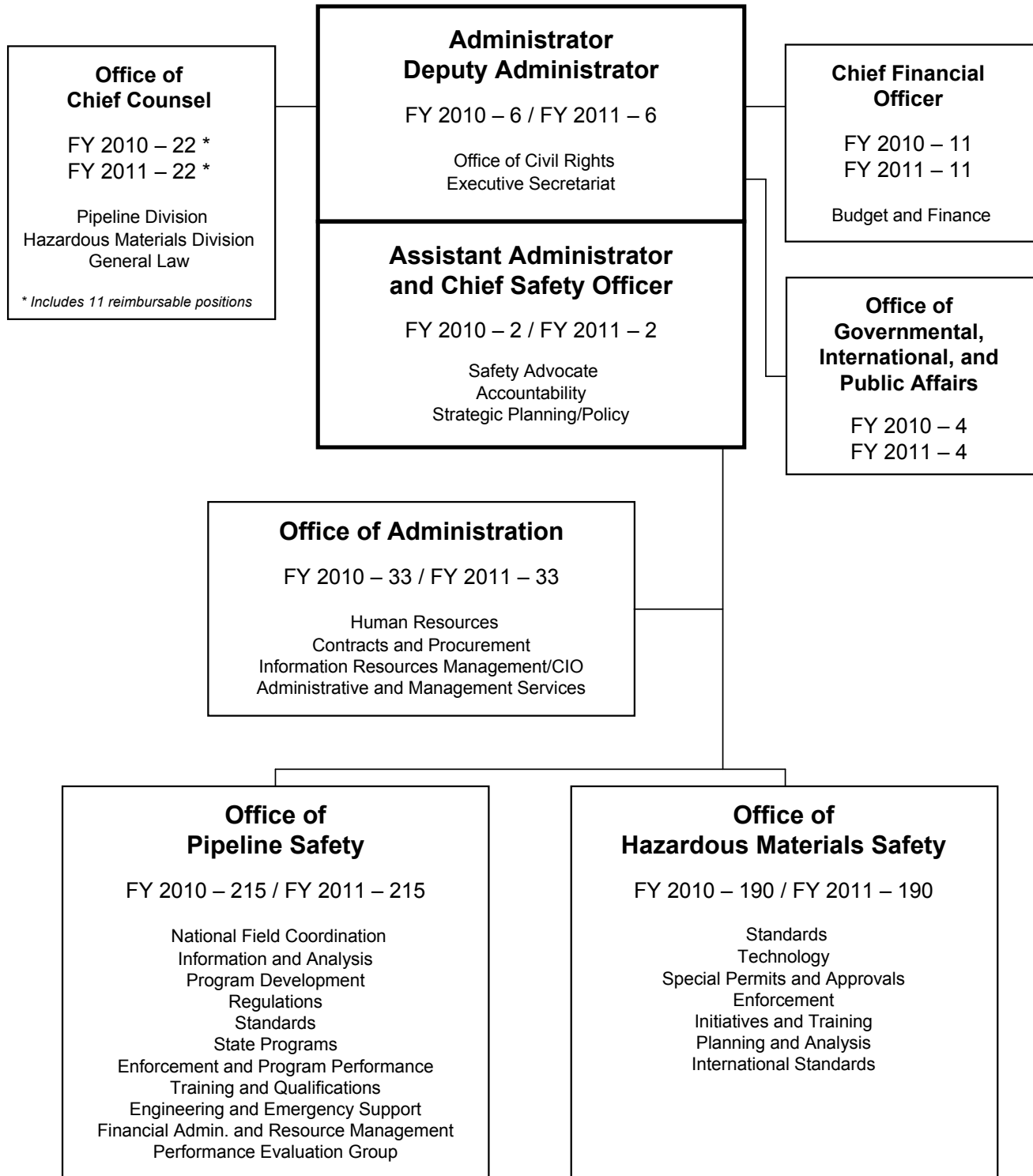
Emergency Preparedness Grants (\$28.318 million / 0 FTE): Requested funding will be used for increasing local responders' knowledge across the country through "Train the Trainer" sessions; develop outreach tools, including the publication of the widely-used Emergency Response Guidebook (ERG); provide emergency response training and planning through financial assistance to states, territories, and tribes; develop and update curriculum guidelines to train public sector emergency response and preparedness teams; and offer technical and administrative support so that all the functions mentioned above may be executed smoothly. These grants are very valuable to the public's well-being during a hazmat incident; they can and do help in reducing risk and saving lives.

Operational Expenses (\$21.383 million / 67 FTE): For FY 2011, PHMSA is requesting a net increase of \$1.3 million for this account to fund \$601,000 for adjustments to base and the remaining \$650,000 for the IT Modernization Blueprint. In order to boost the centralization of data, mobilizing the process of IT modernization for the HMIS program will be a key investment. The Operational Expenses account is comprised of staffing and program costs associated with the agency's administrative offices. These expenses will ensure a competent and analytically capable organization. The functions of PHMSA's administrative support offices and personnel enhance the agency's capability to effectively and efficiently carry out the mission of its two core safety programs.

**PHMSA and Hazardous Materials Safety Administration (PHMSA)
Full-Time Equivalents (FTEs) for FYs 2010 and 2011
PHMSA Totals: FY 2010 – 460.5 / FY 2011 – 479.5**



Pipeline and Hazardous Materials Safety Administration (PHMSA)
Full-Time Positions (FTPs) for FYs 2010 and 2011
PHMSA Totals: FY 2010 – 483 / FY 2011 – 483



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EXHIBIT II-1
COMPARATIVE STATEMENT OF NEW BUDGET AUTHORITY
Pipeline and Hazardous Materials Safety Administration
Budget Authority
(In thousands of dollars)

| <u>ACCOUNT NAME</u> | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> |
|-------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| Pipeline Safety | \$94,291 | \$106,239 | \$112,111 |
| Hazardous Materials Safety | 32,000 | 37,994 | 40,434 |
| Emergency Preparedness Grants | 28,318 | 28,318 | 28,318 |
| Operational Expenses | 18,130 | 20,132 | 21,383 |
| | ----- | ----- | ----- |
| TOTALS | \$172,739 | \$192,683 | \$202,246 |

EXHIBIT II-2
FY 2011 BUDGET REQUEST BY APPROPRIATION ACCOUNT
Pipeline and Hazardous Materials Safety Administration
Budgetary Resources: Appropriations, Obligation Limitations, and Exempt Obligations
(In thousands of dollars)

| <u>ACCOUNT NAME</u> | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> |
|--|----------------------------------|-----------------------------------|-----------------------------------|
| <u>Pipeline Safety</u> | | | |
| Pipeline Safety | | | |
| <i>From the Pipeline Safety Fund</i> | \$74,481 | \$86,334 | \$92,206 |
| <i>From the Pipeline Safety General Fund</i> | 1,000 | 1,000 | 1,000 |
| <i>From the TF Share of Pipeline Safety</i> | 18,810 | 18,905 | 18,905 |
| | <u>\$94,291</u> | <u>\$106,239</u> | <u>\$112,111</u> |
| <u>Hazardous Materials Safety</u> | | | |
| Hazardous Materials Safety | \$32,000 | \$37,994 | \$40,434 |
| <u>Emergency Preparedness Grants</u> | \$28,318 | \$28,318 | \$28,318 |
| <u>Operational Expenses</u> | | | |
| Operational Expenses | | | |
| <i>From the General Fund</i> | \$17,491 | \$19,493 | \$20,744 |
| <i>From the Pipeline Safety General Fund</i> | 639 | 639 | 639 |
| | <u>\$18,130</u> | <u>\$20,132</u> | <u>\$21,383</u> |
| TOTALS | <u>\$172,739</u> | <u>\$192,683</u> | <u>\$202,246</u> |

EXHIBIT II-3
FY 2011 BUDGET REQUEST BY APPROPRIATION ACCOUNT AND STRATEGIC OBJECTIVE
Pipeline and Hazardous Materials Safety Administration
Appropriations, Obligation Limitations, and Exempt Obligations
(in thousands of dollars)

| APPROPRIATION/PROGRAM ACTIVITY/PERFORMANCE GOAL | <u>SAFETY</u> | <u>REDUCED CONGESTION</u> | <u>GLOBAL CONN.</u> | <u>ENVIRON. STEWARD.</u> | <u>SECURITY</u> | <u>ORG. EXCELL.</u> | <u>TOTAL</u> |
|--|-------------------------|--------------------------------------|--------------------------------|-------------------------------------|------------------------|--------------------------------|-------------------------|
| <u>Pipeline and Hazardous Materials Safety</u> | <u>\$202,246</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$202,246</u> |
| <u>Safety</u> | | | | | | | |
| Reduce transportation-related deaths and injuries (<i>final outcome</i>): Number of hazardous materials incidents involving death or major injury | 75,809 | 0 | 0 | 0 | 0 | 0 | 75,809 |
| Reduce transportation related deaths and injuries (<i>final outcome</i>): Number of pipeline incidents involving death or major injury | 126,437 | 0 | 0 | 0 | 0 | 0 | 126,437 |
| Program Activity Subtotal | \$202,246 | \$0 | \$0 | \$0 | \$0 | \$0 | \$202,246 |
| TOTALS: | <u>\$202,246</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$202,246</u> |
| FTEs (direct funded only): | 468.5 | 0 | 0 | 0 | 0 | 0 | 468.5 |

Note: In FY 2011, PHMSA is showing all of its funding request under the "Safety" strategic goal since safety is the primary purpose of the agency. There are also significant environmental benefits from these same activities, particularly in pipeline safety, but most of the activities are not separable from their safety purpose.

EXHIBIT II-4
FY 2011 BUDGET REQUEST BY APPROPRIATION ACCOUNT
Pipeline and Hazardous Materials Safety Administration
Budget Authority
(In thousands of dollars)

| <u>ACCOUNT NAME</u> | <u>Mandatory/ Discretionary</u> | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> |
|-------------------------------|--|----------------------------------|-----------------------------------|-----------------------------------|
| Pipeline Safety | D | \$94,291 | \$106,239 | \$112,111 |
| Hazardous Materials Safety | D | \$32,000 | \$37,994 | \$40,434 |
| Emergency Preparedness Grants | M | \$28,130 | \$28,130 | \$28,130 |
| | D | 188 | 188 | 188 |
| | | <hr/> | <hr/> | <hr/> |
| | | \$28,318 | \$28,318 | \$28,318 |
| Operational Expenses | D | \$18,130 | \$20,132 | \$21,383 |
| | | <hr/> | <hr/> | <hr/> |
| TOTALS | | \$172,739 | \$192,683 | \$202,246 |
| | <i>Discretionary</i> | <i>\$144,609</i> | <i>\$159,895</i> | <i>\$183,958</i> |
| | <i>Mandatory</i> | <i>\$28,130</i> | <i>\$28,130</i> | <i>\$28,130</i> |

PROPRIETARY AND OTHER GOVERNMENTAL RECEIPTS

General Offsetting Receipts:

| | | | |
|---|------------------|------------------|------------------|
| Pipeline Safety User Fees (new collections) | \$77,704 | \$86,973 | \$92,845 |
| Pipeline Safety Trust Fund Share | \$17,298 | \$16,756 | \$18,433 |
| Emergency Preparedness Fund (EP Grants) | \$18,569 | \$19,383 | \$28,893 |
| Hazmat Registration Program (Mandatory) | \$800 | \$800 | \$800 |
| | <hr/> | <hr/> | <hr/> |
| TOTALS | \$114,371 | \$123,912 | \$140,971 |

EXHIBIT II-5
FY 2011 BUDGET REQUEST BY APPROPRIATION ACCOUNT
Pipeline and Hazardous Materials Safety Administration
Outlays¹
(In thousands of dollars)

| <u>ACCOUNT NAME</u> | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> |
|---|----------------------------------|-----------------------------------|-----------------------------------|
| Pipeline Safety | \$65,264 | \$80,027 | \$89,572 |
| General Fund Share of Pipeline Safety | 0 | 0 | 0 |
| Trust Fund Share of Pipeline Safety | 17,298 | 16,756 | 18,433 |
| Subtotal, Pipeline Safety | \$82,562 | \$96,783 | \$108,005 |
| Hazardous Materials Safety | \$26,768 | \$40,234 | \$41,199 |
| Emergency Preparedness Grants | | | |
| Mandatory | \$16,102 | \$36,988 | \$35,474 |
| Discretionary | 179 | 188 | 188 |
| Subtotal, Emergency Preparedness Grants | \$16,281 | \$37,176 | \$35,662 |
| Operational Expenses | \$16,853 | \$18,332 | \$20,983 |
| Research and Special Programs | \$230 | \$537 | \$0 |
| | ----- | ----- | ----- |
| TOTALS | \$142,694 | \$193,062 | \$205,849 |
| <i>Discretionary</i> | <i>\$126,592</i> | <i>\$156,074</i> | <i>\$170,375</i> |
| <i>Mandatory</i> | <i>\$16,102</i> | <i>\$36,988</i> | <i>\$35,474</i> |

¹ Outlays are reported on a cash expenditure basis. The amount of budget authority and outlays for a fiscal year typically differ because of budget authority and outlays for a fiscal year typically differ because budget authority from a previous fiscal year can be used for outlays in the current fiscal year.

Exhibit II-6
SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
PIPELINE SAFETY
Appropriations, Obligation Limitations, and Exempt Obligations
(In thousands of dollars)

| Baseline Changes | | | | | | | | | | | | | |
|---|--------------------|----------------------------|----------------------------|----------------------------|--|--------------------|----------------------|------------------------------|--------------------|------------------------------------|-----------------------------|------------------------------------|--------------------|
| | FY 2010 Enacted | 2010 PC&B By Program | 2010 FTE Per Program | 2010 Contracts Expenses | Annualization of 2010 Pay Raises | 2011 Pay Raises | GSA Rent Decrease | WCF Increase/ Decrease | 0.50% Inflation | Annualization of FY 2010 FTE | FY 2011 Adjusted Base | Program Increases/ Decreases | FY 2011 Request |
| OPERATIONS | Note Non-Add | | | | | | | | | | | | |
| PERSONNEL RESOURCES (FTE) | 206.0 | | | | | | | | | 9.0 | 215.0 | | 215.0 |
| Direct FTE | 206.0 | | | | | | | | | | | | |
| FINANCIAL RESOURCES | | | | | | | | | | | | | |
| Salaries and Benefits | \$25,036 | | | | \$115 | \$263 | | | | \$1,302 | \$26,716 | | \$26,716 |
| Travel | \$3,031 | | | | | | | | \$15 | \$275 | \$3,321 | | \$3,321 |
| GSA Rent | \$3,330 | | | | | | (\$678) | | \$17 | | \$2,669 | | \$2,669 |
| Communications, Rent & Utilities | \$1,233 | | | | | | | | \$6 | \$10 | \$1,249 | | \$1,249 |
| Printing | \$82 | | | | | | | | | | \$82 | | \$82 |
| Other Services: | | | | | | | | | | | | | |
| -WCF | \$3,119 | | | | | | | \$44 | | | \$3,163 | | \$3,163 |
| -Other | | | | | | | | | | | \$91 | | \$91 |
| Training | \$1,650 | | | | | | | | \$8 | \$33 | \$1,691 | | \$1,691 |
| Accounting/Delphi Services | \$139 | | | | | | | | \$1 | | \$140 | | \$140 |
| Supplies | \$115 | | | | | | | | \$1 | \$60 | \$176 | | \$176 |
| Administrative/Prof. Support Services | \$100 | | | | | | | | \$1 | | \$101 | | \$101 |
| Equipment | \$1,284 | | | | | | | | \$6 | | \$1,290 | | \$1,290 |
| Subtotal, Administrative | \$39,210 | \$39,210 | 206.0 | | \$115 | \$263 | (\$678) | \$44 | \$55 | \$1,680 | \$40,689 | | \$40,689 |
| PROGRAMS | | | | | | | | | | | | | |
| Contract Programs: | | | | | | | | | | | | | |
| Information and Analysis | \$1,730 | | | \$1,730 | | | | | \$9 | | \$1,739 | | \$1,739 |
| Pipeline Integrity Management | \$8,615 | | | \$8,615 | | | | | \$43 | | \$8,658 | \$1,000 | \$9,658 |
| Permitting | \$730 | | | | | \$730 | | | \$4 | | \$734 | (\$734) | \$0 |
| Compliance | \$318 | | | | | | | | \$2 | | \$320 | | \$320 |
| Training and Information Dissemination | \$1,481 | | | \$1,481 | | | | | \$7 | | \$1,488 | | \$1,488 |
| Emergency Notification | \$102 | | | | | | | | \$1 | | \$103 | | \$103 |
| Pandemic Influenza | \$4 | | | \$4 | | | | | \$0 | | \$4 | | \$4 |
| Community Asst and Technical Services | \$2,859 | | | \$2,859 | | | | | \$14 | | \$2,873 | | \$2,873 |
| Multimodal Hazmat Intelligence Portal | \$402 | | | \$402 | | | | | \$2 | | \$404 | | \$404 |
| Alternative Fuels | \$101 | | | | | \$101 | | | \$1 | | \$102 | | \$102 |
| Mapping and Information Systems | \$1,268 | | | \$1,268 | | | | | \$6 | | \$1,274 | | \$1,274 |
| Implementing the Oil Pollution Act | \$1,005 | | | \$1,005 | | | | | \$5 | | \$1,010 | | \$1,010 |
| Subtotal, Contract Programs | \$18,615 | | | \$18,615 | | | | | \$94 | | \$18,709 | \$266 | \$18,975 |
| Research and Development: | | | | | | | | | | | | | |
| Subtotal, Research and Development | \$6,885 | | | \$6,885 | | | | | \$34 | | \$6,919 | | \$6,919 |
| Grants: | | | | | | | | | | | | | |
| State Pipeline Safety Grants | \$37,959 | | | \$37,959 | | | | | \$190 | | \$38,149 | \$3,796 | \$41,945 |
| State One-Call Grants | \$1,048 | | | \$1,048 | | | | | \$5 | | \$1,053 | | \$1,053 |
| State Damage Prevention Grants | \$1,522 | | | \$1,522 | | | | | \$8 | | \$1,530 | | \$1,530 |
| *Information Grants to Communities (transfer from Operational Expenses) | \$1,000 | | | | | | | | \$1,000 | | \$1,000 | | \$1,000 |
| Subtotal, Grants | \$41,529 | | | \$40,529 | | | | | \$1,203 | | \$41,732 | \$3,796 | \$45,528 |
| Programs Subtotal | \$68,034 | | | \$67,034 | | | | | \$1,336 | | \$68,370 | \$4,062 | \$72,432 |
| GRAND TOTAL | \$106,239 | \$39,210 | 206.0 | \$66,029 | \$115 | \$263 | (\$678) | \$44 | \$1,386 | \$1,680 | \$108,049 | \$4,062 | \$112,111 |

*Includes \$1M transferred from Operational Expenses to fund Information Grants to Communities

Exhibit II-6

**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION**

HAZARDOUS MATERIALS SAFETY

Appropriations, Obligation Limitations, and Exempt Obligations

(In thousands of dollars)

| | FY 2010 Enacted | 2010 PC&B By Program | 2010 FTE Per Program | 2010 Annualization | | | | WCF Increase/ Decrease | GSA Rent | 0.50% Inflation | Annualization of FY 2010 FTE Realignments | FY 2011 Adjusted Base | Program Increases/ Decreases | FY 2011 Request |
|---|--------------------|----------------------------|----------------------------|-----------------------|-------------|--------------------|--------------------|------------------------------|-------------|--------------------|---|-----------------------------|------------------------------------|--------------------|
| | | | | Contracts Expenses | Raises | 2010 Pay Raises | 2011 Pay Raises | | | | | | | |
| OPERATIONS | | | | | | | | | | | | | | |
| PERSONNEL RESOURCES (FTE) | 178.5 | | | | | | | | | | 8.0 | 186.5 | | 186.5 |
| Direct FTE | 178.5 | | | | | | | | | | | | | |
| FINANCIAL RESOURCES | | | | | | | | | | | | | | |
| Salaries and Benefits | \$22,213 | | | | \$97 | \$224 | | | | | \$857 | \$23,391 | | \$23,391 |
| Travel | \$1,435 | | | | | | | | | \$7 | \$160 | \$1,602 | | \$1,602 |
| GSA Rent | \$1,020 | | | | | | \$1,033 | | | \$5 | \$40 | \$2,098 | | \$2,098 |
| Communications, Rent & Utilities | \$285 | | | | | | | | | \$1 | \$16 | \$302 | | \$302 |
| Printing | \$82 | | | | | | | | | | | \$82 | | \$82 |
| Other Services: | | | | | | | | | | | | | | |
| -WCF | \$1,300 | | | | | | | \$18 | | | | \$1,318 | | \$1,318 |
| -Other | \$343 | | | | | | | \$1 | | | | \$344 | | \$344 |
| Training (Hazmat Specific) | \$194 | | | | | | | | | | \$16 | \$210 | | \$210 |
| Supplies | \$121 | | | | | | | \$1 | | | | \$122 | | \$122 |
| Administrative/Prof. Support Services | \$452 | | | | | | | \$2 | | | | \$454 | | \$454 |
| Equipment | \$118 | | | | | | | | | | \$15 | \$133 | | \$133 |
| Subtotal, Administrative | \$27,563 | \$27,563 | 178.5 | | \$97 | \$224 | \$1,033 | \$18 | \$17 | \$17 | \$1,104 | \$30,056 | | \$30,056 |
| PROGRAMS | | | | | | | | | | | | | | |
| Contract Programs: | | | | | | | | | | | | | | |
| Hazmat Information System (HMIS) | \$1,945 | | | \$1,945 | | | | | | \$10 | | \$1,955 | \$300 | \$2,255 |
| Research and Analysis | \$423 | | | \$423 | | | | | | \$2 | | \$425 | | \$425 |
| Inspection and Enforcement | \$1,771 | | | \$1,771 | | | | | | \$4 | \$361 | \$1,775 | (\$900) | \$875 |
| Rulemaking Support | \$517 | | | \$517 | | | | | | \$3 | | \$520 | | \$520 |
| Training and Outreach | \$1,190 | | | \$1,190 | | | | | | \$6 | (\$361) | \$1,196 | | \$1,196 |
| Emergency Preparedness | \$865 | | | \$865 | | | | | | \$4 | | \$869 | (\$343) | \$526 |
| Pandemic Influenza | \$2 | | | \$2 | | | | | | | | \$2 | | \$2 |
| Multimodal Hazmat Intelligence Portal | \$1,254 | | | \$1,254 | | | | | | \$6 | | \$1,260 | \$847 | \$2,107 |
| Subtotal, Contract Programs | \$7,967 | | | \$7,967 | | | | | \$35 | \$35 | \$0 | \$8,002 | (\$96) | \$7,906 |
| Hazmat Registration Program | \$765 | | | \$765 | | | | | | \$4 | | \$769 | (\$4) | \$765 |
| Research and Development: | | | | | | | | | | | | | | |
| Research and Analysis | \$1,699 | | | \$1,699 | | | | | | \$8 | | \$1,707 | | \$1,707 |
| Subtotal, Research and Development | \$1,699 | | | \$1,699 | | | | | \$8 | \$8 | | \$1,707 | | \$1,707 |
| Programs Subtotal | \$10,431 | | | \$10,431 | | | | | \$47 | \$47 | | \$10,478 | (\$100) | \$10,378 |
| GRAND TOTAL | \$37,994 | \$27,563 | 178.5 | \$10,431 | \$97 | \$224 | \$1,033 | \$18 | \$64 | \$64 | \$1,104 | \$40,534 | (\$100) | \$40,434 |

