SERVICE STATION DEALERS OF AMERICA AND ALLIED TRADES

SSDA News

Service Station Dealers of America and Allied Trades

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LEGISLATIVE UPDATE

By Roy Littlefield

OSHA Fines to Significantly Increase

SESCO Alerts Members that OSHA Fines to Significantly Increase

As we previously reported, for the first time in 25 years, fines assessed by the Occupational Safety and Health Administration (OSHA) are increasing. OSHA is now required to implement an initial penalty "catch-up adjustment," which must be in place by August 1, 2016. The catch-up adjustment is tied to the percentage difference between the October 2015 and October 1990 Consumer Price Index, which is forecasted to be approximately 80 percent. This means the current maximum fine for a Willful and Repeat Violation will increase from $70,000 to $127,000 and the current maximum fine for a Serious Violation will increase from $7,000 to $12,500. OSHA is required to pass an interim final rulemaking to finalize the catch-up adjustment. However, the increase is scheduled to be issued as an interim final rule. This means that OSHA does not have to issue a proposed rule, which would be subject to a public notice and comment period before finalized. Instead, the rule will become effective immediately. After that, OSHA will be required to implement

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Estate Tax Update- Urge the Senate to Vote

SSDA-AT is a member of the Family Business Estate Tax Coalition (FBETC). This Coalition is dedicated to the full and permanent repeal of the estate tax.

In working with Representative Kevin Brady (R-TX-8) and the Coalition we were able to pass the Death Tax Repeal Act of 2015 (H.R. 1105) on a 240-179 vote in the House of Representatives.

SSDA-AT is encouraging members in the Senate to hold a vote on the bill. Last month, we signed onto a coalition letter urging this vote. SSDA-AT was one of more than 100 groups to sign the letter. In the letter we are urging Senate Majority Leader Mitch McConnell to follow the House's lead and bring up a vote to repeal the estate tax. McConnell is a co-sponsor of the Senate measure that would repeal the estate tax.

Please contact your Senators and let them know how important this bill is!

States Struggle With Infrastructure Needs After FAST Act's Mild Funding Hikes

A number of state departments of transportation are telling lawmakers and residents to expect their highway systems to continue to deteriorate unless legislatures provide more project funding, and some states are eyeing unusual steps to keep projects moving.

A senior Michigan DOT official – Chief Operations Officer Mark Van Port Fleet – recently warned state House and Senate transportation committees, the Detroit News reported, that "the results of our predictive model is that the condition of pavement is going to continue to decline" despite higher state and federal funding levels approved in the past year.

A March 22 MDOT staff analysis said: "A significant amount of pavement is in fair condition. Even with the recent passage of increased state and federal transportation revenue, many of these pavements, if not addressed soon, will fall into poor condition. Once pavements deteriorate into the poor category, it is more costly to bring them back into good condition."

New state projections also see vehicle miles on state roads going up faster than earlier estimates, with congestion continuing to worsen.

The MDOT official told lawmakers that a large multiyear state funding plan, signed into law by Gov. Rick Snyder last November, is "going to slow the decline" in road conditions, the Detroit News said.

AASHTO and other industry trade groups have said the new five-year FAST Act federal surface transportation legislation provided "modest" increases in core highway and transit program funding. While that was an improvement from previous levels, AASHTO has said it was not enough to allow states to eliminate their large backlog of needed infrastructure projects to maintain their networks and reduce congestion.

Bud Wright, AASHTO's executive director, said state struggles for transportation funding are likely to continue.

"We are already seeing record-high traffic volumes, and the population and freight traffic will only keep growing," he said. "States are having to make hard decisions on how much to invest in their transportation networks without much more help at the federal level, even though the integrated highway system is a national economic asset. So far Congress has mainly pushed infrastructure expenses back to state governments."

In Missouri, the St. Louis Post-Dispatch reported that the Missouri DOT plans to "dip heavily into its cash reserves to secure federal matching funds in coming years," a plan that risks drawing reserves too low to handle sudden high-cost repairs or drops in projected revenues.