Exhibit II-6

**SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
EMERGENCY PREPAREDNESS GRANTS
Appropriations, Obligation Limitations, and Exempt Obligations
(In thousands of dollars)**

| | FY 2010 Enacted | 2010 PC&B By Program | 2010 FTE Per Program | 2010 Annualization Contracts Expenses | 2010 Pay Raises | 2011 Pay Raises | GSA Rent Decrease | WCF Increase/ Inflation | FY 2011 Adjusted Base | Program Increases/ Decreases | FY 2011 Request |
|--|--------------------|----------------------------|----------------------------|---|--------------------|--------------------|----------------------|-------------------------------|-----------------------------|------------------------------------|--------------------|
| | | | | | | | | | | | |
| OPERATIONS | | | | | | | | | | | |
| PERSONNEL RESOURCES (FTE) | 0.0 | | | | | | | | 0.0 | | 0.0 |
| Direct FTE | 0.0 | | | | | | | | | | |
| FINANCIAL RESOURCES | | | | | | | | | | | |
| Salaries and Benefits | \$555 | | | | | | | | \$555 | | \$555 |
| Subtotal, Administrative | \$555 | \$555 | 0.0 | | | | | | \$555 | | \$555 |
| Planning and Training Grants to States, Territories, and Tribes | \$21,800 | | | \$21,800 | | | | | \$21,800 | | \$21,800 |
| Competitive Training Grants | \$4,000 | | | \$4,000 | | | | | \$4,000 | | \$4,000 |
| Supplemental Public Sector Training Grants | \$1,000 | | | \$1,000 | | | | | \$1,000 | | \$1,000 |
| PC&B and Administrative Support | \$150 | | | \$150 | | | | | \$150 | | \$150 |
| Emergency Response Guidebook (WCF) | \$625 | | | \$625 | | | | | \$625 | | \$625 |
| Subtotal, Mandatory Budget Authority | \$27,575 | | | \$27,575 | | | | | \$27,575 | | \$27,575 |
| Discretionary Budget Authority (Appropriated): | | | | | | | | | | | |
| Training Curriculum Guidelines | \$188 | | | \$188 | | | | | \$188 | | \$188 |
| Programs Subtotal | \$27,763 | | | \$27,763 | | | | | \$27,763 | | \$27,763 |
| GRAND TOTAL | \$28,318 | \$555 | 0.0 | \$27,763 | | | | | \$28,318 | | \$28,318 |

Exhibit II-6

SUMMARY OF REQUESTED FUNDING CHANGES FROM BASE
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

OPERATIONAL EXPENSES

Appropriations, Obligation Limitations, and Exempt Obligations

(In thousands of dollars)

| Baseline Changes | | | | | | | | | | | | | |
|---------------------------------------|-----------------|----------------------|----------------------|-------------------------|---------------------------------------|-----------------|----------|------------------------|-----------------|---|-----------------------|------------------------------|-----------------|
| | FY 2010 Enacted | 2010 PC&B By Program | 2010 FTE Per Program | 2010 Contracts Expenses | 2010 Annualization of 2010 Pay Raises | 2011 Pay Raises | GSA Rent | WCF Increase/ Decrease | 0.50% Inflation | Annualization of FY 2010 FTE Realignments | FY 2011 Adjusted Base | Program Increases/ Decreases | FY 2011 Request |
| OPERATIONS | Note Non-Add | | | | | | | | | | | | |
| PERSONNEL RESOURCES (FTE) | 65.0 | | | | | | | | | | 65.0 | 2.0 | 67.0 |
| Direct FTE | 65.0 | | | | | | | | | | | | |
| FINANCIAL RESOURCES | | | | | | | | | | | | | |
| Salaries and Benefits | \$8,318 | | | \$36 | | \$89 | | | | \$364 | \$9,738 | | \$9,738 |
| Training | \$34 | | | | | | | | | | \$34 | | \$34 |
| Travel | \$54 | | | | | | | | | | \$54 | | \$54 |
| GSA Rent | \$3,200 | | | | | | | | \$16 | (\$2,088) | \$1,128 | | \$1,128 |
| Communications, Rent & Utilities | \$317 | | | | | | | | \$2 | | \$319 | | \$319 |
| Printing | \$30 | | | | | | | | | | \$30 | | \$30 |
| Other Services: | | | | | | | | | | | | | |
| -WCF | \$2,565 | | | | | | | \$71 | | | \$2,636 | | \$2,636 |
| -Other | \$2 | | | | | | | | | \$100 | \$102 | | \$102 |
| Employee Development | \$137 | | | | | | | | \$1 | | \$138 | | \$138 |
| Accounting/Delphi Services | \$208 | | | | | | | | \$1 | \$1,057 | \$1,266 | | \$1,266 |
| Supplies | \$30 | | | | | | | | | | \$30 | | \$30 |
| Equipment | \$62 | | | | | | | | | | \$62 | | \$62 |
| Subtotal, Administrative | \$14,957 | \$14,957 | 65.0 | \$36 | \$89 | \$364 | \$71 | \$20 | \$2 | \$0 | \$15,537 | | \$15,537 |
| PROGRAMS | | | | | | | | | | | | | |
| Contract Programs: | | | | | | | | | | | | | |
| Budget and Financial Management | \$170 | | | \$170 | | | | | \$1 | | \$171 | | \$171 |
| Civil Rights (Intern Program) | \$30 | | | \$30 | | | | | | | \$30 | | \$30 |
| Information Resources Management | \$818 | | | \$818 | | | | | \$4 | | \$822 | | \$822 |
| Information Technology Infrastructure | \$3,050 | | | \$3,050 | | | | | \$10 | | \$3,060 | \$650 | \$3,710 |
| E-Government Initiatives | \$105 | | | \$105 | | | | | \$1 | | \$106 | | \$106 |
| Pandemic Influenza | \$2 | | | \$2 | | | | | | | \$2 | | \$2 |
| Administrative/Prof. Support Services | \$1,000 | | | \$1,000 | | | | \$5 | | | \$1,005 | | \$1,005 |
| Programs Subtotal | \$5,175 | | | \$5,175 | | | | | \$21 | \$0 | \$5,196 | \$650 | \$5,846 |
| GRAND TOTAL | \$20,132 | \$65 | 63.0 | \$5,175 | \$36 | \$89 | \$71 | \$41 | \$60 | \$0 | \$20,733 | \$650 | \$21,383 |

EXHIBIT II-7
WORKING CAPITAL FUND
Pipeline and Hazardous Materials Safety Administration
Appropriations
(In thousands of dollars)

| <u>ACCOUNT NAME</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> | <u>CHANGE</u> |
|-------------------------------|----------------------------|----------------------------|---------------|
| Pipeline Safety | \$3,119 | \$3,163 | \$44 |
| Hazardous Materials Safety | 1,300 | 1,318 | \$18 |
| Emergency Preparedness Grants | [625] | 625 | \$0 |
| Operational Expenses | 2,565 | 2,636 | \$71 |
| | ----- | ----- | ----- |
| TOTALS | \$6,984 | \$7,742 | \$133 |

EXHIBIT II-8
Pipeline and Hazardous Materials Safety Administration
PERSONNEL RESOURCE -- SUMMARY
Total Full-Time Equivalents

| <u>DIRECT FUNDED, BY APPROPRIATION</u> | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> |
|---|----------------------------------|-----------------------------------|-----------------------------------|
| Pipeline Safety | 162.0 | 206.0 | 215.0 |
| Hazardous Materials Safety | 147.0 | 178.5 | 186.5 |
| Operational Expenses | 57.0 | 65.0 | 67.0 |
| | ----- | ----- | ----- |
| Subtotal: Direct Funded | 366.0 | 449.5 | 468.5 |
| <u>ALLOCATIONS/REIMBURSEMENTS</u> | | | |
| Operational Expenses: | | | |
| Other (Honors Attorneys) | 8.0 | 11.0 | 11.0 |
| | ----- | ----- | ----- |
| Subtotal: Allocations/Reimbursements | 8.0 | 11.0 | 11.0 |
| | ===== | ===== | ===== |
| TOTALS | 374.0 | 460.5 | 479.5 |

EXHIBIT II-9
Pipeline and Hazardous Materials Safety Administration
RESOURCE SUMMARY -- STAFFING
Full-Time Permanent Positions

| <u>DIRECT FUNDED, BY APPROPRIATION</u> | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> |
|---|----------------------------------|-----------------------------------|-----------------------------------|
| Pipeline Safety | 171 | 215 | 215 |
| Hazardous Materials Safety | 150 | 190 | 190 |
| Operational Expenses | 45 | 67 | 67 |
| | ----- | ----- | ----- |
| Subtotal: Direct Funded | 366 | 472 | 472 |
| <u>ALLOCATIONS/REIMBURSEMENTS</u> | | | |
| Operational Expenses: | | | |
| Other (Honors Attorneys) | 8 | 11 | 11 |
| | ----- | ----- | ----- |
| Subtotal: Allocations/Reimbursements | 8 | 11 | 11 |
| | ===== | ===== | ===== |
| TOTALS | 374 | 483 | 483 |

Pipeline and Hazardous Materials Safety Administration
Summary of Changes
FY 2011 Request vs. FY 2010 Enacted
(In thousands of dollars)

| | Change from FY10 - FY11 |
|---|------------------------------------|
| <u>PHMSA BASELINE CHANGES</u> | |
| Annualization of FY 2010 Enacted FTE | \$ 3,148 |
| This adjustment to base finances the funding for six months of a fiscal year for enacted FTE in the FY 2010 appropriations. | |
| Annualization of FY 2010 Comparability Pay Increase | 248 |
| This adjustment to base finances the funding for one-quarter of the pay raise (2.0 percent) that is effective January 2010. The FY 2010 base must be increased to annualize the FY 2010 pay increase for staff. | |
| FY 2011 Comparability Pay Increase | 576 |
| This adjustment to base finances the funding required for the proposed 2011 pay raise (1.4 percent) that is effective January 2011. | |
| Non-Pay Inflation | 491 |
| Based on the non-pay inflation rate of 0.5 percent to ensure that contracts are adequately funded to maintain essential services and enable PHMSA activities in FY 2011. | |
| GSA Rent | 355 |
| Based on PHMSA-wide rent expenditures adjusted to better align costs to actual rent estimates. | |
| Working Capital Fund Adjustment | 133 |
| This adjustment is based on estimates provided by the WCF, and determined by actual usage costs (including inflation). | |
| Total of PHMSA Baseline Changes | \$ 4,951 |
| <u>PHMSA PROGRAM CHANGES</u> | |
| <u>Pipeline Safety</u> | |
| Pipeline Safety Grants Program | \$ 3,796 |
| Integrity Management | 1,000 |
| Pipeline Repair and Environmental Guidance System | (734) |
| Subtotal, Pipeline Safety Program Changes | \$ 4,062 |
| <u>Hazardous Materials Safety</u> | |
| Hazmat Intelligence Portal (HIP) | \$ 847 |
| Hazardous Materials Information System (HMIS) | 300 |
| Hazmat Registration Program | (4) |
| Emergency Preparedness | (343) |
| Contractor Support for Special Permits and Approvals | (900) |
| Subtotal, Hazardous Materials Safety Program Changes | \$ (100) |
| <u>Operational Expenses</u> | |
| Data and Business Analysis/IT - HMIS Modernization | \$ 650 |
| Subtotal, Operational Expenses Program Changes | \$ 650 |
| Total of PHMSA Program Changes | \$ 4,612 |
| TOTAL CHANGES (FY 2011 Request vs. FY 2010 Enacted) | \$ 9,563 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Research and Special Programs
Program and Financing
(In thousands of dollars)

| Identification code 021-50-0104-0 | FY 2009 | FY 2010 | FY 2011 |
|---|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Obligations by program activity | | | |
| 0.91 Total direct program | 2 | 465 | 0 |
| 9.01 Reimbursable program | 0 | 72 | 0 |
| 10.00 Total obligations | 2 | 537 | 0 |
| Budgetary resources available for obligation | | | |
| 21.40 Unobligated balance available, start of year | 539 | 537 | 0 |
| 22.00 New budget authority (gross) | (300) | 0 | 0 |
| 22.10 Resources available from recoveries of PY obligations | 300 | 0 | 0 |
| 23.90 Total budgetary resources available for obligation | 539 | 537 | 0 |
| 23.95 New obligations | (2) | (537) | 0 |
| 23.98 Unobligated balance expiring or withdrawn | 0 | 0 | 0 |
| 24.40 Unobligated balance available, end of year | 537 | 0 | 0 |
| New budget authority (gross), detail | | | |
| Discretionary spending authority from offsetting collections | | | |
| 58.00 Offsetting collections (cash) (unexpired only) | 0 | 0 | 0 |
| 58.10 Change in uncollected cust paymts fm Fed sources (unexp) | (300) | 0 | 0 |
| 58.90 Spending authority fm offsetting collections (total) | (300) | 0 | 0 |
| 70.00 Total new budget authority (gross) | (300) | 0 | 0 |
| Change in obligated balances | | | |
| 72.40 Obligated balance, start of year | 2,187 | 338 | 0 |
| 73.10 New obligations | 2 | 537 | 0 |
| 73.20 Total outlays (gross) | (231) | (875) | 0 |
| 73.40 Adjustments in expired accounts (net) | (1,618) | 0 | 0 |
| 73.45 Recoveries of prior year obligations | (300) | 0 | 0 |
| 74.00 Chg in Uncollected cust orders fm Fed Sources (unexp) | 300 | 0 | 0 |
| 74.10 Chg in Uncollected cust orders fm Fed Sources (expired) | (2) | 0 | 0 |
| 74.40 Obligated balance, end of year | 338 | 0 | 0 |
| Outlays (gross), detail | | | |
| 86.90 Outlays from new discretionary authority | 2 | 0 | 0 |
| 86.93 Outlays from discretionary balances | 229 | 875 | 0 |
| 87.00 Total outlays (gross) | 231 | 875 | 0 |
| Offsets | | | |
| <i>Against gross budget authority and outlays</i> | | | |
| Offsetting collections (cash) from | | | |
| 88.00 Federal sources | 1 | 0 | 0 |
| 88.95 Portion of offsetting collection credited to unexpired accounts | (300) | 0 | 0 |
| 88.96 Portion of offsetting collection credited to expired accounts | (1) | 0 | 0 |
| Net budget authority and outlays | | | |
| 89.00 Budget authority (net) | 0 | 0 | 0 |
| 90.00 Outlays (net) | 230 | 875 | 0 |
| 95.02 Unpaid Obligations, end of year | 1,881 | 0 | 0 |

Note: The Office of Emergency Transportation (OET), while located within the Department's Research and Special Programs Administration (RSPA), was appropriated funding under the Emergency Supplemental Appropriations Act for Recovery from and Response to Terrorist Attacks on the United States, 2002, and the Department of Defense and Emergency Supplemental Appropriations for Recovery from and Response to Terrorist Attacks on the United States, 2002. In 2005, Congress enacted the Consolidated Appropriations Act, 2005 (Division H), appropriating funds for the OET within the Salaries and Expenses appropriation for the Office of the Secretary (OST), which led to the relocation of OET to the Office of Intelligence, Security, and Emergency Response (S-60) within OST. No provision exists to address moving prior year funds, so such funds remain in the Pipeline and Hazardous Materials Safety Administration (PHMSA).

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

Direct Obligations:

| | FY 2009 | FY 2010 | FY 2011 |
|--|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| 25.3 Other purchases of goods and services | | | |
| from government accounts | \$2 | \$465 | \$0 |
| 99.0 Subtotal, direct obligations | \$2 | \$465 | \$0 |
| 99.0 Reimbursable obligations | \$0 | \$72 | \$0 |
| 99.9 Total new obligations | \$2 | \$537 | \$0 |

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

Research and Special Programs

| <u>YEAR</u> | <u>REQUEST</u> | | <u>YEAR</u> | <u>ENACTED</u> | |
|---------------|----------------|----|---------------|----------------|---------|
| 2001 | \$42,531,000 | 2/ | 2001 | \$36,292,979 | 1/ & 3/ |
| 2002 | \$41,933,000 | 4/ | 2002 | \$37,069,000 | 1/ & 5/ |
| 2002 (Suppl.) | \$6,000,00 | | 2002 (Suppl.) | \$2,500,000 | |
| 2003 | \$44,378,000 | 6/ | 2003 | \$40,479,630 | 1/ & 7/ |
| 2004 | \$50,723,000 | | 2004 | \$45,729,490 | 1/ & 8/ |
| 2005 | \$52,936,000 | | 2005 | \$45,870,666 | 1/ & 9/ |
| 2006 | \$0 | | 2006 | \$0 | |
| 2007 | \$0 | | 2007 | \$0 | |
| 2008 | \$0 | | 2008 | \$0 | |
| 2009 | \$0 | | 2009 | \$0 | |
| 2010 | \$0 | | 2010 | \$0 | |
| 2011 | \$0 | | | | |

1/ Includes \$645,000 from the Pipeline Safety Fund.

2/ Includes \$645,000 from Pipeline Safety Fund and \$4,722,000 in new user fees.

3/ Reflects 0.22% reduction of \$80,021 (Sec. 1403 of P.L. 106-554).

4/ Includes \$645,000 from the Pipeline Safety Fund and \$12,000,000 in new user fees.

5/ Reflects reductions of \$210,000 for TASC (Sec. 349 of P.L. 107-87 and Sec. 1106 of P.L. 107-117).

6/ Includes \$645,000 from the Pipeline Safety Fund and \$5,987,000 in new user fees.

7/ 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).

8/ 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).

9/ 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 3: Budget Request
by Appropriation Account
Exhibits and Narrative
Justification**

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, [\$105,239,000]~~\$111,111,000~~, of which \$18,905,000 shall be derived from the Oil Spill Liability Trust Fund and shall remain available until September 30, [2012]~~2013~~; and of which [\$86,334,000] ~~\$92,206,000~~ shall be derived from the Pipeline Safety Fund, of which [\$47,332,000] ~~\$51,206,000~~ shall remain available until September 30, [2012: *Provided*, That not less than \$1,048,000 of the funds provided under this heading shall be for the one-call State grant program]~~2013~~. (*Department of Transportation Appropriations Act, 2010*.)

EXHIBIT III-1

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION PIPELINE SAFETY

Summary by Program Activity (In thousands of dollars)

| | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> | <u>CHANGE FY 2010-11</u> |
|--|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| Operations | \$ 53,210 | \$ 57,825 | \$ 59,664 | \$ 1,839 |
| Research and Development | 5,784 | 6,885 | 6,919 | 34 |
| Grants (reflects \$1M transferred from Oper. Expenses for Information Grants to Communities) | 35,297 | 41,529 | 45,528 | 3,999 |
| Total, Pipeline Safety | \$ 94,291 | \$106,239 | \$112,111 | \$ 5,872 |
| <u>FTEs</u> | | | | |
| Direct Funded | 162.0 | 206.0 | 215.0 | 9.0 |
| Reimbursable | 0.0 | 0.0 | 0.0 | 0.0 |

Program and Performance Statement

Pipeline Safety – 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 programs, and emergency planning for response to accidents.