One Missouri House lawmaker introduced legislation to auction off naming rights to highway and bridges as an alternative to a Senate plan to raise motor fuel user taxes.

Auditors for the South Carolina General Assembly told lawmakers they needed to increase funding for the state DOT, besides recommendations the audit panel made for how the SCDOT can improve its accounting and reporting on use of funds. But news reports said differences on funding measures between the House and Senate could kill funding legislation for this year.

Among others finding their budgets crimped is the Oklahoma DOT, where appropriations have been repeatedly cut as overall state revenues fell below forecasts, partly due to lower state receipts from oil

FHWA Proposes Measures to Reduce Road Congestion, Tailpipe Emissions

The Federal Highway Administration released a proposed regulation that would set new performance measures for state departments of transportation and metropolitan planning organizations to assess travel reliability, congestion and emissions in the highway movement of people and goods.

In the proposal, published April 22 in the Federal Register, the FHWA calls for an increased level of transparency in setting and achieving targets for transportation system performance that affects commuters and truck drivers.

It wants to receive public comments on the proposal no later than Aug. 20, and said that late comments "will be considered to the extent practicable."

The FHWA said it expects the proposed regulation to bring about greater accountability nationwide while bringing more consistency to data collection and analysis. Overall, it said, the proposed rule will provide the FHWA with better information to more fully understand how different transportation project investment strategies improve system performance.

U.S. Transportation Secretary Anthony Foxx said with this proposed rulemaking his department "is taking a major step to improve accountability and address the costly congestion problem that is plaguing our nation every day. Commuters and truck drivers from every state and region will be able to learn valuable information about how transportation investments are performing in delivering reliable highway travel with minimal delays and less air pollution."

The proposed new rule is titled "National Performance Management Measures; Assessing Performance of the National Highway System, Freight Movement on the Interstate System, and Congestion Mitigation and Air Quality Improvement Program." It was required in the 2012 surface transportation law known as MAP-21.

Its major provisions involve requirements for all states to evaluate and report on transportation system performance, including factors such as travel time reliability, annual hours of excessive delay per capita, peak-hour congestion, percent of the interstate system providing reliable cargo truck movement and on-road vehicle emissions reduced by congestion mitigation projects.

The FHWA said state DOTs and MPOs will use the federal agency's "National Performance Management Research Data Set," which it said is a relatively new data tool that collects actual travel times from vehicles.

The state and local agencies would be required by this regulations to use travel time data to establish performance targets and report on progress toward reaching the goals.

"These measures will enhance a data-driven approach that will lead to better informed decisions on how and where to focus our efforts to reduce congestion," said Federal Highway Administrator Gregory Nadeau. "Ultimately, the goal is to improve the system, enhance our nation's productivity, and support the economy."

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Pipeline Builder Weighs Appeal - New York

Constitution to review next step after DEC rejection

Constitution Pipeline officials said they will review their next step after the state's decision to deny environmental quality permits for the company's $750 million natural gas pipeline.

The goal of the pipeline has been to bring hydrofracked natural gas from Pennsylvania to New York, passing through Broome, Chenango, Delaware and Schoharie counties.

The state Department of Environmental Conservation permits were the final approval needed for the developers, who had won approval from the Federal Energy Regulatory Commission.

Constitution company spokesman Christopher Stockton said the company is still "absolutely committed" to building the pipeline.

"Once that review is complete we will assess our options, which may include an appeal to the U.S. Circuit Court of Appeals," Stockton's statement said.

EPA Wants Closer Look at Energy Transfer's Rover Gas Pipeline

The U.S. EPA requested more involvement from federal and state agencies in feedback on FERC's draft environment impact statement for three connected Energy Transfer Partners LP natural gas pipeline projects.

In response to a draft environmental impact statement, or EIS, released April 18, EPA recommended further efforts to remedy the "insufficient information" provided in the draft EIS of the Rover, Panhandle Backhaul and Trunkline Backhaul projects.