EXHIBIT III-2

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

SUMMARY ANALYSIS OF CHANGES FROM FY 2010 TO FY 2011

Appropriations, Obligation Limitations and Exempt Obligations

| <u>Appropriation</u> | <u>Dollars in Thousands</u> | <u>FTE</u> |
|---|--|---------------------|
| PIPELINE SAFETY | | |
| FY 2010 Enacted (<i>reflects \$1M transferred from Oper. Expenses for Information Grants to Communities</i>) | <u>\$106,239</u> | <u>206.0</u> |
| FY 2010 Adjustments to Base: | | |
| Annualization of FY 2010 enacted FTE | 1,680 | 9.0 |
| Non-pay Inflation of 0.5% | 386 | 0.0 |
| FY 2011 Pay Raise of 1.4% for 9 months | 263 | 0.0 |
| Annualization of 2% FY 2010 Pay Raise for 3 months | 115 | 0.0 |
| Working Capital Fund Increase | 44 | 0.0 |
| GSA Rent | (678) | 0.0 |
| Subtotal, Adjustments to Base | <u>\$1,810</u> | <u>9.0</u> |
| FY 2011 Program Changes: | | |
| 1. State Pipeline Safety Grants | 3,796 | 0.0 |
| 2. Integrity Management | 1,000 | 0.0 |
| 3. Pipeline Repair and Environmental Guidance System (PREGS) | (734) | 0.0 |
| Subtotal, Program Changes | <u>\$4,062</u> | <u>0.0</u> |
| Subtotal, Adjustments to Base and Program Changes | <u>\$5,872</u> | <u>9.0</u> |
| Total, Pipeline Safety | <u>\$112,111</u> | <u>215.0</u> |

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 2009 | FY 2010 | FY 2011 |
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| 01.00 Balance, start of year | \$28,586 | \$33,564 | \$33,203 |
| 01.90 Adjustment to reconcile to unavailable beginning balance | 0 | 0 | 0 |
| 01.99 Revised Balance, start of year | 28,586 | 33,564 | 33,203 |
| Receipts: | | | |
| 02.60 Pipeline safety user fees (offsetting gov't receipts) | 77,704 | 86,973 | 92,845 |
| 04.00 Total: Balances and collections | 106,290 | 120,537 | 126,048 |
| Appropriations: | | | |
| 05.00 Pipeline safety | (72,726) | (87,334) | (93,206) |
| 06.10 Unobligated balance returned to receipts | 0 | 0 | 0 |
| 07.99 Balance, end of year | \$33,564 | \$33,203 | \$32,842 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Pipeline Safety
Program and Financing
(In thousands of dollars)

| Identification code 021-50-5172-0 | FY 2009 | FY 2010 | FY 2011 |
|---|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Obligations by program activity | | | |
| 0.91 Total direct program | 91,848 | 121,206 | 111,111 |
| 9.01 Reimbursable program | 300 | 0 | 0 |
| 10.00 Total obligations | 92,148 | 121,206 | 111,111 |
| Budgetary resources available for obligation | | | |
| 21.40 Unobligated balance available, start of year | 12,294 | 16,884 | 1,278 |
| 22.00 New budget authority (gross) | 95,869 | 105,600 | 113,389 |
| 22.10 Resources available from recoveries of PY obligations | 1,136 | 0 | 0 |
| 23.90 Total budgetary resources available for obligation | 109,298 | 122,484 | 114,667 |
| 23.95 New obligations | (92,148) | (121,206) | (111,111) |
| 23.98 Unobligated balance expiring or withdrawn | (266) | 0 | 0 |
| 24.40 Unobligated balance available, end of year | 16,884 | 1,278 | 3,556 |
| New budget authority (gross), detail | | | |
| Discretionary | | | |
| 40.00 Appropriation | 75,120 | 86,973 | 92,845 |
| 41.00 Transfers to other accounts 69-1400 | 639 | 639 | 639 |
| 42.00 Transfers from other accounts 69-1400 | 1,000 | 1,000 | 1,000 |
| 43.00 Appropriation (total) | 76,759 | 88,612 | 94,484 |
| Discretionary spending authority from offsetting collections | | | |
| 58.00 Offsetting collections (cash) (unexpired only) | 17,284 | 18,905 | 18,905 |
| 58.10 Change in uncollected cust paymts fm Fed sources (unexp) | 1,826 | 0 | 0 |
| 58.90 Spending authority fm offsetting collections (total) | 19,110 | 18,905 | 18,905 |
| 70.00 Total new budget authority (gross) | 95,869 | 107,517 | 113,389 |
| Change in obligated balances | | | |
| 72.40 Obligated balance, start of year | 37,891 | 42,103 | 63,279 |
| 73.10 New obligations | 92,148 | 121,206 | 111,111 |
| 73.20 Total outlays (gross) | (82,563) | (100,031) | (109,308) |
| 73.40 Adjustments in expired accounts (net) | (2,425) | 0 | 0 |
| 73.45 Recoveries of prior year obligations | (1,136) | 0 | 0 |
| 74.00 Chg in Uncollected cust orders fm Fed Sources (unexp) | (1,826) | 0 | 0 |
| 74.10 Chg in Uncollected cust orders fm Fed Sources (expired) | 14 | 0 | 0 |
| 74.40 Obligated balance, end of year | 42,103 | 63,279 | 65,082 |
| Outlays (gross), detail | | | |
| 86.90 Outlays from new discretionary authority | 41,742 | 62,325 | 65,202 |
| 86.93 Outlays from discretionary balances | 40,820 | 37,706 | 44,106 |
| 87.00 Total outlays (gross) | 82,563 | 100,031 | 109,308 |
| Offsets | | | |
| <i>Against gross budget authority and outlays</i> | | | |
| Offsetting collections (cash) from | | | |
| 88.00 Federal sources | 17,298 | 18,905 | 18,905 |
| 88.95 Portion of offsetting collection credited to unexpired accounts | 1,826 | 0 | 0 |
| 88.96 Portion of offsetting collection credited to expired accounts | (14) | 0 | 0 |
| Net budget authority and outlays | | | |
| 89.00 Budget authority (net) | 76,759 | 88,612 | 94,484 |
| 90.00 Outlays (net) | 65,264 | 80,027 | 89,572 |
| 95.02 Unpaid Obligations, end of year | 52,711 | 0 | 0 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Pipeline Safety
Object Classification and Personnel Summary
(In thousands of dollars)

| Identification code 69-5172-0-2-407 | FY 2009 | FY 2010 | FY 2011 |
|--|----------------------|-----------------------|-----------------------|
| Direct Obligations: | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Personnel Compensation: | | | |
| 11.1 Full-time permanent | \$17,619 | \$20,036 | \$20,872 |
| 11.9 Total personnel compensation | 17,619 | 20,036 | 20,872 |
| 12.1 Civilian personnel benefits | 5,028 | 5,000 | 5,844 |
| 21.0 Travel and transportation of persons | 2,584 | 3,031 | 3,198 |
| 23.1 GSA Rent | 2,332 | 3,330 | 2,669 |
| 23.3 Communications, utilities and misc. charges - WCF | 823 | 3,119 | 4,396 |
| 25.1 Advisory and Assistance Service | 14,291 | 17,725 | 13,392 |
| 25.2 Other services | 306 | 5,651 | 287 |
| 25.3 Other purchases of goods and services | | | |
| from government accounts | 6,100 | 7,482 | 5,716 |
| 25.5 Research and development contracts | 7,121 | 6,885 | 6,919 |
| 31.0 Equipment | 753 | 1,418 | 1,290 |
| 41.0 Grants, subsidies, and contributions | 34,891 | 47,529 | 46,528 |
| 99.0 Subtotal, direct obligations | \$91,848 | \$121,206 | \$111,111 |
| 99.0 Reimbursable obligations | 300 | 0 | 0 |
| 99.9 Total new obligations ¹ | \$92,148 | \$121,206 | \$111,111 |

EMPLOYMENT SUMMARY

| | | | |
|---|-------|-------|-------|
| Direct: | | | |
| 1001 Civilian full-time equivalent employment | 162.0 | 206.0 | 215.0 |

¹ Outlays are reported on a cash expenditure basis. The amount of budget authority and outlays for a fiscal year typically differ because of budget authority and outlays for a fiscal year typically differ because budget authority from a previous fiscal year can be used for outlays in the current fiscal year.

PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

Pipeline Safety

| <u>YEAR</u> | <u>REQUEST</u> | <u>YEAR</u> | <u>ENACTED</u> |
|-------------|----------------|-------------|-----------------|
| 2001 | \$42,874,000 | 2001 | \$39,468,977 /1 |
| 2002 | \$46,286,000 | 2002 | \$50,187,000 /2 |
| 2003 | \$56,385,000 | 2003 | \$55,837,595 /3 |
| 2004 | \$48,336,000 | 2004 | \$52,678,851 /4 |
| 2005 | \$51,073,000 | 2005 | \$54,040,262 /5 |
| 2006 | \$54,165,000 | 2006 | \$57,429,900 /6 |
| 2007 | \$56,925,000 | 2007 | \$60,065,297 /7 |
| 2008 | \$55,770,000 | 2008 | \$61,018,000 |
| 2009 | \$74,481,000 | 2009 | \$75,481,000 /8 |
| 2010 | \$86,334,000 | 2010 | \$86,334,000 |
| 2011 | \$92,206,000 | | |

1/ Reflects 0.22% reduction of \$87.023 million (Sec. 1403 of P.L. 106-554).

2/ 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).

3/ 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).

4/ 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).

5/ 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).

6/ Reflects reduction of \$580,100 for a 1.0% across-the-board cut (Sec. 3801 of Division B of P.L. 109-148).

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

8/ Reflects the inclusion of \$1.0 million in General Funds for Information Grants to Communities.

DETAILED JUSTIFICATION FOR PIPELINE SAFETY

FY 2011 Request – \$112.111 million / 215 FTE

Overview:

PHMSA's comprehensive, nationwide Pipeline Safety program protects people and the environment from the risks inherent in the transportation of hazardous materials by pipeline. PHMSA's Pipeline Safety accomplishes its mission by promulgating and enforcing safety regulations and through consistent, onsite inspection of pipeline operations. The program's goal is to reduce the risk of harm to people and the environment due to the transportation of hazardous materials by pipeline.

The PHMSA Pipeline Safety program was reauthorized by the Pipeline Integrity, Protection, Enforcement, and Safety Act of 2006 (PIPES Act). This Act contained over 25 new mandates that PHMSA, in partnership with state pipeline safety agencies, is addressing vigorously and all are scheduled to be completed by early FY 2011. With FY 2011 funding, PHMSA expects to continue the long term trend in reducing the number of serious incidents involving death or injury, while continuing to reduce the risk of low probability, high consequence incidents that occur infrequently but that can have catastrophic consequences. PHMSA also expects to reverse an upward trend in hazardous liquid spills in high consequence areas.

The Pipeline Safety appropriation is funded by user fees and the general fund from the following sources: the Pipeline Safety Fund, the Oil Spill Liability Trust Fund, and the General Fund (Information Grants to Communities). The Pipeline Safety Fund consists of annual user fees collected from PHMSA's regulated industry (hazardous liquid and natural gas pipeline and liquefied natural gas (LNG) facility operators) (*see authority at P.L. 99-272, Section 7005*). The Oil Spill Liability Trust Fund, a revolving fund, collects an environmental tax on petroleum production and transportation. These fees are based on the enacted Congressional budget and used to implement PHMSA's Pipeline Safety program. General Revenue funding is used for the Information Grants to Communities.

FY 2010 Base:

Base funding for the Office of Pipeline Safety includes: operations (personnel compensation and benefits, travel, training, supplies and equipment, information technology, rent, contracts; and the Department's Working Capital Fund); research and development (R&D); and grants.

Anticipated FY 2010 Accomplishments:

In compliance with Departmental and agency mission goals, PHMSA Pipeline Safety program strives for the following achievements in FY 2010:



- Reduce the number of pipeline incidents (involving death or major injury) to no more than 37; and
- Reduce the number of hazardous liquid pipeline spills with environmental impact to no more than 108.

PHMSA's Pipeline Safety program will continue to enhance its performance measures to better define and focus efforts to addressing the highest risks.

FY 2011 Budget Request:

For FY 2011, PHMSA requests a total of \$112.111 million for its Pipeline Safety program. This request level will fund \$45.528 million in pipeline-related grants, \$40.689 million in salaries and other administrative operating activities, \$18.975 million in contract programs and \$6.919 million in research and development initiatives.

With the FY 2011 funding request, PHMSA's mission of regulating the safe, reliable, and clean delivery of energy products in the nation's pipelines will be accomplished through a strong regulatory program, stringent oversight, collaborative technology, innovative research and development, and forward-looking outreach to all stakeholders.

Adjustments to Base (\$1.810 million): This increase includes adjustments to base for the annualization of the FY 2010 pay raise, FY 2011 pay raise of 1.4 percent, annualization of eighteen FY 2010 enacted enforcement and inspection positions, WCF increase, and non-pay inflation. Included in the adjustments to base is a decrease in GSA rent. An analysis of PHMSA-wide rent expenditures found rent costs were distributed disproportionately between PHMSA accounts. In an effort to better align costs to actual, rent estimates were adjusted throughout PHMSA.

Program Changes (\$4.062 million): Pipeline Safety is requesting \$4.062 million in program changes, which includes a \$3.796 million increase for the State Pipeline Safety Grants program, a \$1 million increase for the Integrity Management Program, and a \$734,000 decrease for the Pipeline Repair and Environmental Guidance System (PREGS).

State Pipeline Safety Grants Program – PHMSA requests the additional \$3.796 million for costs associated with the State Pipeline Safety Grants program, raising the total program funding to \$41.945 million. This program augments the federal inspection program of 110 inspectors with a state pipeline program of 400 inspectors. The FY 2011 program funding will accomplish four goals: (1) enable the states to continue their current programs and hire additional inspectors (the states inspect 81 percent of the national pipeline system); (2) enable the states to implement a new federal pipeline regulation applying integrity management to distribution pipelines (inspected by the states); (3) assure that states do not turn over responsibility for distribution pipeline systems to the Federal inspectors (Federal inspectors are more costly to the Federal program because they are paid for with 100 percent Federal funds, whereas the state programs pay about 30-40 percent of the costs of state inspectors, saving the Federal pipeline program millions of dollars); and (4) support a

Congressional mandate to increase funding for the state programs to up to 80 percent of their costs.

State pipeline safety programs conduct 8,000 inspections each year, resulting in over 14,000 findings of non-compliance. More than half of the states are running financial deficits. By increasing Federal funding, PHMSA will encourage states to remain active and committed partners in pipeline safety while better targeting grant funding to the various risks states address. PHMSA does not currently have the necessary resources to carry out these efforts alone if states should be unable to participate in its Pipeline Safety program.

Performance goals supported by the State Pipeline Safety Grants program are: (1) reduce the number of pipeline incidents (involving death or major injury); and (2) reduce the number of hazardous liquid pipeline spills with environmental impacts.

PHMSA expects the states' pipeline safety programs to implement a significant new regulation for distribution systems requiring increased oversight responsibilities. Distribution pipelines (under state purview) present the highest risk to the public because they are closest to homes, schools, and businesses. Third-party damage to pipelines is the primary cause of death and injury in the pipeline program and the majority of gas distribution incidents were caused by outside force damage, including excavation by third parties such as cable installers. This additional funding provides a major incentive to maintain state participation in the program. The systems under state purview are a major factor in our ability to achieve PHMSA and Departmental safety and environmental stewardship goals. Deviations from state program participants are likely to negatively affect the nation's pipeline safety program and the safety of the nation's pipeline infrastructure, increasing the risk of pipeline incidents.

Integrity Management – PHMSA requests \$1 million for engineering work (i.e. technical studies and field support) needed to conduct technically credible analyses of the non-traditional design and operating parameters of proposed natural and hazardous liquid pipelines in Alaska, as well as other major interstate pipeline projects already proposed or underway in the lower 48 states. This funding will allow PHMSA to conduct timely and technically sufficient analyses of these projects in order to meet their construction schedule.

PREGS – PHMSA proposes to offset requested FY 2011 funding increases by discontinuing its annual request for its PREGS funding of \$734,000. In prior years, funding was appropriated for PHMSA to streamline and facilitate the permitting of time-sensitive pipeline repairs. PREGS, an internet-based, one-stop resource, was created to expedite the repair permitting processes of Federal permitting agencies. A final report on PHMSA's efforts to advance development, testing, and implementation of PREGS was delivered to the President's Council on Environmental Quality, which has the responsibility to report to Congress. PHMSA prepared processes and an IT solution to allow concurrent (instead of sequential) review of pipeline repair permits. This solution was outside other agencies' existing procedures and was not used widely. PHMSA will

continue to facilitate troublesome energy pipeline permits through its Community Assistance and Technical Support (CATS) Managers' program, working directly with involved agencies, operators, and the public.

EXPLANATION OF FUNDING CHANGES FOR PIPELINE SAFETY

Overview:

Pipeline Safety's FY 2011 budget request includes a number of base adjustments necessary to sustain its workforce and current operations. Explanations of these changes are listed below.

Base Changes (\$1.810 million):

Annualization of FY 2010 Enacted FTE.....\$1.680 million/9 FTE

This adjustment to base finances the funding for six months of a fiscal year for enacted FTE in the FY 2010 appropriations. The FY 2010 base must be increased to annualize the FY 2010 enacted FTE.

Non-pay Inflation.....\$386,000

PHMSA relies upon contract support for certain goods and services. Price escalation for goods and services during FY 2011 must be accommodated. Funding is requested at the non-pay inflation rate of 0.5 percent to ensure that contracts are adequately funded to maintain essential services and enable PHMSA activities in FY 2011.

FY 2011 Comparability Pay Increase.....\$263,000

This adjustment to base finances the funding required for the proposed 2011 pay raise (1.4 percent) that is effective January 2011.

Annualization of FY 2010 Comparability Pay Increase.....\$115,000

This adjustment to base finances the funding for one-quarter of the pay raise (2.0 percent) that is effective January 2010. The FY 2010 base must be increased to annualize the FY 2010 pay increase for the staff. Remaining half year funding will yield to personnel compensation and benefits, travel, training, supplies and equipment, information technology, rent and contracts for enacted FY 2010 positions.

Working Capital Fund Adjustment.....\$44,000

The Department's Working Capital Fund (WCF) is a fully reimbursable fund that finances a range of administrative support services. This centrally managed account provides Department-wide functions such as information technology, facilities, operational support and personnel administration. Centralizing administrative support functions has enabled DOT to achieve economies of scale, reducing costs and increasing operational efficiencies, and has allowed DOT operating administrations to focus on and accomplish their goals. This request is associated with operating costs in these WCF activities. Request levels are based on estimates provided by the WCF, and determined by actual usage costs (including inflation).

GSA Rent (\$678,000)

An analysis of PHMSA-wide rent expenditures found rent costs were distributed disproportionately between PHMSA accounts. In an effort to better align costs to actual, rent estimates were adjusted throughout PHMSA.

Program Changes (\$4.062 million):

State Pipeline Safety Grants Program\$3.796 million

PHMSA requests the additional \$3.796 million for costs associated with the State Pipeline Safety Grants program, raising the total program funding to \$41.945 million. This program augments the federal inspection program of 110 inspectors with a state pipeline program of 400 inspectors.

Integrity Management \$1 million

PHMSA requests \$1,000,000 for engineering work (i.e. technical studies and field support) needed to conduct technically credible analyses of the non-traditional design and operating parameters of proposed natural and hazardous liquid pipelines in Alaska, as well as other major interstate pipeline projects already proposed or underway in the lower 48 States. This funding will allow PHMSA to conduct timely and technically sufficient analyses of these projects in order to meet their construction schedule.

Pipeline Repair and Environmental Guidance System (\$734,000)

PHMSA proposes to offset requested FY 2011 funding increases by discontinuing its annual request for its PREGS funding of \$734,000.

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**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OIL SPILL LIABILITY TRUST FUND**

Funds Allocation
(In thousands of dollars)

| | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> | <u>CHANGE FY 2010-11</u> |
|--|----------------------------------|-----------------------------------|-----------------------------------|-------------------------------------|
| Operations | \$11,630 | \$11,725 | \$11,725 | \$ 0 |
| Research and Development | 2,185 | 2,185 | 2,185 | 0 |
| Grants | 4,995 | 4,995 | 4,995 | 0 |
| Total, Oil Spill Liability Trust Fund Share | \$18,810 | \$18,905 | \$18,905 | \$ 0 |

Program and Performance Statement

Oil Spill Liability Trust Fund – 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. PHMSA is responsible for the review and approval of these plans as an added measure helping to ensure that the public and the environment are provided with an adequate level of protection from such spills. PHMSA also seeks to improve oil spill preparedness and response through data analysis, spill monitoring, pipeline mapping, environmental indexing, and advanced technologies to detect and prevent leaks.

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Oil Spill Liability Trust Fund
Program and Financing
(In thousands of dollars)

| Identification code 021-50-8121-0 | <u>FY 2009</u> | <u>FY 2010</u> | <u>FY 2011</u> |
|--|-----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Obligations by program activity | | | |
| 0.91 Total direct program | 18,810 | 18,905 | 18,905 |
| 10.00 Total obligations | 18,810 | 18,905 | 18,905 |
| Budgetary resources available for obligation | | | |
| 22.00 New budget authority (gross) | 18,810 | 18,905 | 18,905 |
| 23.90 Total budgetary resources available for obligation | 18,810 | 18,905 | 18,905 |
| 23.95 New obligations | (18,810) | (18,905) | (18,905) |
| 24.40 Unobligated balance available, end of year | 0 | 0 | 0 |
| New budget authority (gross), detail | | | |
| Discretionary | | | |
| 40.00 Appropriation | 18,810 | 18,905 | 18,905 |
| 43.00 Appropriation (total) | 18,810 | 18,905 | 18,905 |
| 70.00 Total new budget authority (gross) | 18,810 | 18,905 | 18,905 |
| Change in obligated balances | | | |
| 72.40 Obligated balance, start of year | 8,769 | 10,281 | 12,430 |
| 73.10 New obligations | 18,810 | 18,905 | 18,905 |
| 73.20 Total outlays (gross) | (17,298) | (16,756) | (18,433) |
| 74.40 Obligated balance, end of year | 10,281 | 12,430 | 12,902 |
| Outlays (gross), detail | | | |
| 86.90 Outlays from new discretionary authority | 11,317 | 9,263 | 9,263 |
| 86.93 Outlays from discretionary balances | 5,980 | 7,493 | 9,169 |
| 87.00 Total outlays (gross) | 17,298 | 16,756 | 18,433 |
| Net budget authority and outlays | | | |
| 89.00 Budget authority (net) | 18,810 | 18,905 | 18,905 |
| 90.00 Outlays (net) | 17,298 | 16,756 | 18,433 |
| 95.02 Unpaid Obligations, end of year | 8,769 | 0 | 0 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Trust Fund Share of Pipeline Safety
(Oil Spill Liability Trust Fund)
Object Classification
(In thousands of dollars)

Identification code 69-8121-0-7-407

Direct Obligations:

| | FY 2009 | FY 2010 | FY 2011 |
|--------------------------|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| 94.0 Financial Transfers | \$18,810 | \$18,905 | \$18,905 |
| 99.9 Total obligations * | \$18,810 | \$18,905 | \$18,905 |

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

PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

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

| <u>YEAR</u> | <u>REQUEST</u> | <u>YEAR</u> | <u>ENACTED</u> |
|-------------|----------------|-------------|-----------------|
| 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 | 2009 | \$18,810,000 |
| 2010 | \$18,905,000 | 2010 | \$18,905,000 |
| 2011 | \$18,905,000 | | |

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 THE OIL SPILL LIABILITY FUND

Overview:

The Oil Spill Liability Trust Fund was created by the U.S. Congress to help fund efforts designed to minimize oil spills into water and environmentally sensitive areas. Within PHMSA's Pipeline Safety program, this fund contributes to salary and benefits and administrative expenses; integrity management; compliance inspection and enforcement; emergency preparedness; training, competency standards, and qualifications for community awareness and protection; state pipeline safety grants; and research and development. Each of these programs is, at least in part, designed to ensure that energy transported by pipeline is done so cleanly, as well as safely.

Operations:

PHMSA headquarters, regional staff, and related oversight costs are directly responsible for addressing environmental policy, regulatory development, inspections, including accident investigations and pipeline construction, and exercises for hazardous liquid pipelines. Tasks also include monitoring incident reports, collecting data and maintaining up-to-date hazardous liquid pipeline mapping and information systems to set proper prevention and response actions, and facilitating clear communication among all pipeline stakeholders.

Contract support is a vital function for all the areas mentioned above. In order to systematically identify hazardous liquid risks and compare relative likelihoods and consequences, the trust fund provides for unbiased Subject Matter Experts (SMEs) to evaluate pipeline incidents, their root causes and any contributing factors; as for pipeline inspections, SMEs verify that pipeline construction and repair practices comply with project specifications and requirements.

Training classes and seminars are provided for Federal and state inspectors to address hazardous liquid risks and system integrity. Computer based training classes are beneficial for updating safety evaluations of hazardous liquid pipeline systems. Field and tabletop exercises are used 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.

Research and Development:

Research and development is an important aspect of the Oil Spill Liability Trust Fund. This program ensures that pipelines are being designed, constructed and maintained according to the most recent regulatory and safety standards. Oil spill research programs focus on improving monitoring for encroachment, unauthorized excavation, and pipeline damage to hazardous liquid pipelines; developing new technologies to reveal defects in pipelines that cannot be dug up; 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). The program helps to improve an operator's ability to identify and eliminate pipeline defects

including better corrosion detection technology and direct assessment techniques on hazardous liquid lines before a release occurs.

Research is also conducted to improve pipeline materials to better withstand construction-related damage, corrosion and cracking; better welding techniques; and to improve models for corrosion assessment and pipe strength for better identification of pipeline segments having a higher risk of failure.

Grants:

The grants program allows PHMSA's Office of Pipeline Safety to carry its pipeline safety mission from design, construction, and maintenance to the facilitation of rapid and safe pipeline repair following incidents. State pipeline safety grant funds provide for oversight of intrastate hazardous liquid pipelines and some interstate pipelines, including operation and maintenance, construction and repairs, and damage prevention.

HAZARDOUS MATERIALS SAFETY

For expenses necessary to discharge the hazardous materials safety functions of the Pipeline and Hazardous Materials Safety Administration, [\$37,994,000] \$40,434,000, of which [\$1,699,000] \$1,707,000 shall remain available until September 30, [2012]2013: *Provided*, That up to \$800,000 in fees collected under 49 U.S.C. 5108(g) shall be deposited in the general fund of the Treasury as offsetting receipts: *Provided further*, That there may be credited to this appropriation, to be available until expended, funds received from States, counties, municipalities, other public authorities, and private sources for expenses incurred for training, for reports publication and dissemination, and for travel expenses incurred in performance of hazardous materials exemptions and approvals functions. (*Department of Transportation Appropriations Act, 2010.*)

EXHIBIT III-1

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION HAZARDOUS MATERIALS SAFETY

Summary by Program Activity (In thousands of dollars)

| | <u>FY 2009</u> <u>ACTUAL</u> | <u>FY 2010</u> <u>ENACTED</u> | <u>FY 2011</u> <u>REQUEST</u> | <u>CHANGE</u> <u>FY 2010-11</u> |
|--|---|--|--|--|
| <u>Hazardous Materials Safety</u> | \$32,000 | \$37,994 | \$40,434 | \$ 2,440 |
| <u>FTEs</u> | | | | |
| Direct Funded | 147.0 | 178.5 | 186.5 | 8.0 |
| Reimbursable | 0.0 | 0.0 | 0.0 | 0.0 |

Program and Performance Statement

Hazardous Materials Safety – PHMSA has a responsibility for advancing the safe and secure transportation of hazardous materials in commerce. The agency's Hazardous Materials Safety program is focused on five principal areas: (1) providing comprehensive regulations for the safe and secure transportation of hazardous materials; (2) helping the hazardous materials community understand the regulations and how to comply with them through outreach, training, and distribution of informational materials; (3) enforcing the regulations to ensure compliance with safety and security standards by those subject to the regulations; (4) assisting the nation's response community to plan for and respond to hazardous materials transportation emergencies; and (5) establishing a sound and comprehensive technical and analytical foundation to ensure that the program's resources are effectively applied to minimize serious incidents and fatalities, mitigate the consequences of incidents that occur, and enhance safety.

EXHIBIT III-2

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

SUMMARY ANALYSIS OF CHANGES FROM FY 2010 TO FY 2011

Appropriations, Obligation Limitations and Exempt Obligations

| <u>Appropriation</u> | <u>Dollars in Thousands</u> | <u>FTE</u> |
|--|--|---------------------|
| HAZARDOUS MATERIALS SAFETY | | |
| FY 2010 Enacted | <u>\$37,994</u> | <u>178.5</u> |
| FY 2010 Adjustments to Base: | | |
| Annualization of FY 2010 enacted FTE | 1,104 | 8.0 |
| GSA Rent Increase | 1,033 | 0.0 |
| FY 2011 Pay Raise of 1.4% for 9 months | 224 | 0.0 |
| Working Capital Fund Increase | 18 | 0.0 |
| Non-pay Inflation of 0.5% | 64 | 0.0 |
| Annualization of 2% FY 2010 Pay Raise for 3 months | 97 | 0.0 |
| Subtotal, Adjustments to Base | <u>\$2,540</u> | <u>8.0</u> |
| FY 2011 Realignments: | | |
| 1. Accounting/ESC/Delphi Services | 361 | 0.0 |
| 2. Salaries and Benefits | (361) | 0.0 |
| Subtotal, Realignment | <u>\$0</u> | <u>0.0</u> |
| FY 2011 Program Changes: | | |
| 1. Hazmat Intelligence Portal (HIP) | 847 | 0.0 |
| 2. Hazardous Materials Information Systems (HMIS) | 300 | 0.0 |
| 3. Hazmat Registration Program | (4) | 0.0 |
| 4. Emergency Preparedness | (343) | 0.0 |
| 5. Contractor Support for Special Permits and Approvals | (900) | 0.0 |
| Subtotal, Program Changes | <u>(\$100)</u> | <u>0.0</u> |
| Subtotal, Adjustments to Base and Program Changes and Transfers | <u>\$2,440</u> | <u>8.0</u> |
| Total, Operational Expenses | <u>\$40,434</u> | <u>186.5</u> |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Hazardous Materials Safety
Program and Financing
(In thousands of dollars)

| Identification code 021-50-1401-0 | FY 2009 | FY 2010 | FY 2011 |
|---|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Obligations by program activity | | | |
| 0.91 Total direct program | 30,092 | 42,824 | 40,434 |
| 9.01 Reimbursable program | 3,930 | 0 | 0 |
| 10.00 Total obligations | 34,022 | 42,824 | 40,434 |
| Budgetary resources available for obligation | | | |
| 21.40 Unobligated balance available, start of year | 3,058 | 4,830 | 0 |
| 22.00 New budget authority (gross) | 35,994 | 37,994 | 40,434 |
| 23.90 Total budgetary resources available for obligation | 39,052 | 42,824 | 40,434 |
| 23.95 New obligations | (34,022) | (42,824) | (40,434) |
| 23.98 Unobligated balance expiring or withdrawn | (199) | 0 | 0 |
| 24.40 Unobligated balance available, end of year | 4,830 | 0 | 0 |
| New budget authority (gross), detail | | | |
| Discretionary | | | |
| 40.00 Appropriation | 32,000 | 37,994 | 40,434 |
| 43.00 Appropriation (total) | 32,000 | 37,994 | 40,434 |
| Discretionary spending authority from offsetting collections | | | |
| 58.00 Offsetting collections (cash) (unexpired only) | 3,995 | 0 | 0 |
| 58.10 Change in uncollected cust paymts fm Fed sources (unexp) | (1) | 0 | 0 |
| 58.90 Spending authority fm offsetting collections (total) | 3,994 | 0 | 0 |
| 70.00 Total new budget authority (gross) | 35,994 | 37,994 | 40,434 |
| Change in obligated balances | | | |
| 72.40 Obligated balance, start of year | 7,744 | 11,114 | 12,454 |
| 73.10 New obligations | 34,022 | 42,824 | 40,434 |
| 73.20 Total outlays (gross) | (30,766) | (41,484) | (41,199) |
| 73.40 Adjustments in expired accounts (net) | 150 | 0 | 0 |
| 74.00 Chg in Uncollected cust orders fm Fed Sources (unexp) | 1 | 0 | 0 |
| 74.10 Chg in Uncollected cust orders fm Fed Sources (expired) | (38) | 0 | 0 |
| 74.40 Obligated balance, end of year | 11,114 | 12,454 | 11,689 |
| Outlays (gross), detail | | | |
| 86.90 Outlays from new discretionary authority | 23,256 | 27,086 | 27,495 |
| 86.93 Outlays from discretionary balances | 7,510 | 14,398 | 13,704 |
| 87.00 Total outlays (gross) | 30,766 | 41,484 | 41,199 |
| Offsets | | | |
| <i>Against gross budget authority and outlays</i> | | | |
| Offsetting collections (cash) from | | | |
| 88.40 Non-federal sources | 3,998 | 0 | 0 |
| 88.95 Portion of offsetting collection credited to unexpired accounts | (1) | 0 | 0 |
| 88.96 Portion of offsetting collection credited to expired accounts | (4) | 0 | 0 |
| Net budget authority and outlays | | | |
| 89.00 Budget authority (net) | 32,000 | 37,994 | 40,434 |
| 90.00 Outlays (net) | 26,768 | 41,484 | 41,199 |
| 95.02 Unpaid Obligations, end of year | 30,766 | 0 | 0 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Hazardous Materials Safety
Object Classification and Personnel Summary
(In thousands of dollars)

| Identification code 69-1401-0-1-407 | FY 2009 | FY 2010 | FY 2011 |
|--|----------------------|-----------------------|-----------------------|
| Direct Obligations: | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Personnel Compensation: | | | |
| 11.1 Full-time permanent | \$13,673 | \$20,320 | \$21,809 |
| 11.3 Other than full-time permanent | 340 | | |
| 11.5 Other personnel compensation | 285 | | |
| 11.9 Total personnel compensation | 14,298 | 20,320 | 21,809 |
| 12.1 Civilian personnel benefits | 3,824 | 2,753 | 2,753 |
| 23.1 GSA Rent | | 980 | 2,013 |
| 23.3 Communications, utilities and misc. charges - WCF | 459 | 1,300 | 1,318 |
| 25.1 Advisory and Assistance Service | 139 | 4,034 | 3,134 |
| 25.2 Other services | 83 | 11,206 | 6,376 |
| 25.3 Other purchases of goods and services from government accounts | 2,930 | 1,346 | 2,146 |
| 31.0 Equipment | 144 | 885 | 885 |
| 99.0 Subtotal, direct obligations | \$30,099 | \$42,824 | \$40,434 |
| 99.0 Reimbursable obligations | 3,903 | 0 | 0 |
| 99.9 Total new obligations ¹ | \$34,002 | \$42,824 | \$40,434 |

EMPLOYMENT SUMMARY

| | | | |
|---|-------|-------|-------|
| Direct: | | | |
| 1001 Civilian full-time equivalent employment | 147.0 | 178.5 | 186.5 |

¹ Outlays are reported on a cash expenditure basis. The amount of budget authority and outlays for a fiscal year typically differ because of budget authority and outlays for a fiscal year typically differ because budget authority from a previous fiscal year can be used for outlays in the current fiscal year.

PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

Hazardous Materials Safety

| <u>YEAR</u> | <u>REQUEST</u> | <u>YEAR</u> | <u>ENACTED</u> |
|-------------|----------------|-------------|-----------------|
| 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 | 2009 | \$32,000,000 |
| 2010 | \$35,500,000 | 2010 | \$37,994,000 |
| 2011 | \$40,434,000 | | |

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

FY 2011 Request – \$40.434 million / 186.5 FTE

Overview:

PHMSA administers a comprehensive, nationwide program designed to protect the public from the risks to life, health, property and the environment inherent in the commercial transportation of hazardous materials (hazmat) by air, rail, vessel and highway. The Office of Hazardous Materials Safety within PHMSA achieves its goals through: evaluating hazmat transportation safety risks; developing and enforcing standards for transporting hazardous materials; providing compliance assistance to hazmat shippers and carriers; offering assistance to state and local emergency responders and law enforcement officials on hazmat transportation issues; investigating hazmat incidents and failures; conducting research; and providing grants to improve emergency response to incidents.

The Office of Hazardous Materials Safety is comprised of staff at headquarters located in Washington, D.C. (120.5 FTEs) and five regional field offices (Atlanta, Ga.; Des Plaines, Ill.; Houston, Texas; Ontario, Calif.; and West Trenton, N.J.) (58 FTEs). Field office staff conducts inspections, investigations, training, and outreach.

A cornerstone of PHMSA's Hazardous Materials Safety program is the Hazardous Materials Regulations (HMR). The HMR address hazardous materials definitions and classification, hazard communication, shipper and carrier operations, and packaging and container performance specifications. In addition, the HMR provide training requirements to persons who prepare hazardous materials for shipment or transport hazardous materials. These regulations are designed to achieve three goals:

- 1) To ensure hazardous materials are packaged and handled safely during transportation and to minimize the consequences should an incident occur;
- 2) To enhance efficiency by maintaining harmonization with the regulations of international bodies, while maintaining safety standards; and
- 3) To provide effective communication for shippers, carriers, and emergency responders of the hazards of the materials being transported.



The HMR require persons to receive approval before they can ship certain materials or to perform inspections or testing activities. Approximately 8,000 approvals are issued each year.

By issuing an approval, PHMSA ensures that a proper level of safety will be maintained. Examples of entities receiving approvals provided by PHMSA include: foreign and domestic cylinder manufacturers, new explosives (including fireworks), third party certification packaging agencies, and independent domestic and foreign inspection agencies.

The Federal hazmat law (49 U.S.C. 5101 *et seq.*) grants DOT the authority to use alternative methods of compliance by issuing special permits. Special permits are granted provided that there are equivalent levels of safety or that levels of safety are consistent with the public interest. The necessity for special permits arises from the changing nature of hazardous materials and the methods by which they are transported. In some cases, specific operations are only authorized under the terms outlined in a special permit to afford the Department additional safety oversight and control over the operations to achieve an appropriate level of safety. PHMSA processes 1,500-2,000 special permit applications each year.

In FY 2009, a review conducted by the Department's Office of the Inspector General of PHMSA's Special Permits and Approvals program highlighted several opportunities to enhance management and oversight. PHMSA has developed and is implementing two action plans to improve operational efficiency within the Office of Special Permits and Approvals and improve coordination between PHMSA and its modal partners. The plan takes into account the current and requested resources within the Office of Special Permits and Approvals, including both personnel and information technology (IT); the processes and procedures used to manage the program; the criteria used to make an assessment of an equivalent level of safety; the process for evaluating the fitness of applicants and their safety performance; increased compliance audits and oversight of special permit holders; enhanced accountability of those operating under the terms of special permits; and the need to modernize the IT system that supports the program.

PHMSA possesses jurisdictional enforcement authority over all modal hazardous materials transportation activities under the HMR. PHMSA primarily focuses its inspection, enforcement and oversight efforts to determine compliance with safety, training, and security standards by inspecting entities that: offer hazardous materials for transportation (shippers); manufacture, re-qualify, rebuild, repair, recondition, or retest packaging (other than cargo tanks and tank cars) used to transport hazardous materials; and hold DOT special permits or approvals. Modal specific enforcement of the HMR are primarily conducted by the Federal Aviation Administration (FAA), Federal Motor Carrier Safety Administration (FMCSA), Federal Railroad Administration (FRA), and U.S. Coast Guard (USCG). PHMSA's packaging expertise is often sought by each of the modal administrations. On average, PHMSA conducts 1,600 inspections and investigations each year.

In addition, PHMSA participates in joint compliance inspections and investigations with FAA, FMCSA, FRA, USCG, and DOT's Office of Inspector General, as well as the Federal Bureau of Investigation (FBI); Transportation Security Administration (TSA); Bureau of Alcohol, Tobacco, Firearms and Explosives; U.S. Customs and Border Protection; and the Consumer Product Safety Commission. Examples of joint inter-agency enforcement activities is PHMSA's monthly strategic and tactical planning with the modal administrations and coordination and participation in Multi-Agency Strike Force Operations (MASFOs). These activities are administered collaboratively with federal and state agencies to enforce hazmat regulations at ports and other facilities.

Outreach, training, and education are an integral part of both the hazardous materials regulatory program and PHMSA's responsibility to ensure the safe and secure handling of hazardous materials in transportation. PHMSA assists industry, Federal inspectors, state/local law enforcement officers, emergency responders, and emergency management personnel through the development of educational materials, delivery of training workshops and seminars, and public meetings. Each year PHMSA develops and publishes numerous non-copyrighted publications, guidebooks, charts, and electronic media for use by all DOT modal administrations, other Federal agencies, state and local governments, and industry. Recipients are encouraged to reproduce and maximize the use of these multimedia training aids. Each year, PHMSA distributes over 1.2 million printed publication materials and approximately 200,000 digi-packs (compact disks containing numerous electronic versions of publications). More than 180,000 electronic materials are downloaded from PHMSA's website annually. In addition, each year PHMSA's Hazmat Safety Assistance Team provides outreach and conducts training workshops and seminars to approximately 15,000 hazmat professionals nationally.

PHMSA also collects and analyzes information on hazardous materials incidents. The incident data is used to track program performance, plan regulatory and outreach initiatives, and provide a statistical basis for research and analysis. The data is also used on a daily basis to target entities for enforcement efforts, and review of applications for special permits renewals. PHMSA supports the Department's Safety strategic goals by reducing the number of serious hazardous materials transportation incidents.

FY 2010 Base:

In FY 2010, PHMSA was appropriated \$37.9 million for the Hazardous Materials Safety program. Of this, a total of \$28 million was requested for personnel compensation and benefits for 178.5 FTEs, and other administrative expenses. These expenses include: travel for inspections, outreach, training, public meetings, and site visits; training and professional development of staff; supplies and equipment; communications; administrative support services; GSA rent; and the DOT's Working Capital Fund (WCF).

Hazardous Materials Safety's contract programs are cross-cutting efforts that support the overall safety objectives that fulfill public and environmental safety. In FY 2010, \$8.0 million was appropriated for these contract programs to assist the Office of Hazardous Materials Safety in achieving its goals. Contract programs include: Hazardous Materials Information Systems (HMIS); Hazmat Intelligence Portal (HIP); risk and data analysis (formerly research and data analysis); inspections and enforcement; domestic and international standards support; training and outreach, emergency preparedness; and registration program.

Hazardous Materials Safety's research and development efforts maintain a research and development capability to identify and better understand the inherent risks in transporting hazardous materials. Primarily our initiatives focus on applied research. The program will use these funds to improve safety by studying and evaluating emerging issues and technologies to allow staff to apply Federal resources where they will be most effective. In FY 2010, \$1.7 million was appropriated for research and development.