"The draft EIS does not contain sufficient information for the EPA to fully assess the environmental impacts that should be avoided in order to fully protect the environment," the EPA wrote.

EPA said the draft document lacked information in several areas, including avoidance of and minimization of impacts to wetlands and streams; identification and analysis of impacts to upland forest, core forest and associated wildlife; greenhouse gas emissions and climate change; and mitigation. The EPA noted the draft did not include a plan for upland core forest mitigation, an emergency response plan for Rover, or a wetland and stream mitigation plan, even though the projects will cross at least 180 acres of wetland.

Energy Transfer affiliates applied in February 2015

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Senators up for Re-election in 2016
Death Tax Repeal Act of 2015

State	Senator	2015 Budget Amdt - Yea1	Cosponsor S. 8602	Death Tax Repeal Pledge
Alaska	Sen. Lisa Murkowski	✓	✓	☐
Alabama	Sen. Richard Shelby	✓	✓	☐
Arkansas	Sen. John Boozman	✓	✓	☐
Arizona	Sen. John McCain	✓	✓	☐
Georgia	Sen. Johnny Isakson	✓	✓	☐
Idaho	Sen. Mike Crapo	✓	✓	✓
Illinois	Sen. Mark Kirk	✓	✓	☐
Iowa	Sen. Chuck Grassley	✓	✓	☐
Kansas	Sen. Jerry Moran	✓	✓	☐
Kentucky	Sen. Rand Paul	✓	✓	✓
Louisiana	Sen. David Vitter	✓	✓	☐
Missouri	Sen. Roy Blunt	✓	✓	✓
New Hampshire	Sen. Kelly Ayotte	✓	✓	✓
North Carolina	Sen. Richard Burr	✓	☐	✓
North Dakota	Sen. John Hoeven	✓	✓	☐
Ohio	Sen. Rob Portman	✓	☐	☐
Oklahoma	Sen. James Lankford	✓	☐	☐
Pennsylvania	Sen. Pat Toomey	✓	✓	✓
South Carolina	Sen. Tim Scott	✓	✓	☐
South Dakota	Sen. John Thune	✓	✓	✓
Utah	Sen. Mike Lee	✓	✓	✓
Wisconsin	Sen. Ron Johnson	✓	✓	✓
Retiring Senators				
Florida	Sen. Marco Rubio	✓	✓	✓
Indiana	Sen. Dan Coats	✓	✓	✓

Senate Roll Call Vote 114 – Thune Amendment 607: Permanent elimination of the Federal estate tax.
S. 860 – Death Tax Repeal Act of 2015 introduced by Senator Thune

Chemical Companies Steadily Gaining Strength

While the chemical industry still remains exposed to a slew of challenges including weak demand across agricultural and energy markets, slowdown in China and headwinds from a strong greenback, it is gradually gaining strength on the back of sustained healthy momentum in the automotive space and rebounding construction markets. There are a number of reasons to be optimistic about the broader chemical industry for both the short and long haul, which we have highlighted below:

Shale Bounty Driving Chemical Investments

The shale gas revolution in the U.S. has been a huge driving force behind chemical investment on plants and equipment in the country. According to the American Chemistry Council (ACC), abundant shale gas production is driving U.S. chemical exports. New methods of extraction such as horizontal drilling and hydraulic fracturing (or fracking) are boosting shale production, bringing down prices of ethane (derived from shale gas) in the process.

Leveraging the abundant natural gas supply, chemical makers are ratcheting up investment on shale gas-linked projects which is expected to beef up capacity. The shale revolution has incentivized a number of chemical companies to invest billions of dollars for setting up facilities (crackers) in the U.S. to produce ethylene and propylene in a cost-effective way.

Per a recent ACC report, domestic chemical investment related to shale gas has reached as high as $164 billion, more than 60% of which are from firms outside the U.S. Already 264 projects -- many backed by the Federal government -- have been announced by chemical makers to take advantage of ample natural gas supplies with 40% of them already complete or under construction. Such investments are expected to boost capacity and export over the next several years.