Anticipated FY 2010 Accomplishments:

In compliance with Departmental and agency mission goals, PHMSA strives for the following achievements in FY 2010:

- Continue implementing the Special Permits and Approvals Action Plan initiated in FY 2009. This includes enhancements and improvements to safety oversight of the Special Permits and Approvals program, operational efficiency within the Office of Special Permits and Approvals, coordination between Office of Special Permits and Approvals and its federal partners, and data collection and analysis.
- Reduce risk from undeclared hazardous materials. This includes fires aboard aircrafts, bulk shipments of hazardous materials such as batteries, energy devices, and certain cylinders.
- Enhance PHMSA's enforcement capabilities through standardized training, which includes: continuing implementation of the agency's Systems Integrity Safety program to work with regulated industry to perform comprehensive assessments, inspections, and reviews to identify, engage, and correct problems and systems; conducting root cause investigations; and providing fitness assessments for the issuance of special permits and approvals.
- Enhance enforcement of the nation's hazardous materials regulations by providing access to the HIP for state law enforcement through a pilot program.
- Represent the United States in international forums to promote safe transportation of hazardous materials through international standards.
- Improve PHMSA's transactional system for the legislatively mandated Special Permits program.
- Develop new standards to improve safety and reduce compliance burdens.
- Partner with labor groups and associations to provide hazmat training and leverage public contact opportunities and information distribution using social media networks.

FY 2011 Budget Request:

In FY 2011, PHMSA requests a total of \$40.434 million for Hazardous Materials Safety, an increase of \$2.540 million from the enacted FY 2010 total of \$37.994 million. Of this amount, \$30.056 million is for personnel compensation and benefits and other administrative expenses that support PHMSA's Hazardous Materials Safety program activities. Other activities include \$7.906 million for contract programs and \$1.707 million for research and development initiatives.

Adjustments to Base (\$2.540 million): This increase includes \$2.540 million for adjustments to base including annualization of FY 2010 pay raise, FY 2011 pay raise of 1.4 percent, annualization of 16 FY 2010 enacted enforcement, special permits, and data analysis positions for personnel compensation and benefits and administrative services, enforcement related training, personal protective equipment, computers, WCF increase, and non-pay inflation. Included in this is an increase in GSA rent. An analysis of PHMSA-wide rent expenditures found rent costs were distributed disproportionately between PHMSA accounts. In an effort to better align costs to actual, rent estimates were adjusted throughout PHMSA.

Realignments within the Base (\$0): For FY 2011, PHMSA is proposing a realignment of \$361,000 from Hazardous Materials Safety training and outreach to inspection and enforcement to differentiate inspector training from PHMSA's external training and outreach efforts.

Program Changes (-\$100,000): PHMSA is requesting a net program change decrease of \$100,000, which includes \$1.147 million in increases and \$1.247 million in decreases.

Multimodal Hazmat Intelligence Portal (HIP) – PHMSA is requesting \$847,000 to continue HIP system development activities within the DOT. DOT modal administrations will no longer need to contribute to system development except to address their specific changes and requirements. The funding will ensure the system operations and maintenance functions continue and a modest development scheduled can be maintained. Without the additional funding PHMSA will need to continue to rely on funding from the modal administrations – if this is not available, development of user and analytical interfaces and acquisition and integration of data sources will cease which will reduce the effectiveness of the system and eliminate plans to provide an appropriate level of access to the system to the public.

Hazardous Materials Information System (HMIS) – PHMSA is requesting \$300,000 to continue with the modernization of its transactional information systems. Many modules within HMIS were initially developed in 2000. The Hazardous Materials Emergency Preparedness (HMEP) grants program has an archaic data system that has never been integrated with HMIS and has now reached the end of its useful life. PHMSA requests funding to enhance the capabilities to manage the HMEP Grants program using a modern Federal grants management IT solution, which adheres to OMB Circular A-123 internal control guidelines and serves over 26 agencies across the Federal government. The system "GrantSolutions" will automate PHMSA's grant management process from announcement of the funding opportunity, through application receipt and evaluation, award, post-award monitoring, and close-out. The system will assure internal controls that agency processes, procedures, and guidelines for administration of the HMEP Grants program are being applied and that grants are being awarded and managed properly. Data from this system will be in a form that can be easily integrated with Hazmat Safety's information systems. The acquisition of this system has been coordinated with DOT's e-grants program and Office of the Senior Procurement Executive.

Registration Program – Program efficiencies gained from the consolidation of contract support activities alleviate the need to apply non-pay inflation of \$4,000 to the hazardous materials registration program in FY 2011.

Emergency Preparedness – In order to fund higher priority initiatives, PHMSA is proposing to reduce the scope of its Cooperative Agreement with the International Association of Fire Chiefs to maintain and sustain a National Hazmat Fusion Center. For FY 2011, PHMSA is proposing a reduction of \$343,000 compared to the FY 2010 enacted level. Funding for the Fusion Center will be sufficient to maintain a moderate data collection and distribution capability, but will reduce the activities of the Regional Incident Survey Teams (RIST), which are deployed to serious hazardous materials transportation incidents to collect information and lessons learned from first-responders.

Contractor Support for Special Permits and Approvals – PHMSA is proposing a decrease of \$900,000 from the FY 2010 enacted level for contractor support for the Special Permits and Approvals program. The funding provided in FY 2010 and the review of existing special permits and approvals using revised criteria, policy, and procedures is expected to be completed by FY 2011.

EXPLANATION OF FUNDING CHANGES FOR HAZARDOUS MATERIALS SAFETY

Overview:

Hazardous Material Safety's FY 2011 budget request includes a number of base adjustments necessary to sustain its workforce and current operations. Explanations of these changes are listed below.

Base Changes (\$2.540 million):

Annualization of FY 2010 Enacted FTE \$1.104 million/8 FTE

This adjustment to base finances the funding for six months of a fiscal year for enacted FTE in the FY 2010 appropriations. The FY 2010 base must be increased to annualize the FY 2010 enacted FTE. Remaining half year funding will yield to personnel compensation and benefits, enforcement related training, travel, and other administrative expenses for enacted FY 2010 positions.

GSA Rent..... \$1.033 million

An analysis of PHMSA-wide rent expenditures found rent costs were distributed disproportionately between PHMSA accounts. In an effort to better align costs to actual, rent estimates were adjusted throughout PHMSA.

FY 2011 Comparability Pay Increase..... \$224,000

This adjustment to base finances the funding required for the proposed 2011 pay raise (1.4 percent) that is effective January 2011.

Annualization of FY 2010 Comparability Pay Increase \$97,000

This adjustment to base finances the funding for one-quarter of the pay raise (2.0 percent) that is effective January 2010. The FY 2010 base must be increased to annualize the FY 2010 pay increase for the staff.

Non-pay Inflation \$64,000

PHMSA relies upon contract support for certain goods and services. Price escalation for goods and services during FY 2011 must be accommodated. Funding is requested at the non-pay inflation rate of 0.5 percent to ensure that contracts are adequately funded to maintain essential services and enable PHMSA activities in FY 2011.

Working Capital Fund Adjustment..... \$18,000

The Department's Working Capital Fund (WCF) is a fully reimbursable fund that finances a range of administrative support services. This centrally managed account provides Department-wide functions such as information technology, facilities, operational support and personnel administration. Centralizing administrative support functions has enabled DOT to achieve economies of scale, reducing costs and increasing operational efficiencies, and has allowed DOT operating administrations

to focus on and accomplish their goals. This request is associated with operating costs in these WCF activities. Request levels are based on estimates provided by the WCF, and determined by actual usage costs (including inflation).

Realignments (\$0):

Realignments within the Base\$0

For FY 2011, PHMSA is proposing a realignment of \$361,000 from Hazardous Materials Safety training and outreach to inspection and enforcement to differentiate inspector training from PHMSA's external training and outreach efforts.

Program Changes (-\$100,000):

Hazmat Intelligence Portal (HIP)\$847,000

PHMSA will continue HIP system development activities to ensure the system operations and maintenance functions continue and a modest development scheduled can be maintained.

Hazardous Materials Information System (HMIS).....\$300,000

PHMSA will continue with the modernization of the HMIS program; many modules within HMIS were initially developed in 2000. PHMSA will work to integrate the Hazardous Materials Emergency Preparedness (HMEP) grants program with HMIS to enhance the capabilities to manage the grants program using a modern Federal grants management IT solution.

Hazmat Registration Program (\$4,000)

Program efficiencies gained from the consolidation of contract support activities alleviate the need to apply annual non-pay inflation to the hazardous materials registration program in FY 2011.

Emergency Preparedness..... (\$343,000)

In order to fund higher priority initiatives, PHMSA is proposing to reduce the scope of its Cooperative Agreement with the International Association of Fire Chiefs to the minimum necessary to maintain and sustain a National Hazmat Fusion Center. Funding for the Fusion Center will be sufficient to maintain a moderate data collection and distribution capability, but will significantly reduce the activities of the Regional Incident Survey Teams (RIST), which are deployed to serious hazardous materials transportation incidents to collect information and lessons learned from first-responders.

Contractor Support for Special Permits and Approvals (\$900,000)

PHMSA is proposing to decrease its contractor support for the Special Permits and Approvals program. The funding provided in FY 2010 and the review of existing special permits and approvals using revised criteria, policy, and procedures are expected to be completed by FY 2011.

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, [2011]2012: Provided, That not more than \$28,318,000 shall be made available for obligation in fiscal year [2010] 2011 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)](i), 5128(b), or 5128(c) shall be made available for obligation by individuals other than the Secretary of Transportation, or his designee. (*Department of Transportation Appropriations Act, 2010.*)

EXHIBIT III-1

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION EMERGENCY PREPAREDNESS GRANTS

Summary by Program Activity (In thousands of dollars)

| | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> | <u>CHANGE FY 2010-11</u> |
|---|---------------------------|----------------------------|----------------------------|------------------------------|
| Grants | \$21,800 | \$21,800 | \$21,800 | \$ 0 |
| Technical Assistance | 150 | 150 | 150 | 0 |
| Administrative Expenses | 555 | 555 | 555 | 0 |
| Curriculum Development | 188 | 188 | 188 | 0 |
| Emergency Response Guidebook (WCF) | 625 | 625 | 625 | 0 |
| Supplemental Training Grants | 1,000 | 1,000 | 1,000 | 0 |
| Competitive Training Grants | 4,000 | 4,000 | 4,000 | 0 |
| Total, Emergency Preparedness Grants | \$28,318 | \$28,318 | \$28,318 | \$ 0 |

Program and Performance Statement

Emergency Preparedness Grants – Federal hazardous material law (49 U.S.C. 5101 et seq.), established a national registration program for shippers and carriers of hazardous materials. The law also established fees to be collected from registrants. 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 Native American tribes; publication and distribution of the Emergency Response Guidebook; and costs for staff to administer the program.

EXHIBIT III-2

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION EMERGENCY PREPAREDNESS GRANTS

SUMMARY ANALYSIS OF CHANGES FROM FY 2010 TO FY 2011

Appropriations, Obligation Limitations and Exempt Obligations

| <u>Appropriation</u> | <u>Dollars in Thousands</u> | <u>FTE</u> |
|--------------------------------------|---------------------------------|------------|
| EMERGENCY PREPAREDNESS GRANTS | | |
| FY 2010 Enacted | \$28,318 | 0.0 |
| FY 2011 Adjustments to Base | \$0 | 0.0 |
| FY 2011 Program Changes | \$0 | 0.0 |
| Total, Emergency Preparedness Grants | \$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 2009 | FY 2010 | FY 2011 |
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| 01.00 Balance, start of year | \$15,426 | \$10,372 | \$1,437 |
| 01.90 Adjustment to reconcile to unavailable beginning balance | 2,251 | 0 | 0 |
| 01.99 Revised Balance, start of year | 17,677 | 10,372 | 1,437 |
| Receipts: | | | |
| 02.20 Emergency preparedness fund (offsetting prop. receipts) | 18,569 | 19,383 | 28,893 |
| 04.00 Total: Balances and collections | 36,246 | 29,755 | 30,330 |
| Appropriations: | | | |
| 05.00 Emergency preparedness grants | (25,874) | (28,318) | (28,318) |
| 06.10 Unobligated balance returned to receipts | 0 | 0 | 0 |
| 07.99 Balance, end of year | \$10,372 | \$1,437 | \$2,012 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Emergency Preparedness Grants
Program and Financing
(In thousands of dollars)

| Identification code 021-50-5282-0 | FY 2009 | FY 2010 | FY 2011 |
|---|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Obligations by program activity | | | |
| 0.01 Grants | 26,061 | 23,800 | 23,800 |
| 0.02 Technical assistance | 0 | 150 | 150 |
| 0.03 Administrative expenses | 0 | 555 | 555 |
| 0.04 Curriculum development (appropriated BA) | 0 | 189 | 188 |
| 0.05 ER guidebook | 0 | 2,125 | 2,125 |
| 0.06 Supplemental training grants | 0 | 1,000 | 1,000 |
| 0.07 Grants and cooperative agreements | 0 | 500 | 500 |
| 0.91 Total direct program | 26,061 | 28,319 | 28,318 |
| 9.01 Reimbursable program | 0 | 0 | 0 |
| 10.00 Total obligations | 26,061 | 28,319 | 28,318 |
| Budgetary resources available for obligation | | | |
| 21.40 Unobligated balance available, start of year | 188 | 1 | 0 |
| 22.00 New budget authority (gross) | 26,062 | 28,318 | 28,318 |
| 22.10 Resources available from recoveries of PY obligations | 2,251 | 0 | 0 |
| 23.90 Total budgetary resources available for obligation | 28,501 | 28,319 | 28,318 |
| 23.95 New obligations | (26,061) | (28,319) | (28,318) |
| 23.98 Unobligated balance expiring or withdrawn | (2,439) | 0 | 0 |
| 24.40 Unobligated balance available, end of year | 1 | 0 | 0 |
| New budget authority (gross), detail | | | |
| Discretionary | | | |
| 40.20 Appropriation (special fund) | 188 | 188 | 188 |
| 43.00 Appropriation (total discretionary) | 188 | 188 | 188 |
| Mandatory | | | |
| 60.20 Appropriation (special fund) | 25,874 | 28,130 | 28,130 |
| 62.50 Appropriation (total mandatory) | 25,874 | 28,130 | 28,130 |
| 70.00 Total new budget authority (gross) | 26,062 | 28,318 | 28,318 |
| Change in unpaid obligations | | | |
| 72.40 Obligated balance, start of year | 34,451 | 41,970 | 33,113 |
| 73.10 New obligations | 26,061 | 28,319 | 28,318 |
| 73.20 Total outlays (gross) | (16,281) | (37,176) | (35,662) |
| 73.40 Adjustments in expired accounts (net) | (11) | 0 | 0 |
| 73.45 Recoveries of prior year obligations | (2,251) | 0 | 0 |
| 74.40 Obligated balance, end of year | 41,970 | 33,113 | 25,769 |
| Outlays (gross), detail | | | |
| 86.90 Outlays from new discretionary authority | 0 | 188 | 188 |
| 86.93 Outlays from discretionary balances | 179 | (8) | 0 |
| 86.98 Outlays from mandatory balances | 16,102 | 36,996 | 35,474 |
| 87.00 Total outlays (gross) | 16,281 | 37,176 | 35,662 |
| Net budget authority and outlays | | | |
| 89.00 Budget authority (net) | 26,062 | 28,318 | 28,318 |
| 90.00 Outlays (net) | 16,281 | 37,176 | 35,662 |
| 95.02 Unpaid Obligations, end of year | 41,970 | 0 | 0 |

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

Direct Obligations:

| | FY 2009 | FY 2010 | FY 2011 |
|---|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| 41.0 Grants, subsidies, and contributions | \$24,543 | \$26,801 | \$26,800 |
| 99.5 Below reporting threshold | 1,518 | 1,518 | 1,518 |
| 99.9 Total new obligations | <u>\$26,061</u> | <u>\$28,319</u> | <u>\$28,318</u> |

PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

Emergency Preparedness Grants (Discretionary)

| <u>YEAR</u> | <u>REQUEST</u> | <u>YEAR</u> | <u>ENACTED</u> |
|-------------|----------------|-------------|----------------|
| 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 | 2009 | \$188,000 |
| 2010 | \$188,000 | 2010 | \$188,000 |
| 2011 | \$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.

PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

Emergency Preparedness Grants (Appropriation Limitation)

| <u>YEAR</u> | <u>REQUEST</u> | <u>YEAR</u> | <u>ENACTED</u> |
|-------------|----------------|-------------|-----------------|
| 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 | 2009 | \$28,318,000 |
| 2010 | \$0 | 2010 | \$28,318,000 |
| 2011 | \$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

FY 2011 Request – \$28.318 million / 0 FTE

Overview:

PHMSA's Hazardous Materials Emergency Preparedness (HMEP) Grants program provides financial and technical assistance as well as national direction and guidance to enhance state, territorial, tribal, and local hazardous materials emergency planning and training and certain other non-profit organizations. PHMSA awards approximately 70 HMEP grants annually.

The HMEP Grants program's success strongly depends on the Hazmat Registration Program. The HMEP grants programs are funded by registration fees collected from persons who transport certain hazardous materials in intrastate, interstate, or foreign commerce. Registration fees fund training and planning grants, monitoring and technical assistance, publication and distribution of the Emergency Response Guidebook (ERG), curriculum development, and staff costs to administer the program. PHMSA is evaluating the registration fees needed to fully fund the HMEP Grants program. Any changes to the fee would require a rulemaking.

The HMEP Grants program also ensures a wide spectrum of hazardous materials awareness. Awarding money to states, territories, and tribes allows for hazmat to educate people everywhere about the causes and affects of hazardous materials and in turn how to deal with and diffuse harmful situations. The Native American tribe territories are recognized as independent and thus receive grants separately rather than in the state sum.

FY 2010 Base:

In FY 2010, a total of \$28.3 million was requested for this program as follows:

- Training and Planning Grants to States, Territories, and Tribes – \$21.8 million
- Hazmat Instructor Training Grants – \$4 million
- Supplemental Public Sector Training Grants – \$1 million
- Emergency Response Guidebook – \$625,000
- Administrative Support – \$555,000
- Training Curriculum Development – \$188,000
- Oversight and Technical Assistance – \$150,000

Anticipated FY 2010 Accomplishments:

For FY 2010, the HMEP Grants program will work to:

- Provide technical assistance in helping states and local communities update and develop at least 3,600 emergency plans;
- Help train, in part, 210,000 hazmat responders; and

- Provide up to \$4 million in funding to non-profit hazmat employee organization through the agency's competitive training program.

In addition, PHMSA will implement recommendations based on its own program evaluation of this grants program to assure that the program is being carried in the most efficient manner consistent with the statutory intent. The evaluation is aimed at identifying opportunities to enhance the efficiency and outcomes associated with the use of the grants (e.g., enhancing the capabilities of emergency responders and improving community planning). Specifically, PHMSA plans to accomplish the following programmatic changes:

- Implement new technologies to improve internal controls and management of the HMEP Grants program;
- Improve program transparency; and
- Ensure the program has adequate resources.

FY 2011 Budget Request:

In FY 2011, the HMEP Grants program is requesting a total \$28.3 million. This amount is the same as the FY 2010 Enacted Budget. The major activities included in this request are:

Training and Planning Grants to States, Territories, and Tribes (\$21.8 million):

Training and planning grants are used to develop, improve, and implement emergency plans; to train public sector hazmat emergency response employees to respond to accidents and incidents involving hazardous materials; to determine flow patterns of hazmat within a state and between states; and to determine the need within a state for regional hazardous materials emergency response teams. Grants to states and territories have matching funds requirements; grants to tribes do not have such requirements.

Hazmat Instructor Training Grants (\$4 million): Provides funding to non-profit hazmat employee organizations to train hazmat instructors and to develop training and outreach tools to enhance and expand the hazardous materials training reach. These grants are competitively awarded.

Supplemental Public Sector Training Grants (\$1 million): These training grants help increase the capacity and the availability of hazardous materials training instructors. Through these grants, more training programs become available, thus increasing awareness, and enhancing the knowledge base for local responders. For example, PHMSA provides grants to the International Association of Fire Fighters (IAFF) to conduct "Train the Trainer" training sessions throughout the nation.

Emergency Response Guidebook (\$625,000): On an average cycle of four years, PHMSA develops, publishes, and distributes an updated version of its ERG. The ERG is developed jointly by the U.S. Department of Transportation, Transport Canada, and the Secretariat of Communications and Transportation of Mexico for use by "first responders" (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. For example, if there is an incident where ammonia (anhydrous) spills from a small package, the ERG advises emergency responders to evacuate 100 feet around the spill and then make efforts to protect people in a 0.1 mile radius. This guidebook is also widely used by the transportation industry and is internationally recognized.

Administrative Support (\$555,000): This area pertains to a variety of expenses including: reimbursement to PHMSA's Hazmat Safety program for Federal employee salaries; staff travel and other administrative expenses necessary to assist states, territories, and tribes to prepare grant applications, evaluate applications under the competitive grant program, and resolve problems during program implementation; and information systems service to administer the grants programs. Federal hazmat law provides up to 2 percent of the grant program funds to pay for administrative costs of carrying out this program.

Training Curriculum Development (\$188,000): Federal hazmat law requires the U.S. Secretary of Transportation to develop and periodically update a curriculum to train public sector emergency response and preparedness teams.

Oversight and Technical Assistance (\$150,000): Federal hazmat law requires the Department to provide technical assistance to a state, political subdivision of a state, or Native American tribes for carrying out emergency response training and planning for an accident or incident involving hazardous material.

EXPLANATION OF FUNDING CHANGES FOR EMERGENCY PREPAREDNESS GRANTS

Overview:

PHMSA is requesting \$28.318 million for the HMEP Grants program, which is the same level as the FY 2010 Enacted Budget.

Operational Expenses

OPERATIONAL EXPENSES

(PIPELINE SAFETY FUND)

(INCLUDING TRANSFER OF FUNDS)

For necessary operational expenses of the Pipeline and Hazardous Materials Safety Administration, [\$21,132,000] \$22,383,000, of which \$639,000 shall be derived from the Pipeline Safety Fund; *Provided*, That \$1,000,000 shall be transferred to “Pipeline Safety” in order to fund “Pipeline Safety Information Grants to Communities” as authorized under section 60130 of title 49, United States Code. (*Department of Transportation Appropriations Act, 2010.*)

EXHIBIT III-1

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION OPERATIONAL EXPENSES

Summary by Program Activity (In thousands of dollars)

| | <u>FY 2009 ACTUAL</u> | <u>FY 2010 ENACTED</u> | <u>FY 2011 REQUEST</u> | <u>CHANGE FY 2010-11</u> |
|---|---------------------------|----------------------------|----------------------------|------------------------------|
| <u>Operational Expenses</u> | | | | |
| <i>(reflects \$1M transferred to Pipeline Safety for Information Grants to Communities)</i> | \$18,130 | \$20,132 | \$21,383 | \$ 1,251 |
| <u>FTEs</u> | | | | |
| Direct Funded | 57.0 | 65.0 | 67.0 | 2.0 |
| Reimbursable | 8.0 | 11.0 | 11.0 | 0.0 |

Program and Performance Statement

Operational Expenses – The success of the PHMSA's safety programs depends on the performance of support organizations that empower the program offices to meet their safety mandate. These support organizations include the Administrator, Deputy Administrator, Assistant Administrator/Chief Safety Officer, Chief Counsel, Chief Financial Officer, Governmental, International and Public Affairs, Associate Administrator for Administration, Information Technology Services, Administrative Services, Budget and Finance, Contracts and Procurement, Human Resources, and Civil Rights.

EXHIBIT III-2

**PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
OPERATIONAL EXPENSES**

SUMMARY ANALYSIS OF CHANGES FROM FY 2010 TO FY 2011

Appropriations, Obligation Limitations and Exempt Obligations

| <u>Appropriation</u> | <u>Dollars in Thousands</u> | <u>FTE</u> |
|---|--|--------------------|
| OPERATIONAL EXPENSES | | |
| FY 2010 Enacted <i>(reflects \$1M transferred to Pipeline Safety for Information Grants to Communities)</i> | <u>\$20,132</u> | <u>65.0</u> |
| FY 2010 Adjustments to Base: | | |
| Annualization of FY 2010 enacted FTE | 364 | 2.0 |
| FY 2011 Pay Raise of 1.4% for 9 months | 89 | 0.0 |
| Working Capital Fund Increase | 71 | 0.0 |
| Non-pay Inflation of 0.5% | 41 | 0.0 |
| Annualization of 2% FY 2010 Pay Raise for 3 months | 36 | 0.0 |
| Subtotal, Adjustments to Base | <u>\$601</u> | <u>2.0</u> |
| FY 2011 Realignments: | | |
| 1. Accounting/ESC/Delphi Services | 1,057 | 0.0 |
| 2. Salaries and Benefits | 931 | 0.0 |
| 3. Continuity Services (Other Administrative Expenses) | 100 | 0.0 |
| 4. GSA Rent | (2,088) | 0.0 |
| Subtotal, Realignment | <u>\$0</u> | <u>0.0</u> |
| FY 2011 Program Changes: | | |
| 1. Data and Business Analysis/IT – HMIS Modernization | <u>\$650</u> | <u>0.0</u> |
| Subtotal, Program Changes | <u>\$650</u> | <u>0.0</u> |
| Subtotal, Adjustments to Base and Program Changes and Transfers | <u>\$1,251</u> | <u>2.0</u> |
| Total, Operational Expenses | <u>\$21,383</u> | <u>67.0</u> |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Operational Expenses
Program and Financing
(In thousands of dollars)

| Identification code 021-50-1400-0 | FY 2009 | FY 2010 | FY 2011 |
|---|----------------------|-----------------------|-----------------------|
| | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Obligations by program activity | | | |
| 0.91 Total direct program | 17,897 | 20,132 | 21,383 |
| 9.01 Reimbursable program | 627 | 0 | 0 |
| 10.00 Total obligations | 18,525 | 20,132 | 21,383 |
| Budgetary resources available for obligation | | | |
| 21.40 Unobligated balance available, start of year | 0 | 0 | 0 |
| 22.00 New budget authority (gross) | 18,757 | 20,132 | 21,383 |
| 22.10 Resources available from recoveries of PY obligations | 0 | 0 | 0 |
| 23.90 Total budgetary resources available for obligation | 18,757 | 20,132 | 21,383 |
| 23.95 New obligations | (18,525) | (20,132) | (21,383) |
| 23.98 Unobligated balance expiring or withdrawn | (233) | 0 | 0 |
| 24.40 Unobligated balance available, end of year | 0 | 0 | 0 |
| New budget authority (gross), detail | | | |
| Discretionary | | | |
| 40.00 Appropriation (definite) | 18,491 | 20,493 | 21,744 |
| 40.35 Appropriation permanently reduced | 0 | 0 | 0 |
| 41.00 Transfers to other accounts 69-5172 | (1,000) | (1,000) | (1,000) |
| 42.00 Transfers from other accounts 69-5172 | 639 | 639 | 639 |
| 43.00 Appropriation (total) | 18,130 | 20,132 | 21,383 |
| Discretionary spending authority from offsetting collections | | | |
| 58.00 Offsetting collections (cash) (unexpired only) | 627 | 0 | 0 |
| 58.10 Change in uncollected cust paymts fm Fed sources (unexp) | 0 | 0 | 0 |
| 58.90 Spending authority fm offsetting collections (total) | 627 | 0 | 0 |
| 70.00 Total new budget authority (gross) | 18,757 | 20,132 | 21,383 |
| Change in unpaid obligations | | | |
| Unpaid obligations, start of year | | | |
| 72.40 Obligated balance, start of year | 3,688 | 4,643 | 6,442 |
| 73.10 New obligations | 18,525 | 20,132 | 21,383 |
| 73.20 Total outlays (gross) | (17,570) | (18,333) | (20,983) |
| 73.40 Adjustments in expired accounts (net) | (2) | 0 | 0 |
| 74.10 Chg in Uncollected cust orders fm Fed Sources (expired) | 2 | 0 | 0 |
| 74.40 Obligated balance, end of year | 4,643 | 6,442 | 6,843 |
| Outlays (gross), detail | | | |
| 86.90 Outlays from new discretionary authority | 15,291 | 13,690 | 14,540 |
| 86.93 Outlays from discretionary balances | 2,279 | 4,643 | 6,442 |
| 87.00 Total outlays (gross) | 17,570 | 18,333 | 20,983 |
| Offsets | | | |
| <i>Against gross budget authority and outlays</i> | | | |
| Offsetting collections (cash) from | | | |
| 88.00 Federal sources | 718 | 0 | 0 |
| 88.96 Portion of offsetting collection credited to expired accounts | (90) | 0 | 0 |
| Net budget authority and outlays | | | |
| 89.00 Budget authority (net) | 18,130 | 20,132 | 21,383 |
| 90.00 Outlays (net) | 16,852 | 18,333 | 20,983 |
| 95.02 Unpaid Obligations, end of year | 4,531 | 0 | 0 |

DEPARTMENT OF TRANSPORTATION
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION
Operational Expenses
Object Classification and Personnel Summary
(In thousands of dollars)

| Identification code 69-1400-0-1-407 | FY 2009 | FY 2010 | FY 2011 |
|--|----------------------|-----------------------|-----------------------|
| Direct Obligations: | <u>ACTUAL</u> | <u>ENACTED</u> | <u>REQUEST</u> |
| Personnel Compensation: | | | |
| 11.1 Full-time permanent | \$6,442 | \$6,849 | \$8,310 |
| 11.9 Total personnel compensation | 6,442 | 6,849 | 8,310 |
| 12.1 Civilian personnel benefits | 676 | 795 | 795 |
| 23.1 GSA Rent | 3,700 | 3,200 | 1,112 |
| 23.3 Communications, utilities and misc. charges - WCF | 2,970 | 2,565 | 2,636 |
| 25.1 Advisory and Assistance Service | 910 | 1,287 | 1,287 |
| 25.2 Other services | 1,460 | 1,703 | 2,453 |
| 25.3 Other purchases of goods and services from government accounts | 1,301 | 3,064 | 4,121 |
| 31.0 Equipment | 671 | 669 | 669 |
| 99.0 Subtotal, direct obligations | \$18,130 | \$20,132 | \$21,383 |
| 99.0 Reimbursable obligations | 0 | 0 | 0 |
| 99.9 Total new obligations | \$18,130 | \$20,132 | \$21,383 |

EMPLOYMENT SUMMARY

| | | | |
|---|------|------|------|
| Direct: | | | |
| 1001 Civilian full-time equivalent employment | 57.0 | 65.0 | 67.0 |
| Reimbursable: | | | |
| 2001 Civilian full-time equivalent employment | 8.0 | 11.0 | 11.0 |

PIPELINE AND HAZAROUS MATERIALS SAFETY ADMINISTRATION HISTORY OF APPROPRIATIONS

Operational Expenses

| <u>YEAR</u> | <u>REQUEST</u> | <u>YEAR</u> | <u>ENACTED</u> |
|--------------------|-----------------------|--------------------|-----------------------|
| 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 | 2009 | \$18,130,000 3/ |
| 2010 | \$18,968,000 | 2010 | \$20,132,000 |
| 2011 | \$21,383,000 | | |

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.

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

DETAILED JUSTIFICATION FOR OPERATIONAL EXPENSES

FY 2011 Request – \$22.383 million / 67 FTE

Overview:

The success of PHMSA's safety programs depends on the performance of support organizations that help the program offices to meet their safety mandate. The organizations represented under this account include: Administrator and Deputy Administrator; Assistant Administrator/Chief Safety Officer; Chief Financial Officer; Chief Counsel; Governmental, International, and Public Affairs; and Associate Administrator for Administration.

These administrative organizations provide:

PHMSA Leadership – The Administrator and Deputy Administrator direct all elements of PHMSA's national programs.

Safety Enforcement and Regulation – The Office of the Assistant Administrator/Chief Safety Officer (CSO) establishes agency-wide safety and security policies, objectives, and priorities relating to hazardous materials and pipeline safety.

Legal Advice – The Office of Chief Counsel serves as the principal legal officer and advisor for PHMSA. This office is responsible for legal oversight of the hazardous materials safety and pipeline safety programs. The office provides services such as drafting proposed legislation, drafting or reviewing all regulatory actions (such as any Notices of Proposed Rulemaking (NPRM)), reviewing all procurement and grant actions, and managing the ethics and financial disclosure programs. The office also prosecutes enforcement actions for violations of hazardous materials safety and pipeline safety transportation laws and regulations.

Public Awareness and Understanding – The Office of Governmental, International, and Public Affairs promotes public and government understanding of, and generates support for PHMSA programs, activities, policies, and strategies. In addition, this office coordinated all PHMSA international activities to ensure consistency with departmental international initiatives.

Financial Management Oversight – The Associate Administrator for Finance, Budget, and Performance Integration/Chief Financial Officer directs and coordinates the financial management programs and support services for PHMSA. This office works closely with each of PHMSA's program offices to ensure agency budgetary and financial goals are met. Significant functions in this office include agency budget formulation, execution, justification, as well as monitoring current year financial activities such as financial statements, financial and managerial internal controls, and audits.

Equal Employment Opportunity (EEO) – PHMSA's Office of Civil Rights administers and ensures PHMSA's implementation of civil rights and EEO precepts and initiatives.

Administrative Management Coordination – The Associate Administrator for Administration is responsible for planning, developing, coordinating, implementing and administering a comprehensive program of activities to satisfy administrative management needs within the agency. This office provides reliability and increases the performance of the agency’s safety programs through the following managed offices:

- The Information Resources Management Office/Chief Information Officer (CIO);
- Contracts and Procurement;
- Human Resources; and
- Office of Administrative and Management Services

Information Technology (IT) Services – PHMSA’s Office of the CIO offers data services supporting risk-based safety models and all IT services utilized agency-wide. PHMSA’s IT personnel also work steadily on innovative projects to further the agency’s safety mission via modern technologies such as its multi-modal Hazmat Intelligence Portal (HIP). HIP integrates hazmat inspection, incident, regulation, and penalty data from over 20 disparate Federal data systems to create a centralized intelligence repository serving those who protect the U.S. infrastructure from accidental or terrorist-related hazmat releases.

Increase in Transparency and Procurement Reform – To end waste, fraud, and abuse in the agency, the Office of Contracts and Procurement strives to close out completed contracts and orders, reviews all service contracts to ensure that personal services are not being procured and that governmental functions are not being performed by contractors, ensures correct information is relayed to the public, and improves how PHMSA spends government dollars through the management of existing contracts.

Human Capital Management – PHMSA’s Office of Human Resources contributes to strategic human capital and workforce planning, recruiting and hiring, and leadership succession planning.

Facility, Real Estate and Property Management – The Office of Administrative Services addresses all real property issues including space design both at headquarters and regional buildings, construction support, asset management, and directives and records management.

FY 2010 Base:

In FY 2010, a total of \$21.1 million was enacted for this account. Of this amount, \$1 million was transferred to Pipeline Safety to fund Information Grants to Communities.

Anticipated FY 2010 Accomplishments:

In compliance with Departmental and agency mission goals, PHMSA strives for the following achievements in FY 2010:

- Improve the Hazardous Materials Emergency Preparedness (HMEP) grants program, which manages \$28 million in grants to states, territories, and tribes for emergency planning and training. Working from the results of a 2009 program evaluation, PHMSA expects to streamline processes, improve internal controls, provide greater flexibility to grantees, and improve reporting and accountability for funds.
- Revise PHMSA's Strategic Plan to conform to the new DOT Strategic Plan. The new plan will include revised strategic goals and performance measures, updated strategies, and a new schedule for program evaluations.
- Settle Administrative Hazardous Materials cases, issue Notices of Probable Violation, prepare Final Orders for Issuance, including the assessment of an estimated \$2-4 million in civil penalties, and eliminate the Pipeline Safety program's three-year backlog of enforcement cases.
- Develop and complete significant rulemaking projects in Pipeline Safety such as gas maximum allowable operating pressure (MAOP), gas distribution integrity management, control room management, low-stress pipelines, and Polyamide 11 thermoplastic pipes.
- Develop PHMSA's Administrative Services Manual for use by employees. Direct results from the publication of this manual would include improved customer service, dissemination of important HR-related information, and one-stop-shopping for administrative information including, information technology, human resources, budget, facilities, and procurement.
- Utilize the Department's EEO Discrimination Complaint Process system. This system is in place for employees to seek relief from employment situations resulting from unlawful discrimination. Individuals will be trained as counselors to conduct EEO mitigation for applicants and employees who believe they have been discriminated.
- Implement an action plan to address results of the Federal Human Capital Survey (FHCS), which relates to PHMSA's 2008 Safety Culture Survey findings to improve leadership and performance. The Culture Survey illustrated that agency leadership and management development programs need to improve to support the needs of the agencies. There was also significant concern expressed in both surveys with regard to addressing poor performers.
- Improve transparency by posting all justifications for non-competitive procurement at www.FedBizOpps.gov and on the PHMSA web site for public review.

FY 2011 Budget Request:

For FY 2011, PHMSA is requesting a total of \$22.383 million for Operational Expenses. Of this amount, \$1 million will be transferred to Pipeline Safety to fund the Information Grants to Communities. Therefore, the net amount to directly fund PHMSA's Operational Expenses account is \$21.383 million. This amount is \$1.251 million more than the FY 2010 Enacted Budget.

Adjustments to Base (\$601,000): This increase includes adjustments to base for the annualization of the FY 2010 pay raise, FY 2011 pay raise of 1.4 percent, annualization of four FY 2010 enacted positions, WCF increase, and non-pay inflation.

Realignments within the Base (\$0): An analysis of PHMSA-wide rent expenditures found rent costs were distributed disproportionately between PHMSA accounts. In an effort to better align costs to actual, \$2.1 million has been realigned from GSA Rent, to Salaries and Benefits, Continuity Services, and Accounting Services provided by the Enterprise Service Center.

Program Changes (\$650,000): PHMSA is requesting \$650,000 for the continuation of its IT Modernization Plan, which also supports the agency's Special Permits and Approvals Action Plan. With this funding in FY 2011, PHMSA can continue the work it started in FY 2010 related to data and business analysis for the Hazardous Materials Information System (HMIS), which is a database used for hazmat incident reporting. This modernization program is designed to significantly improve data quality, transparency, and the ability to base safety decisions on facts versus assumptions and fragmented data. This funding is vital in order for PHMSA to establish the necessary policy, process, business rules, common data architecture, and standards required to support and enable the analytical capabilities of the organization.

EXPLANATION OF FUNDING CHANGES FOR OPERATIONAL EXPENSES

Overview:

Operational Expenses' FY 2011 budget request includes a number of base adjustments necessary to sustain its workforce and current operations. Explanations of these changes are listed below.

Base Changes (\$601,000):

Annualization of FY 2010 Enacted FTE \$364,000/2 FTE

This adjustment to base finances the funding for six months of a fiscal year for enacted FTE in the FY 2010 appropriations. The FY 2010 base must be increased to annualize the FY 2010 enacted FTE. Remaining half year funding will yield to personnel compensation and benefits, training, travel, and other administrative expenses for enacted FY 2010 positions.

FY 2011 Comparability Pay Increase..... \$89,000

This adjustment to base finances the funding required for the proposed 2011 pay raise (1.4 percent) that is effective January 2011.

Working Capital Fund Adjustment..... \$71,000

The Department's Working Capital Fund (WCF) is a fully reimbursable fund that finances a range of administrative support services. This centrally managed account provides Department-wide functions such as information technology, facilities, operational support and personnel administration. Centralizing administrative support functions has enabled DOT to achieve economies of scale, reducing costs and increasing operational efficiencies, and has allowed DOT operating administrations to focus on and accomplish their goals. This request is associated with operating costs in these WCF activities. Request levels are based on estimates provided by the WCF, and determined by actual usage costs (including inflation).

Non-pay Inflation \$41,000

PHMSA relies upon contract support for certain goods and services. Price escalation for goods and services during FY 2011 must be accommodated. Funding is requested at the non-pay inflation rate of 0.5 percent to ensure that contracts are adequately funded to maintain essential services and enable PHMSA activities in FY 2011.

Annualization of FY 2010 Comparability Pay Increase \$36,000

This adjustment to base finances the funding for one-quarter of the pay raise (2.0 percent) that is effective January 2010. The FY 2010 base must be increased to annualize the FY 2010 pay increase for the staff.

Realignments (\$0):

Realignments within the Operational Expenses Base \$0

An analysis of PHMSA-wide rent expenditures found rent costs were distributed disproportionately between PHMSA accounts. In an effort to better align costs to actual costs, \$2.088 million has been realigned from GSA Rent to Accounting Services provided by the Enterprise Service Center (\$1.057 million), Salaries and Benefits (\$931,000), and Continuity Services (\$100,000).

Program Changes (\$650,000):

Data and Business Analysis/IT – HMIS Modernization \$650,000

With this funding in FY 2011, PHMSA can continue the work it started in FY 2010 related to data and business analysis for the Hazardous Materials Information System (HMIS), which is a database used for hazmat incident reporting. This modernization program is designed to significantly improve data quality, transparency, and the ability to base safety decisions on facts versus assumptions and fragmented data. This funding is vital in order for PHMSA to establish the necessary policy, process, business rules, common data architecture, and standards required to support and enable the analytical capabilities of the organization.

SAFETY

Overview:

Funding will help PHMSA contribute to DOT's Safety strategic goal by reducing the number of deaths and injuries from the transportation of hazardous materials by air, highway, rail, vessel and pipeline. At the same time, these safety activities will also result in fewer releases of hazardous materials affecting the environment, contributing to DOT's strategic goal for environmental stewardship.

In FY 2010, PHMSA plans to raise safety standards, increase safety inspections and investigations, raise safety and compliance assistance, reengineer the processes for issuing special permits and approvals, improve the safety of natural gas distribution systems, enhance emergency preparedness training, and increase enforcement of safety laws and regulations.

PHMSA's 2011 budget request is \$202.246 million; all of these funds contribute to safety. These funds will allow PHMSA to develop and enforce standards for transporting hazardous materials which will reduce the risk of hazardous materials incidents, with a particular focus on reducing the risk of high consequence events such as fires aboard aircraft or accidents involving bulk shipments of hazardous materials. PHMSA will provide compliance assistance to hazmat shippers and carriers, and planning and training assistance to state and local emergency responders to increase safety knowledge and emergency response performance. PHMSA will increase funding for pipeline safety state programs as authorized by the Pipeline Inspection, Protection, Enforcement, and Safety (PIPES) Act of 2006, as states work to implement increased pipeline safety mandates for distribution systems near homes, schools and businesses; increase pipeline operators' focus on safety beyond compliance with minimum standards, including attention to their safety culture; and conduct research and development to foster development of new technologies so that pipeline operators can improve safety performance and more effectively address regulatory requirements. Through pipeline safety grant programs, states provide a major role in pipeline regulation, safety, inspection, protection and repairs. Through emergency preparedness grants, states and local responders improve their plans, training, and readiness to respond to hazardous materials transportation incidents when they occur.