Automotive in Top Gear

The automotive sector is witnessing significant momentum. This major chemical end-use market is enjoying the fruits of low gasoline prices. Outlook paints a rosy picture as global automotive sales are expected to rise 2.7% to 89.8 million units in 2016 on the back of strong volume growth in the U.S. and Europe, according to IHS Automotive.

The U.S. auto industry also remains in high gear. U.S. light vehicles (a key end-user market for chemicals) sales hit all-time high of around 17.5 million units in 2015 and are expected to rise further this year, aided by an improving job market, rising personal income, lower fuel prices and attractive financing options. New car and light truck sales are expected to reach to 17.7 million units in 2016 on the back of reduced gasoline prices and low interest rate on auto loans, as per The National Automobile Dealers Association (NADA) estimates.

The Auto industry in Asian countries, especially China, is also expected to thrive over the next several years. As such, chemical makers are expected to gain from higher demand from this important end-market.

Strategic Moves

Chemical companies continue to shift their focus on attractive, growth markets (driven by mega-trends) in an effort to cut their exposure on other businesses that are struggling with weak demand and input costs pressure. Moreover, cost-cutting measures -- including plant closures and head-count reduction -- and productivity improvement actions by chemical companies are expected to yield industry-wide margin improvements. Several chemical makers are also disposing non-core assets as they shift their focus on high-margin businesses.

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PA - State Commission OK's New Oil and Gas Regulations

The Pennsylvania state commission has signed off on significant changes to rules governing Pennsylvania's oil and gas industry. The approval signals a final step in an often contentious, five-year effort by the Department of Environmental Protection to modernize drilling regulations.

After a seven-hour public meeting, the Independent Regulatory Review Commission (IRRC) voted 3-2 to give the green-light. The commission is charged with evaluating regulations for economic impact, public health and safety, reasonableness, impact on small businesses, and clarity.

The state House and Senate Environmental Resources and Energy committees now have 14 days to review IRRC's decision.

"I believe the department has addressed this regulation as earnestly and honestly as it claims it has–intending to balance the interests of the affected industries and the public good," says IRRC commissioner Murray Ufberg. " [The regulations] have not been modified in so many years, and the industry has undergone dramatic changes which affect our population."

The regulations, known as Chapter 78 and 78a govern both conventional drillers and the newer, unconventional, Marcellus Shale industry. Changes include updates to the permitting process. Drillers will now have to identify public resources such as schools and playgrounds. They will also have to identify old or abandoned wells that could be impacted by new drilling. If a water supply is tainted, the driller will have to restore or replace it to federal Safe Drinking Water Act standards, or the pre-drilling conditions, if they were better. The Marcellus Shale industry would also be barred from storing waste in pits, and using brine for dust suppression or de-icing.

The conventional industry has been in Pennsylvania since oil was first discovered here the 19th century, and it has repeatedly complained the rules unfairly lump them in with the multinational corporations drilling much deeper Marcellus Shale wells.

Many people representing the conventional industry traveled to Harrisburg to speak at the IRRC meeting, saying they run small, family-owned businesses teetering on the edge of failure.

"Times are tough in the conventional oil and gas patch," says Joe Thompson of Devonian Resources, based near Pleasantville. "DEP has never said what part of the current regulations aren't working. Our already-reeling industry will suffer a death blow."

Marcellus Shale drillers also voiced their opposition and questioned the process by which the DEP developed the rules, pointing to significant changes added shortly after Governor Tom Wolf took office in 2015.

"Many of most onerous provisions were only unveiled less than a year ago," says Patrick Henderson, of the industry trade group the Marcellus Shale Coalition. "It threatens the very viability of hundreds of Pennsylvania businesses and thousands of Pennsylvania families."

There was a great deal of back-and-forth over how much the new rules will cost drillers. In many instances the DEP's estimates were significantly lower than the industry's.