For FY 2011, PHMSA plans to:

- Issue final rules to impose more effective safeguards, including design testing, packaging and hazard communication measures for various types and sizes of lithium batteries in specific transportation contexts; enhance packaging requirements for air shipments of hazardous materials; improve the safety of hazardous materials loading and unloading operations involving cargo tanks and rail tank cars; and prohibit the transportation of flammable liquids in the unprotected product piping of a cargo tank motor vehicle.
- Incorporate the provisions of widely-used special permits with demonstrated safety records into regulations for general applicability.
- Issue 8,000-10,000 hazardous materials special permits and approvals.
- Perform 1,600-1,800 comprehensive facility hazmat inspections.
- Conduct 15-20 training workshops/seminars.

- Register 37,000-45,000 hazmat businesses to gather data and information beneficial to hazmat safety programs and for Emergency Preparedness Grants funding.
- Fund state pipeline safety agencies to monitor operations of 81 percent of the 2.5 million miles of the national pipeline system and to conduct 8,000 inspections.
- Meet three NTSB recommendations for the operation of electronic data communications and control systems.
- Require pipeline operators to install an additional 400,000 excess flow valves annually to reduce excavation costs resulting from natural gas distribution incidents by 50 percent.

A Note about DOT's Strategic Goals

The performance sections of the Department's FY 2011 budget submissions align with the current FY 2006-11 DOT Strategic Plan. The Department will release a new strategic plan in FY 2010 that will detail its new priorities and areas of emphasis. DOT expects the performance sections of the FY 2012 budget submissions to be aligned to the new strategic plan.

EXHIBIT IV-1
FY 2011 PROGRAM BUDGET REQUEST BY STRATEGIC GOAL
Pipeline and Hazardous Materials Safety Administration
Appropriations, Obligation Limitations, and Exempt Obligations
(In thousands of dollars)

| STRATEGIC & PERFORMANCE GOALS BY PROGRAM ACTIVITIES | FY 2009 ACTUAL | FY 2010 ENACTED | FY 2011 REQUEST |
|---|---------------------------|------------------------------|----------------------------|
| 1. SAFETY | | | |
| A. Reduce transportation-related deaths and injuries | | | |
| (a) Number of hazardous materials incidents involving death or major injury | \$68,983 | \$72,956 | \$75,809 |
| (b) Number of pipeline incidents involving death or major injury | \$72,191 | \$87,527 | \$126,437 |
| Total - Global Connectivity Strategic Goal: | \$141,174 | \$160,483 | \$202,246 |
| 2. REDUCED CONGESTION | | | |
| A. Reduce impediments to the efficient movement of freight over the transportation network | \$712 | \$0 | \$0 |
| Total - Reduced Congestion Strategic Goal: | \$712 | \$0 | \$0 |
| 3. GLOBAL CONNECTIVITY | | | |
| A. Harmonize and standardize regulatory and facilitation requirements in the international arena | \$389 | \$0 | \$0 |
| Total - Global Connectivity Strategic Goal: | \$389 | \$0 | \$0 |
| 4. ENVIRONMENTAL STEWARDSHIP | | | |
| A. Reduce pollution and other adverse environmental effects from transportation | | | |
| (a) Hazardous liquid pipeline spills with environmental impacts | \$26,242 | \$32,200 ¹ | \$0 ^{1 1} |
| Total - Environmental Stewardship Strategic Goal: | \$26,242 | \$32,200 ¹ | \$0 ^{1 1} |
| 5. ORGANIZATIONAL EXCELLENCE | | | |
| A. Advance the agency's ability to manage for results | \$4,222 | \$0 | \$0 |
| Total - Organizational Excellence Strategic Goal: | \$4,222 | \$0 | \$0 |
| GRAND TOTAL¹: | <u>\$172,739</u> | <u>\$192,683</u> | <u>\$202,246</u> |

¹ In FY 2011, PHMSA is showing all of its funding request under the "Safety" strategic goal since safety is the primary purpose of the agency. There are also significant environmental benefits from these same activities, particularly in pipeline safety, but most of the activities are not separable from their safety purpose.

EXHIBIT IV-2
PERFORMANCE OVERVIEW
PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Annual Performance Results and Targets

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

SAFETY – Reduction in transportation-related deaths and injuries

| Number of hazardous materials incidents involving death or major injury | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|-------------------|------|------|
| Target | | | | 36 | 36 | 36 |
| Actual | 32 | 36 | 22 | 15 _(p) | | |

| Number of pipeline incidents involving death or major injury | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|--|------|------|------|-------------------|------|------|
| Target | 43 | 42 | 40 | 38 | 37 | 36 |
| Actual | 36 | 47 | 42 | 53 _(p) | | |

ENVIRONMENTAL STEWARDSHIP – Reduction in environmental pollution

| Number of hazardous liquid pipeline spills (with environmental impacts) | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|------|------|------|--------------------|------|------|
| Target | | | | | 108 | 103 |
| Actual | 105 | 96 | 128 | 107 _(p) | | |

(p): projected

PERFORMANCE OVERVIEW

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

Hazardous Materials Safety

In FY 2011, PHMSA requests \$40.434 million for Hazardous Materials Safety. In addition, \$7.057 million is allocated for operational expenses.

For FY 2011, we will continue to concentrate on major risk areas involving the transportation of hazardous materials which include the risk of fire aboard an aircraft and the release of the most hazardous materials in bulk. PHMSA will continue its strategy of developing and enforcing standards for transporting hazardous materials; providing compliance assistance to hazmat shippers and carriers; offering assistance to state and local emergency responders and law enforcement officials on hazmat transportation issues; investigating hazmat incidents and failures; conducting research; and providing grants to improve emergency response to hazmat transportation incidents.

- *Hazardous materials fire aboard aircraft:* PHMSA will continue to pursue a comprehensive strategy to address the transportation risks posed by materials that can cause fire aboard aircraft such as lithium batteries, battery powered products, other energy devices, flammable materials, and undeclared hazardous materials. The risk of such incidents is considered to be low-probability high-consequence. Specifically, PHMSA will issue final rules to impose more effective safeguards, including design testing, packaging, and hazard communication measures, for various types and sizes of lithium batteries in specific transportation contexts and enhance packaging requirements for air shipments of hazardous materials.
- *Bulk release of hazardous materials:* PHMSA will continue to work with the Federal Motor Carrier Safety Administration and the Federal Railroad Administration to enhance the safety of bulk shipments of hazardous materials with an emphasis on efforts to reduce the probability of ignition (fire or explosion) and gas dispersion as these greatly increase the risk of death or injury in a hazmat incident. For example, in the highway mode, 22.6 percent of incidents involving ignition resulted in death/injury, compared to only 0.07 percent of those without ignition. This suggests that ignition increases the risk of death/injury by a factor of 340-to-1. Specifically, PHMSA will issue final rules intended to reduce the risk of an incident during loading and unloading operations involving bulk shipments in cargo tanks and rail tank cars and to reduce the risk of an accident involving flammable liquids in the unprotected product piping of cargo tank motor vehicles.
- *Emergency preparedness and response:* PHMSA will work with states, territories, tribes, and emergency preparedness and response professionals to develop, improve, and implement emergency plans and response procedures and assist in train public sector hazardous materials emergency response employees to respond to accidents and incidents involving hazardous materials.

- *Improve operational effectiveness and efficiency:* PHMSA will continue to review and improve business processes; streamline operations; enhance training of inspectors; and work with our modal partners and other agencies, including state and local enforcement agencies, to achieve synergy in the use of our resources.

Pipeline Safety

In FY 2011, PHMSA requests a total of \$112.111 million for Pipeline Safety, including a transfer of \$1 million from PHMSA's Operational Expenses to fund the Information Grants to Communities initiative. In addition, \$14.326 million is allocated for operational expenses. With the FY 2011 funding request, PHMSA's will regulate the safe, reliable, and clean delivery of energy products in the Nation's pipelines through a strong regulatory program, strong oversight, collaborative technology, research and development, and forward-looking outreach to all stakeholders. Additionally, PHMSA's Pipeline Safety program will:

- *Implement a significant new regulation for distribution systems:* PHMSA will increase efforts to improve the safety of distribution systems. Natural gas distribution pipelines present the highest risk to the public because they are predominantly in populated areas – near our homes, schools, and businesses. Natural gas pipeline incidents on distribution systems account for the majority of deaths and major injuries attributed to pipelines under PHMSA's jurisdiction.
- *Provide technical assistance for all major pipelines that require either special permit work or considerable construction inspection work:* PHMSA will effectively respond to the workload associated with nationally significant pipeline projects – including the complex arctic designs of the proposed natural gas transmission pipeline in Alaska – without compromising regularly scheduled inspections.
- *Increase inspection and enforcement capabilities:* PHMSA will increase its engineering knowledge and experience to make sure that its oversight is meeting the intended goals to reduce hazardous liquid and natural gas pipeline incidents involving death or major injury and hazardous liquid pipeline spills with environmental impacts.
- *Assist emergency preparedness and response:* PHMSA will work with states, territories, tribes, and emergency preparedness and response professionals to develop, improve, and implement emergency plans and response procedures. We will also assist in training public sector emergency response employees to respond to accidents and incidents.
- *Improve program operations:* PHMSA will continue to review and improve business processes; streamline operations; enhance training of both Federal and state inspectors; and work with our modal partners and other agencies, including state and local enforcement agencies, to use our resources effectively and efficiently.

EXHIBIT IV-3

PERFORMANCE PLANNING LOGIC MODEL

PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

HAZARDOUS MATERIAL SAFETY OVERVIEW

| Program Name | Purpose and Customers / Beneficiaries | 2011 Inputs | | 2011 Activity | 2011 Achievements | 2011 Outputs | 2011 Outcomes | Contribution to DOT Goal |
|-------------------------------|--|---|-------|--|--|--|---|---|
| | | (\$000) | FTE | | | | | |
| Hazardous Materials Safety | Public and occupational safety – prevention and mitigation | \$40,434 Plus \$7,057 from the Operational Expenses account within PHMSA | 186.5 | Set hazardous materials transportation safety standards | Priority rulemakings published as outlined the regulatory agenda | Issue 8,000-10,000 SPs and approvals | Reduce the number of hazardous materials incidents with death or major injury | Reduce the number of transportation related deaths and injuries |
| | | | | Safety inspections and investigations | ≤ 20% recidivism rate | Perform 1,600-1,800 comprehensive facility inspections | | |
| Emergency Preparedness Grants | Public and occupational safety – prevention and response | \$28,318 | 0 | Safety and compliance assistance | ≥ 60% of special permits issued within 120 days of receipt | Conduct 15-20 training workshops / seminars and public meetings | Reduce the number of hazardous materials incidents with death or major injury | Reduce the number of transportation related deaths and injuries |
| | | | | Regulatory alternatives - special permits (SP) and approvals | | Register up to 45,000 hazmat businesses | | |
| | | | | Award grants by Sep. 15 | Implement an online grants management system | Provide \$26.8M in grants to states, territories, tribes, and non-profit organizations | | |

Hazardous Materials Safety Overview

PHMSA's hazardous materials safety program ensures the safe transport of hazmat by air, rail, highway, and water, with the exception of bulk transportation of hazmat by vessel.

In FY 2011, PHMSA requests a total of \$40.434 million for Hazardous Materials Safety. Of this amount, \$30.056 million is for personnel compensation and benefits and other administrative expenses for 186.5 FTEs. In addition, \$8.671 million is for contract programs and \$1.707 million for research and development initiatives.

Program Purpose and Customers/Beneficiaries

This national safety program minimizes the risks to life and property inherent in commercial transportation of hazmat.

2010 Program Results

Set domestic and international hazardous materials transportation safety standards – PHMSA will work to:

- Reduce the risk of hazardous materials fires aboard aircraft.
- Address safety risks associated with the transportation of large quantities of high-hazard materials.
- Work with the other DOT administrations and industry organizations to reduce motor carrier crashes and rollovers involving flammable liquids.
- Harmonize domestic and international hazmat transportation requirements to the greatest extent possible consistent with DOT safety and economic goals.
- Review regulatory standards to ensure they are necessary, easy to understand, contemporary and enforceable.
- Develop rules to implement certain inspection, investigation, and enforcement authority conferred on the Secretary of Transportation by the Hazardous Materials Transportation Safety and Security Reauthorization Act of 2005.

Enforce the Hazardous Materials Regulation – ensure transportation safety by conducting compliance, incident and accident inspections and investigations.

Safety and compliance assistance – develop and deliver of training and educational materials to enhance hazmat transportation safety by promoting voluntary industry compliance with the HMR; help emergency service officials safely and effectively prepare for and respond to emergencies, and help state law enforcement officials execute their responsibilities.

Finally, PHMSA is taking steps to improve hazardous materials special permits, approvals, enforcement, and data collection and analysis programs to advance safety and enhance efficiency and effectiveness of our operations.

2011 Program Inputs

PHMSA requests a total of \$40.434 million for Hazardous Materials Safety, plus \$7.057 million from the Operational Expenses account will be used to:

- Evaluate hazmat transportation safety risks.
- Develop and enforce standards for transporting hazardous materials.
- Provide assistance to the nation's hazmat community (state and local agencies, industry, and others) on hazmat transportation issues.
- Investigate hazmat incidents and failures and conducting research.
- Providing grants to improve emergency response to incidents.
- Continue improvements of program operations.

2011 Program Activity

Hazmat Safety achieves its goals through: evaluating hazmat transportation safety risks; developing and enforcing standards for transporting hazardous materials; providing compliance assistance to hazmat shippers and carriers; providing assistance to state and local emergency responders and law enforcement officials on hazmat transportation issues; investigating hazmat incidents and failures; conducting research; and providing grants to improve emergency response to incidents.

2011 Program Achievements

Priority rulemakings published as outlined the regulatory agenda – The Hazardous Materials Regulations (HMR) are the cornerstone of the PHMSA hazmat safety program and address hazardous materials definitions and classification, hazard communication, shipper and carrier operations, and packaging and container specifications.

20 percent recidivism rate – Compliance with the HMR, whether achieved through training, outreach or inspections and enforcement, establish the framework for a safe hazardous materials transportation system. Recidivism provides a gauge of the effectiveness of our enforcement, outreach and training activities.

60 percent of Special Permits issued within 120 days of receipt – PHMSA is working to improve its Special Permits and Approvals programs. Monitoring issuance of special permits helps ensure business processes are efficient.

2011 Program Outputs

PHMSA will issue final rules to impose more effective safeguards, including design testing, packaging, and hazard communication measures for various types and sizes of lithium batteries in specific transportation contexts; enhance packaging requirements for air shipments of hazardous materials; improve the safety of hazardous materials loading and unloading operations involving cargo tanks and rail tank cars; and prohibit the transportation of flammable liquids in the unprotected product piping of a cargo tank motor vehicle.

PHMSA will incorporate the provisions of widely-used special permits with demonstrated safety records into regulations of general applicability.

PHMSA will issue 8,000-10,000 hazardous materials special permits and approvals. The agency's Special Permits program will allow shippers, carriers, and packaging manufacturers to apply for special permits that allow them to utilize packaging methods or shipping practices other than those prescribed in the regulations – allowing them to quickly implement new technology and to evaluate new operational techniques that often increase productivity and enhance safety.

PHMSA will perform 1,600-1,800 comprehensive facility hazmat inspections focusing on compliance with safety, training, and security standards by inspecting entities that: offer hazardous materials for transportation (shippers); manufacture, requalify, rebuild, repair, recondition, or retest packaging (other than cargo tanks and tank cars) used to transport hazardous materials; and hold DOT special permits or approvals.

PHMSA will conduct 15-20 training workshops / seminars and public meetings to assist industry, Federal inspectors, state/local law enforcement officers, emergency responders, and emergency management personnel with understanding hazmat transportation safety requirements.

PHMSA will register 37,000-45,000 hazmat businesses to gather data and information to support hazmat safety programs and to collect fees to fund Emergency Preparedness Grants.

2011 Program Outcomes

PHMSA will reduce the number of serious hazmat incidents and will continue to examine risk factors that increase the probability of a death or major injury from a hazmat incident, including fire, explosion, gas dispersion, bulk release, and tank truck rollover.

Program Contribution to DOT Goal

PHMSA supports Department's Safety goal by *reducing the number of serious hazardous materials transportation incidents*, and by *reducing the number of hazardous materials incidents involving death or major injury*.

Emergency Preparedness Grants Overview

Hazardous Materials Emergency Preparedness (HMEP) grants provides financial and technical assistance as well as national direction and guidance to enhance state, territorial, tribal and local hazardous materials emergency planning and training and certain other non-profit organizations.

Program Purpose and Customers/Beneficiaries

This national safety program minimizes the risks to life and property inherent in commercial transportation of hazmat by ensuring communities are prepared and trained to respond to hazmat transportation incidents.

2010 Program Results

For FY 2010, the HMEP Grants Program will work to:

- Provide technical assistance in helping states and local communities update and develop at least 3,600 Emergency Plans.
- Help train, in part, 210,000 hazardous materials responders.

- Through our competitive training program, PHMSA will provide up to \$4 million in funding to non-profit hazmat employee organizations to assist hazmat employees in complying with the HMR.

In addition, PHMSA will implement recommendations based on its own program evaluation of this grants program to assure that the program is being carried in the most efficient manner consistent with the statutory intent.

2011 Program Inputs

In FY 2011, a total of \$28.3 million was requested for this program, the same as what was requested in FY 2010. No changes to inputs are requested.

2011 Program Activity

PHMSA will enhance the efficiency and outcomes associated with the use of the grants (e.g., enhancing the capabilities of emergency responders and improve community planning). Specifically, PHMSA will continue to implement programmatic changes to improve internal controls and management of the HMEP Grants program; enhance program transparency; and ensure the program has adequate resources.

2011 Program Achievements

Implement an online grants management system – this will help ensure PHMSA has reasonable management and internal controls and processes for the HMEP Grants program.

2011 Program Outputs

PHMSA will provide \$21.8 million in training and planning grants to states, territories and tribes; \$4.0 million for grants to non-profit hazmat employees organizations; and \$1.0 million for supplemental grants for a train-the-trainer program for emergency responders.

PHMSA will host at least two workshops to provide technical assistance to a state, political subdivision of a state, or Indian tribes for carrying out emergency response training and planning for an accident or incident involving hazardous material.

2011 Program Outcomes

PHMSA will reduce the number of serious hazmat incidents and reduce the risk of incidents involving death or major injury by ensuring communities are prepared and trained to respond to hazmat transportation incidents.

Program Contribution to DOT Goal

PHMSA supports Department's Safety goal by *reducing the number of serious hazardous materials transportation incidents*, and by *reducing the number of hazardous materials incidents involving death or major injury*.

EXHIBIT IV-3

PERFORMANCE PLANNING LOGIC MODEL PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION PIPELINE SAFETY OVERVIEW

| Program Name | Purpose and Customers / Beneficiaries | 2011 Inputs | | 2011 Activity | 2011 Achievements | 2011 Outputs | 2011 Outcomes | Contribution to DOT Goal |
|-----------------|---------------------------------------|--|-----|--|--|--|--|---|
| | | (\$000) | FTE | | | | | |
| Pipeline Safety | Public and Occupational Safety | \$112,111 Plus \$14,326 from the Operational Expenses account within PHMSA | 215 | <p>Set pipeline safety transportation standards</p> <p>Pipeline safety inspections, investigations, and technical assistance</p> <p>Fund up to 80% of state pipeline safety agencies' costs.</p> <p>Implement pipeline safety standards on the operation of electronic data communications and control systems.</p> <p>Implement regulation to require operators to install excess flow valves on single family residential service lines.</p> | <p>Develop and publish priority pipeline safety rulemakings</p> <p>Fund state pipeline safety agencies to oversee the safety of the pipeline operations of 81% of the 2.5 million miles of the national pipeline system.</p> <p>Meet three NTSB recommendations for the operation of electronic data communications and control systems.</p> <p>Require installation of an additional 400,000 excess flow valves annually.</p> | <p>Conduct 25-30 state-hosted seminars and 30 classes.</p> <p>Oversee compliance with safety regulations</p> <p>Reduce risks associated with human factors, including a maximum limit on hours of service.</p> <p>Reduce excavation costs resulting from gas distribution incidents by 50 percent.</p> | <p>Safety – Reduce the number of hazardous liquid and natural gas pipeline incidents involving death or major injury.</p> <p>Environmental Stewardship – Reduce the number of hazardous liquid spills with environmental impacts (wildlife, soil, or water).</p> | Reduce the number of transportation related deaths and injuries |

Pipeline Safety Overview

PHMSA's comprehensive, nationwide Pipeline Safety Program protects people and the environment from the risks inherent in the transportation of hazardous materials by pipeline. PHMSA Pipeline Safety accomplishes its mission by promulgating and enforcing safety regulations and through consistent, onsite inspection of pipeline operations. Our goal is to reduce the risk of harm to people and the environment due to the transportation of hazardous materials by pipeline.

For FY 2011, PHMSA requests a total of \$112.111 million for its Pipeline Safety program. Of this amount, \$40.689 million is for salaries and other administrative operating activities. Of the remaining balance, \$18.975 million is for contract programs; \$6.919 million for research and development; and \$45.528 million for grants. The FY 2011 President's Budget for Pipeline Safety includes a \$1 million transfer from PHMSA's Operational Expenses to fund the Information Grants to Communities Initiative.

Program Purpose and Customers/Beneficiaries

The pipeline safety program supports the definition, implementation, and regulation of pipeline safety standards at the state and Federal levels, resulting in a reduced number of pipeline-related deaths and injuries and improved environmental stewardship. These benefits are realized by citizens across the country.

2010 Program Results

PHMSA Pipeline Safety expects to increase the funding available to our state partners, improve our inspections and investigations of incidents, invest in targeted R&D, and improve the ability of emergency responders to protect communities. PHMSA expects to continue the long term trend in reducing the number of hazardous liquid and natural gas pipeline incidents involving death or major injury and reverse the upward trend in hazardous liquid spills in high consequence areas. PHMSA Pipeline Safety will:

- Fund up to 70 percent of states' pipeline safety program costs, enabling our state partners to continue their current programs and hire additional inspectors—the states inspect 81 percent of the national pipeline system.
- Issue in December 2009, effective as of February 2010, an "Integrity Management Program for Gas Distribution Pipelines" final rule that requires operators of natural gas distribution pipelines to develop and implement integrity management programs. As part of this rule, PHMSA Pipeline Safety will require operators to install excess flow valves in newly constructed single family homes. An EFV is a safety device that can terminate flow of gas through a pipeline when the flow rate exceeds its design level, such as when the pipe ruptures or is broken (e.g., by excavation damage). Implementation of this final rule supports PHMSA in addressing a Congressional mandate, and Inspector General and National Transportation Safety Board recommendations.
- Meet the PIPES Act target of 135 pipeline safety inspection and enforcement positions. It is a priority for us to put more resources into investigations, preparing all our inspection and enforcement staff to understand the concept of the root cause of pipeline failures and revamping our inspection and enforcement efforts to be even more effective. Several of these positions will be utilized to review pipeline design proposals, develop

special permits, coordinate with other Federal agencies and state agencies in their development of environmental impact statements, and respond to natural disasters such as hurricanes.

- Fund new research to address a variety of pipeline integrity issues with pipeline transport of ethanol, biodiesel, biogas and hydrogen. The physical properties of biofuels and alternative fuels are undergoing significant review by PHMSA because some have been shown to negatively affect the integrity of pipeline steels and other pipeline components.
- Partner with the National Association of State Fire Marshals to expand “Pipeline Emergencies 101,” an existing awareness training program for first responders, and include new content for addressing ethanol challenges.

In FY 2010, PHMSA Pipeline Safety expects to take major steps towards becoming a more data-informed agency and has identified critical steps to:

- Reduce the number of hazardous liquid and natural gas pipeline incidents involving death or major injury.
- Reduce the number of hazardous liquid pipeline spills with environmental impacts.

We will continue to enhance our performance measures to better define and focus our efforts to the highest risk.

2011 Program Inputs

PHMSA requests a total of \$112.111 million for Pipeline Safety, plus \$14.326 million from the Operational Expenses account, which will be used to:

- Administer a national pipeline safety with state partners.
- Implement a significant new regulation for natural gas pipeline distribution systems.
- Investigate and analyze pipeline transportation incidents and failures to reduce threats and risks.
- Increase technical assistance available to PHMSA for all major pipelines that require either special permit work or considerable construction inspection work.
- Develop and enforce standards for transporting hazardous materials by pipelines.
- Conduct an extensive, highly regarded research and development program.
- Increase inspection and enforcement capabilities.
- Award grants to improve emergency preparedness, respond to incidents, and support technical assistance to communities.
- Improve program operations.

State Pipeline Safety Grants: To target risks in natural gas distribution systems, PHMSA proposes an additional \$3.796 million, a 10 percent increase above the FY 2010 enacted level.

Integrity Management: PHMSA requests \$1 million for engineering work (i.e., technical studies and field support) needed to conduct technically credible analyses of the non-traditional design and operating parameters of proposed natural and hazardous liquid pipelines in Alaska, as well as other major interstate pipeline projects already proposed or underway in the lower 48 states. This funding will allow PHMSA to conduct timely and technically sufficient analyses of these projects in order to meet their construction schedule.

Information Grants to Communities: PHMSA requests funding of \$1 million from General Revenues to provide “Information Grants to Communities” to fund competitive grants of up to \$50,000. These grants are awarded to communities and groups of individuals (not including for-profit entities) for development of technical assistance in the form of engineering or other scientific analyses of pipeline safety issues and to help promote open communication among grant recipients, local operators, local communities, and other interested parties.

Support to Department and Administration Initiatives: The Department is working with the Department of Energy (DOE) and other government agencies to continue to implement five National Energy Policy-related programs involving PHMSA. Specifically, PHMSA will support the following efforts:

- **Pipelines.** Lead a major initiative to ensure that damage to underground pipelines from construction expected to be financed under the economic recovery program will not compromise the safety of the pipeline systems and cause energy supply interruptions.
- **Liquefied Natural Gas (LNG).** Work to ensure adequate supplies and subsequent transportation of natural gas in a safe and environmentally sound manner.
- **Hydrogen.** With the Department’s Research and Innovative Technology Administration (RITA), undertake research necessary for the development of safety codes and standards for current prototype and future hydrogen-based commercial vehicles and transportation systems should meet.
- **Carbon Capture and Sequestration.** Work with the Department, the Administration, and other entities to address the transportation requirements associated with carbon dioxide capture and sequestration.
- **Reliability.** Use procedures and its regulatory framework to respond to and recover from disasters including hurricanes, wildfires and pipeline failures. The PHMSA emergency special permit process facilitates recovery operations by allowing operators short term relief of regulations for operating flexibility without compromising pipeline safety. The PHMSA hurricane response plan focuses on preparation and recovery, outlining procedures and reporting before and after landfall. The plan is reviewed each year and updated as needed.

2011 Program Activity

PHMSA will develop and publish priority rulemakings to define and address safety requirements for transportation of hazardous liquids and natural gas by pipelines.

PHMSA will fully implement a regulation requiring operators to develop distribution integrity management programs to improve safety and to install excess flow valves on single family residential service lines to help reduce the occurrence of natural gas incidents.

PHMSA will implement pipeline safety standards on the operation of electronic data communications and control systems for improving the safety of pipeline workers by addressing human fatigue issues.

PHMSA will administer a state Pipeline Safety Grants Program to fund up to 80 percent of state pipeline safety agencies' costs to enable PHMSA state partners to continue their current programs and hire additional inspectors.

2011 Program Achievements

PHMSA pipeline safety will oversee a grants program for state pipeline safety agencies to inspect and provide safety oversight of the operations of 81 percent of the 2.5 million miles of the national pipeline system. This program provides funding to reduce incidents caused by excavation damage. Three-fourths of all human consequences from pipeline failures occur in state-regulated distribution systems pipeline with 60 percent of these failures caused by excavation damage.

We have appropriately identified gas distribution systems as a focal area to reduce the number of incidents involving death or major injury. Accordingly, PHMSA's Office of Pipeline Safety will conduct inspections for compliance to its requirement for natural gas distribution pipeline operators to implement Distribution Integrity Management Programs.

PHMSA expects to meet three NTSB recommendations for the operation of electronic data communications and control systems to support worker safety and address human fatigue issues.

2011 Program Outputs

PHMSA pipeline safety will conduct 60 seminars/workshops and classes to train Federal and state inspectors in the safe transportation of hazardous liquids, natural gas and other products by pipeline.

PHMSA will regulate hours of service for operation of electronic data communications and control systems for pipelines to help reduce the risks associated with human factors.

PHMSA will require installation of an additional 400,000 excess flow valves annually to support reduction in the number of pipeline incidents involving death or major injury. This will support expected reductions of excavation costs resulting from gas distribution incidents by 50 percent.

2011 Program Outcomes

In FY 2011, PHMSA Pipeline Safety expects to take major steps towards becoming a more data-informed agency and has identified critical steps to:

- Reduce the number of hazardous liquid and natural gas pipeline incidents involving death or major injury.
- Reduce the number of hazardous liquid pipeline spills with environmental impacts.

We will continue to enhance our performance measures to better define and focus our efforts to the highest risk.

Program Contribution to DOT Goal

The PHMSA Pipeline Safety Program supports the Department's Safety goal by reducing the number of hazardous liquid and natural gas pipeline incidents involving death or major injury and supports the department's Environmental Stewardship goal by reducing the number of hazardous liquid pipeline incidents in high consequence areas.

EXHIBIT IV-4

KEY PROGRAM REVIEWS, ASSESSMENTS OR EVALUATIONS PIPELINE AND HAZARDOUS MATERIALS SAFETY ADMINISTRATION

A. Recent Reviews, Assessments and Evaluations

| Name/Title | Type | Result |
|---|------------|---|
| Audit of PHMSA's Special Permits and Approvals Program | Assessment | Final report pending. |
| Data Quality Assessment of PHMSA's Major Safety Data Programs | Assessment | Identified weaknesses in six general areas. |
| Program Evaluation of the HMEP Grants Program | Assessment | Identified weaknesses in 12 areas, and recommended restructuring the program; additional evaluation needed. |
| Effectiveness and Efficiency of PHMSA's Enforcement Programs | Review | Fourteen recommendations highlighted issues that were cross-cutting for both the pipeline and hazardous materials programs. |
| PHMSA Information Technology (IT) Program Evaluation | Assessment | Seven key findings were identified and 16 recommendations provided to enable PHMSA to offer on-demand access to trusted safety data and information for vital decision support. |

Audit of PHMSA's Special Permits and Approvals Program

Purpose/scope: This assessment was conducted by the Assistant Inspector General for Aviation and Special Program Audits. The audit objectives are to assess the effectiveness of: (1) PHMSA's policies and processes for reviewing and authorizing special permits, approvals, and limited quantity or consumer commodity exceptions; (2) PHMSA's coordination with the affected Operating Administrations before issuing any of these special authorizations; and (3) PHMSA, FAA, FMCSA, and FRA oversight and enforcement of approved parties' compliance with the terms and conditions of these authorizations. A final report is expected in the first half of 2010.

Results and conclusions: The Department's Office of Inspector General (OIG) issued a Management Advisory on Immediate Action Needed To Prevent Unsafe Packaging and Transport of Explosives Under Special Permit Numbers 8554, 11579, and 12677 and recommended immediate attention is needed to prevent unsafe packaging and transport of explosives and explosive components traveling under these special permits. A final report is pending.

Recommendations and improvement plans: The OIG review highlighted several areas where there are opportunities to enhance PHMSA's management and oversight of the safety permits program. Thus, in addition to evaluating company operations under the special permits applicable to special use bulk explosives vehicles, PHMSA conducted a comprehensive, top-to-bottom review on its current policies, procedures, and practices for the special permits program to ensure that safety goals continue to be met. To address issues identified during this review, PHMSA developed an action plan that includes the following elements:

- Review of current operational procedures, staff responsibilities, criteria for equivalent level safety assessments, fitness review criteria, and coordination with DOT operating administrations to identify any deficiencies in current processes and possible ways to enhance procedures, reduce redundancies, and increase oversight and accountability;
- Development of a strategy for enhanced enforcement of the terms of special permits; and
- Modernizing the information technology system that supports the work flow processing of special permits to enhance productivity, accountability, and overall management of the safety permits program.

The OIG expressed particular concern about several special permits authorizing the transportation of explosive and other materials in special use bulk transport vehicles. PHMSA's action plan includes a complete re-evaluation of these special permits:

- Safety performance and fitness reviews of the current special permit holders;
- A risk analysis to ensure the special permits address all possible safety issues, including the potential for a high-consequence (catastrophic) accident, and develop additional safety measures if necessary to address identified risks;
- Appropriate enforcement action where the review identifies non-compliance with the terms of the special permit or use of an expired special permit for ongoing shipments; and
- A determination as to whether the special permits should be rescinded or modified and issue letters to affect such rescissions or modifications.

Progress: PHMSA implemented the special permits action plan in August 2009 and has made significant progress in meeting the aggressive milestone timelines that are integral to the plan's success. For example, PHMSA completed its review of the individual special permits of concern to the IG and issued modified special permits to enhance the safety of the transportation operations authorized. In addition, PHMSA completed and implemented written standard operating procedures governing the entire special permits program, including procedures for evaluating applications, determining that the proposed operations achieve an equivalent level of safety as the regulations, and monitoring of activities conducted under the special permits.

PHMSA is on target to meet the longer-term deliverables in the action plan, including modernization of the information technology system that supports the work flow and processing of special permits.

Data Quality Assessment

Purpose/scope: The purpose of this assessment was to ensure that PHMSA's safety data provide a sound basis for risk-based decision making. The assessment focused on the major data collection programs used to assess and manage risk in the pipeline and hazardous materials safety programs. The assessment was conducted internally by PHMSA, and completed in November 2009.

Results and conclusions: The assessment found that:

- PHMSA's ability to analyze risks could be enhanced by filling data gaps, improving data accuracy, and eliminating data biases.
- PHMSA should develop a good conceptual model for understanding failures.
- PHMSA should improve the accessibility and "user-friendliness" of its data systems.
- PHMSA should ensure that staff has the analytical skills necessary to focus data collection efforts and identify safety trends and issues arising from the data.

Recommendations and improvement plans: The agency is building its analytical capacity through new resources in the FY 2010 appropriation, developing an analytical agenda to guide work/priorities, and expanding accident/failure investigation programs.

Progress: Each of the operating programs is investing in significant efforts to identify data quality issues and address them.

Program Evaluation of the HMEP Grants Program

Purpose/scope: This review was initiated in February 2009 and a preliminary report with recommendations was completed in March 2009. The purpose of the review was to assure that the program is being carried out to further the statutory intent and is focused on identifying any major weaknesses in program design or execution that might limit its effectiveness, and evaluating the adequacy of internal controls used to ensure appropriate use of funds. The evaluation was conducted internally by PHMSA.

Results and conclusions: A preliminary report of findings and conclusions has been completed. It suggest that PHMSA needs to restructure the program to better target needs, provide reasonable management and internal controls, and put in place the organization, processes, and resources needed to sustain a continually-improving program.

Recommendations and improvement plans: An action plan has been developed to address the findings in the evaluation. Initial steps to improve internal controls have been initiated.

Progress: The program review is continuing in greater depth.

Effectiveness and Efficiency of PHMSA's Enforcement Programs

Purpose/scope: PHMSA established an Enforcement Task Force to review current enforcement practices with the goal of identifying areas for improvement. The need for the review was identified during PHMSA strategic planning discussions and meets the requirement for a "process evaluation of the processing of pipeline and hazmat enforcement cases" as outlined in DOT's Strategic Plan (2006 – 2011).

Results and conclusions: The review was concluded in January 2009 and recommendations to improve the effectiveness and efficiency of PHMSA's enforcement programs were made.

Recommendations and improvement plans: Recommendations included: finalize PHMSA "Guiding Principles" statement for enforcement; determine if certain decision making authorities can be delegated to other officials; enhance analytical support to enforcement staff; document processes for determining appropriate civil penalties; prepare guidance for coordination and communication protocols with other agencies; assess advantages and disadvantages of providing legal staff in field offices; improve use of electronic documents and communications; create a central repository for enforcement / case documents; and improve training of enforcement staff.

Progress: PHMSA is assessing, programming, budgeting and implementing the recommendations.

PHMSA Information Technology (IT) Program Evaluation

Purpose/scope: PHMSA conducted the evaluation using an independent contractor. The evaluation was initiated in November 2007 and completed in April 2008. The goal of the evaluation was to identify business and technology performance gaps that inhibit the ability of PHMSA's lines of business to execute mission objectives. The evaluation emphasized that PHMSA's business model has shifted to focus more on analytical processing and analysis.

Results and conclusions: A final report was produced and seven key findings were identified.

Recommendations and improvement plans: The final report provided 16 recommendations designed to strengthen and improve PHMSA's ability to leverage data and information for better, faster, and more reliable safety decisions. PHMSA is taking action to implement improvements based on these recommendations.

Progress: PHMSA has initiated the improvement plan.

B. Planned Reviews, Assessments and Evaluations

| Name/Title | Type | Intended Result |
|--|-------------|--|
| Human Resources Program Review | Review | Identify opportunities for improving customer service, efficiency, or effectiveness. |
| Budget/Finance Program Review | Review | Identify opportunities for improving customer service, efficiency, or effectiveness. |
| Pipeline Safety State Grants Program | Assessment | Recommendations to improve program management. |
| Evaluation of Risk Models for Resource Allocation | Assessment | Improved risk models. |
| Evaluation of the Effects of PHMSA's Enforcement Program | Assessment | Recommendations for possible changes in program design or focus. |

Human Resources Program Review

PHMSA is conducting a review of the Human Resources (HR) program. The purpose of the review is to identify operational improvements to enable HR to better serve leadership, management, and employees and to assure alignment with PHMSA mission and strategic priorities. The review process will:

1. Provide a baseline and objective assessment of current HR operations ("As-Is" state);
2. Clearly define work requirements and standard for the HR program;
3. Recommend a new way to operate that incorporates process, organizational, and staffing improvements ("To Be" state); and
4. Develop a plan to transition from the "As-Is" state to "To-Be" operations.

Conducted for: PHMSA's Office of Administration, by Alliance Consulting.

Schedule: The program review was started in September 2009, with completion scheduled for March 2010.

Budget/Finance Program Review

PHMSA is conducting a review of its budget and finance program. The purpose of the review is to access and identify current (and future) financial management and program gaps that inhibit the agency's ability to efficiently, effectively and reliably support mission activities. Ultimately, the review will ensure PHMSA's compliance with best practices, Congress, the Office of Management and Budget (OMB), Government Accountability Office (GAO), and the Department of Treasury requirements. The budget and finance program plans to use this review to strengthen the financial management program as well as to align it with the agency's strategic intent.

Conducted for: PHMSA's Chief Financial Officer, by Grant Thornton.

Schedule: The program review was started in September 2009, with completion scheduled for February 2010.

Evaluation of Pipeline Safety State Grant Program

The state grants program is a major component of the national pipeline safety program, with about 400 state inspectors responsible for overseeing over 1 million miles of gas and liquid pipelines. Over the past decade, program mandates have been increasing, while funding remained relatively constant. With passage of the PIPES Act of 2006, funding levels and the federal share now are rising. In this challenging environment, the Associate Administrator has asked for a program evaluation to help shore up any weaknesses and identify opportunities to improve the program.

The objectives of the evaluation are to:

- identify any major weaknesses in program design or execution that might limit the effectiveness of the program in meeting statutory mandates or achieving national pipeline safety goals, and
- evaluate the adequacy of internal controls used to ensure appropriate use of funds.

Conducted for: PHMSA's Office of Pipeline Safety, by PHMSA's Office of the Chief Safety Officer.

Schedule: Planned to start September 2010, with completion scheduled for June 2011.

Evaluation of Risk Models for Resource Allocation

PHMSA targets inspections to focus resources on the highest risks. Agency risk models use data from incidents, previous inspections, and other sources but the weighting of risk factors is based largely on judgment. There is some evidence – from recent reviews of risk models – that data-weighting could be superior to judgment-weighting in identifying companies or systems with the highest risk. PHMSA invests considerable resources in inspections of the regulated community, so the value of better risk models could be high.

Conducted for: PHMSA's Office of Hazardous Materials Safety and Office of Pipeline Safety, by PHMSA's Office of the Chief Safety Officer.

Schedule: Planned to start April 2010, with completion scheduled for October 2010.

Evaluation of the Effects of PHMSA's Enforcement Program

The program is designed to achieve correction and deterrence, but PHMSA officials suspect that these results might be limited by the lack of timeliness in our enforcement action, the offsetting benefits of non-compliance, the limited use of enforcement as a tool to fix the problems inspectors identify, and limited awareness by others of their exposure. In the Hazardous Materials Safety program, the sheer numbers of companies to inspect presents a significant obstacle to effective deterrence. If correction is enhanced by PHMSA enforcement actions, the

agency should see improved safety performance (fewer accidents, lesser consequences) in those companies.

Conducted for: PHMSA's Office of Hazardous Materials Safety and Office of Pipeline Safety, by PHMSA's Office of the Chief Safety Officer.

Schedule: Planned to start June 2010, with completion scheduled for December 2010.

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EXHIBIT V-1
RESEARCH AND DEVELOPMENT BUDGET AUTHORITY
Pipeline and Hazardous Materials Safety Administration
(In thousands of dollars)

| | <u>FY 2009</u> <u>ACTUAL</u> | <u>FY 2010</u> <u>ENACTED</u> | <u>FY 2011</u> <u>REQUEST</u> | <u>FY 2011</u> <u>APPLIED</u> | <u>FY 2011</u> <u>DEVELOP.</u> |
|--|---|--|--|--|---|
| <u>Hazardous Materials Safety</u> | | | | | |
| 1. Hazardous Materials | \$3,302 | \$1,699 | \$1,707 | \$1,707 | \$0 |
| 2. PC&B and Operations | \$480 | \$496 | \$506 | \$506 | \$0 |
| Subtotal, Hazardous Materials Safety | \$3,782 | \$2,195 | \$2,213 | \$2,213 | \$0 |
| <u>Pipeline Safety</u> | | | | | |
| 1. Pipeline Safety | \$5,784 | \$6,885 | \$6,919 | \$0 | \$6,919 |
| 2. PC&B and Operations | \$608 | \$554 | \$594 | \$0 | \$594 |
| Subtotal, Pipeline Safety | \$6,392 | \$7,439 | \$7,513 | \$0 | \$7,513 |
| TOTAL R&D BUDGET AUTHORITY | \$10,174 | \$9,634 | \$9,726 | \$2,213 | \$7,513 |