"There's a lot of exaggeration from the industry, very frankly," says DEP Secretary John Quigley. "I think we've overcome that. The process speaks for itself. The quality of the work the agency has done speaks for itself."

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OPINION: It's a Wonderful Fuel

By Stephen D. Eule

We're all familiar with that treasured Christmas movie, It's a Wonderful Life. It's the tale of a decent man beset by troubles who questions the value of his life until he's paid a visit by his bumbling guardian angel, who reveals how much worse off the people he loves would have been had he never been born. Now let's imagine the movie was set in 2016 on the eve of Earth Day. It might go something like this . . .

George Green had reached the end of his rope. Humanity just didn't get that its large and growing appetite for energy was killing the planet.* As Earth Day approached, his mood took a dark turn. Poised at the rail of the bridge stretching across the river that flowed through Bedford Falls, he mused how much better the world would be if there were no fossil fuels . . . and no George Green.

It was then he saw the man struggling in the swirling current below. He tore off his jacket, leaped into the frigid water, and pulled the drowning man to shore.

After they dried off, the man thanked George and introduced himself. "My name is Drake," he said. "I'm an angel who was sent here to save you from your despair. If I succeed, I'll earn my wings."

"Save me?" George scoffed. "It's the earth that needs saving from fossil fuels."

Drake looked skyward and after a brief and seemingly one-sided conversation announced, "Well, I see you're going to be a tough case, so I've just cleared it with the folks upstairs. I'm going to grant your wish. Fossil fuels have never been discovered."

"Yeah, right," George said searching the pockets of his jacket. "You must have bumped your head. Let me get my smart phone, and I'll have Uber drive us into town."

"Your phone isn't there," Drake told George. "Mobile devices were never invented. You see, without fossil fuels, there was no way to produce the materials that go into your phone or to power it and its network reliably. No tablets or televisions either, I'm afraid."

Unconvinced, George responded, "Hmmm, it must have dropped into the river. Looks like we'll have to walk. Hey, does this bridge seem a bit creaky to you?"

"It does. This bridge is made of wood. The one you jumped off to rescue me was made of iron and steel. Making those metals requires fossil fuels and metallurgical coal. Without them, it wasn't possible to run the large mills needed to forge enough iron and steel for things like bridges . . . or cars or airplanes or skyscrapers, for that matter. Remember your high school buddy, Abe Darby? Well, he's the town blacksmith."

"Huh? Abe owns a brew pub. Look, I really have to get back. I promised my wife I'd help her plan our summer vacation tonight. We're going to take the kids whale-watching and then camping in the forest."

"But George, there are no whales to watch anymore," Drake replied. "Because there was no kerosene to light the lamps and no coal to fuel the dynamos that powered Thomas Edison's light bulbs, hunters long ago killed off the whales for their oil."

"Are you kidding me?" groaned George. "Next thing you'll be telling me we can't go camping."

"Sure, you can go camping. Just not in the woods. America's forests are a thing of the past. Deprived of fossil fuels, people kept using the next best thing

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OPINION: It's a Wonderful Fuel

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to heat their homes and power their industry—wood—and today most of that's imported."

"Impossible," George protested, though lacking his earlier conviction.

"The truth is, George, nowadays when politicians aren't ranting about the evils of 'Big Wood,' they're scolding Americans for their addiction to logs, claiming it just enriches the OTEC cartel."

"OTEC?"

"The Organization of Timber Exporting Countries."* Taking in his unfamiliar surroundings, a confused George felt his defiance flag. Then it hit him. "What is that stench?" he gagged.

"Oh, that's the tons of horse dung being, ah, deposited in town every day. After all, with fossil fuels unavailable, there was no way to build cars in commercial quantities or to fuel them, even with batteries or ethanol. So America never progressed beyond using horses to get around. Henry Ford invested a bundle trying to mass produce buggies on an assembly line, but without an adequate source of electricity, he could never make a go of it. He wound up raising Mustangs for a living."

Drake added, "Anyway, as bad as the stink and the insects and the diseases are, the indoor air pollution created when people burn the stuff in their homes is even worse. But in time, you'll grow used to it."

As the horrible reality of the situation washed over George, the angel said to him, "You've been given a great gift. To see what the world would be like without fossil fuels."* Frantic, George turned on Drake, gripping him by his lapels. "Where's my wife?" he gasped. "Where's Mary? Is she still the town librarian?"

Drake hesitated, then answered, "I'm sorry, George, there is no town library. The great philanthropist Andrew Carnegie never made a fortune in the steel industry because there never was a steel industry to speak of. So he never donated the funds needed to build the library where your wife would have worked. She's home churning butter."

"You see," the angel continued, "hydrocarbon energy has been of tremendous benefit to mankind, helping to fuel the largest flourishing of human health and welfare in all of history. I think you appreciate now that affordable, plentiful, dependable energy is the not the problem for what ails the world, it's a big part of the solution."

An enlightened George nodded his head. "Please, Drake, I want to go back—no—I want to go forward to my wife and kids and modern way of life." "Very well, George, I'll send you forward again. And this Earth Day, be sure to spare a thought for the energy pioneers who made modern life possible and to the roughnecks, miners, frackers, oil refiners, IT specialists, nuclear engineers, grid operators, solar-panel and wind-turbine manufacturers, and countless others who every day deliver the energy services that make your lives, well, wonderful." Oh yes, and Drake finally won his wings.

FTA Distributes $22.5M in 2015 'Clean Bus' Grants to 7 Agencies in 5 States

The Federal Transit Administration said it awarded $22.5 million in "clean bus'' grants out of fiscal 2015 funding for its "Low- and No-Emission Vehicle Deployment Program" to seven transit providers in five states.
The money will help them acquire transit buses and related facilities that use battery-electric, fuel cell and other technologies to reduce greenhouse gas emissions and improve operating efficiency.

"This Administration is committed to investing in an economy powered by clean transportation," said U.S. Transportation Secretary Anthony Foxx. "The Department of Transportation is proud to build on the successful Low-No program to put more American-made, energy-efficient buses into service across America."

The FTA said it awarded the fiscal 2015 funds "after a highly competitive review process that prioritized transit agencies and bus manufacturers with strong records in building, deploying and operating clean buses and infrastructure."

Earlier, the FTA had awarded $55 million to 10 projects in February 2015 under the first round of funding made available through this program.

And for fiscal 2016 it recently announced that interested parties can apply through May 13 for awards from another $55 million Low-No grant pool.

"Thanks to these grants, more transit riders around the country will be able to enjoy the latest in bus technology, resulting in cleaner air and lower costs in the long run," said FTA Acting Administrator Carolyn Flowers.

The largest 2015 grant of $5.4 million went to the Utah Transit Authority, toward the acquisition of five battery-electric, zero-emission buses. "Partnering with the University of Utah, these buses will serve the route connecting the campus to Salt Lake City," the FTA said, in a program that "builds on UTA's extensive commitment to low- and no-emission vehicles and technology."

Cuomo, NY Legislative Leaders Highlight Statewide Project Spending in New Budget

Gov. Andrew Cuomo and New York lawmakers are touting the transportation investments they can make across the state and the regional balance of that spending under a new budget passed by the Republican-controlled Senate and Democratic Assembly.

Cuomo said this 2016-17 spending plan "was the most ambitious budget that we ever put forth" in his six years as governor He said the final version includes "the most robust investment in upstate New York in the history of the state" that roughly matches transportation spending in the downstate area in and around New York City.

Assembly leaders said the agreement includes $28 billion for the Metropolitan Transportation Authority in New York City and Long Island, $27 billion for the Department of Transportation's capital plans, $950 million in additional funds for a Second Avenue Subway project and a $400 million increase to the state's consolidated highway improvement program known as CHIPS.

Cuomo said that $27 billion includes "$21.1 billion for capital improvement of highways, bridges, rail, aviation infrastructure, non-MTA transit and DOT facilities throughout the state."

"The transportation investments we made in this budget are essential to the state's future," said Assembly Speaker Carl Heastie. "A critical component of our ability to build the economy and create opportunities for our residents is a statewide transportation infrastructure that is dependable, efficient and safe. This budget provides the MTA, DOT and localities with a significant funding commitment of state resources to help meet the transportation needs of today's New Yorkers and for the generations to come."

State Sen. Joseph Robach, who chairs that body's transportation committee and represents an upstate district, said the budget accord "establishes regional balance in transportation funding . . . This $27.1 billion, multi-year plan matches the state's investment in the downstate MTA, finally giving our roads and bridges the attention they need and deserve."

Robach said the budget provides $438 million in aid to local roads and highways in that CHIPS program. It also directs $800 over the next four years to local infrastructure under its Pave NY and Bridge NY initiatives.

Cuomo said the budget also includes an Extreme Weather Infrastructure Hardening Program to build more "resiliency to roadways that are particularly susceptible to weather events." And he said it provides enough funding for improvements to the New York Thruway to allow it to freeze tolls until at least 2020.

SC Legislative Audit Calls for Lawmakers to Increase Funding for State Roads, Bridges

The South Carolina Legislative Audit Council performed an in-depth review of the state Department of Transportation and reported back to lawmakers that they need to significantly increase SCDOT funding to improve declining road and bridge infrastructure.

The AP reported that an Audit Council official told a House panel South Carolina ranks at the bottom nationally in investing in roadways, and that its per-lane-mile spending is 66 percent lower than the regional average.

The report also found that more road miles are falling into poor condition, which is "causing repair costs to sky-rocket," the AP said. It added that it costs the SCDOT $21,900 to preserve a mile of road that is in good condition, but that rebuilding a road from poor condition takes $188,000 per mile per lane.

And that means restoring the pavement just on the 54 percent of major non-interstate roads that are currently in poor condition would cost approximately $2.5 billion.

"We're at the bottom of the barrel," the AP reported state Rep. Chip Limehouse saying. "And we're costing ourselves daily. This is a staggering number."

The report also made a number of critiques of SCDOT processes, and said its governance left unclear the difference in authority between the transportation secretary and an oversight SCDOT Commission.

But the legislature's own auditing staff made clear that even with some adjustments and reform of internal SCDOT processes, to address the state's surface transportation infrastructure needs the General Assembly would need to provide funding for the agency to invest in road improvements.

That comes as lawmakers have been considering several measures to boost SCDOT funding and reform how commissioners are chosen, leaving the House and Senate at odds.

Transportation Secretary Christy Hall said in a statement that the audit took nearly a year and "did not identify any financial mismanagement at the agency, which confirms that SCDOT is committed to utilizing the funding provided by the taxpayers in a responsible way."

She said her agency agreed with the "vast majority" of the audit's recommendations for improvement, but disagreed with an audit assertion that the SCDOT was not in

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Senate Panel Sets USDOT Highway Funding at FAST Act Levels, But With $2.2B Rescission

The Senate Appropriations Committee advanced a 2017 funding bill that would spend $77.9 billion on programs under the U.S. Department of Transportation, keeping the Highway Trust Fund's highway and transit accounts at levels authorized in the new five-year FAST Act.

The full Senate can now take up the measure, which could eventually be negotiated with an appropriations bill that emerges from the House.

The Senate bill would also increase the USDOT's TIGER grant program to $525 million from $500 million this year. It would increase TIGER's rural projects setaside to 30 percent from 20 percent now, and cut the maximum share that can go to any state to 10 percent from 20 percent now, Eno Transportation Weekly reported.

The appropriations bill would also rescind $2.211 billion for the coming year in state DOTs' unobligated highway contract authority, and require that the cuts be applied in some federal highway programs that are most widely used by the states.

Joung Lee, AASHTO's policy director, told AASHTO Journal that those contract authority curbs "will reduce states' flexibility in how they use federal highway programs" in the fiscal year that starts Oct. 1.

For USDOT discretionary accounts, the bill would provide $16.9 billion, which is $1.7 billion down from this year. As expected, the measure rejected a proposal from President Obama to raise USDOT funding by $17.9 billion and pay for it would a per-barrel tax on crude oil.

A committee bill summary said the measure's $12.3 billion for transit programs is $575 above the enacted level in fiscal 2016.

The Federal Aviation Administration would receive $16.4 billion, or $131.6 million more than enacted for 2016. The appropriators also used a report released with its bill to sharply criticize efforts in Congress to spin off air traffic control from the FAA.

The bill's rail section would provide the Federal Railroad Administration with $1.7 billion, up $76 million from this year and continues service for all current routes. The Maritime Administration, which supports U.S. shipyards and marine highways that aim to pull more freight off roads and rail lines, would see an $86 million funding increase to $485 million.

Zelle Warns Minnesota Highway System 'Will Degrade' Without New Funding Plan

Minnesota Transportation Commissioner Charles Zelle warned that while the state Department of Transportation is undertaking a $1 billion program of infrastructure projects for 2016, the state's transportation system "will degrade" in coming years without more funding.

"What we need now is a long-term vision for Minnesota's transportation system," Zelle said in an April 14 announcement of this year's construction program. "It's all in the arithmetic. Our needs are outpacing our revenue projections.

"If we don't increase the revenue, we cannot plan for good capital investments," he added. "Our system will continue to degrade and not provide the necessary support our economy needs."

His remarks come as a number of other state DOTs also report that they cannot keep pace with demand at current revenue levels, after a modest increase in federal funding in the new five-year FAST Act and even after some of those states have already taken steps in recent years to hike their own transportation funding.

In addition, the MnDOT revenue outlook could soon worsen. The announcement said MnDOT is expected to experience a funding shortfall in 2018 under its current funding formula, which will reduce ongoing state road and bridge funding by 45 percent.

"This would significantly curtail the agency's ability to fund preservation and maintenance work and leave no resources for expansion," it said.
Lt. Gov. Tina Smith, in the same news release, said: "Forecasts for state transportation revenue show that our need is quickly outstripping the available resources. Minnesota's roads, bridges and transit networks form the backbone of our economy."

She said a plan that she and Gov. Mark Dayton proposed "would provide the resources we need to create a 21st century transportation system and build an economy that works for all Minnesotans. I urge the Legislature to pass a long-term, sustainable funding solution this year."

They said that plan would invest $6 billion over the next 10 years to alleviate the state's highway funding deficit. It would repair or replace 2,200 miles of roads and 330 bridges statewide, and provide local communities with additional resources to fix roads and bridges in cities, counties and townships.

The announcement said more than half of Minnesota's roads are more than 50 years old, and 40 percent of the state's bridges are more than 40 years old. "In just the next three years alone," it said, "one in five Minnesota roads will pass their useful life. In the next 10 years, nearly 40 percent of our roads will be past their useful life."

In the current construction season, MnDOT plans to spend $1.04 billion on 246 projects, which is 44 fewer than last year.

Most of those are projects are road and bridge improvements, but some are rail crossing gates and lights, port dock upgrades and new or expanded transit facilities.

New York's New $15 Minimum Wage Plan

On April 4, 2016, New York Governor Andrew Cuomo signed legislation enacting a statewide $15 minimum wage plan.

$15 Minimum Wage Plan
The minimum wage plan will be implemented on a staggered basis, ultimately reaching $15 per hour, for all workers in all industries across New York State.

- **New York City employers with 11 or more employees:**
  - $11.00 per hour, effective December 31, 2016
  - $13.00 per hour, effective December 31, 2017
  - $15.00 per hour, effective December 31, 2018
  -
- **New York City employers with 10 employees or less:**
  - $10.50 per hour, effective December 31, 2016
  - $12.00 per hour, effective December 31, 2017
  - $13.50 per hour, effective December 31, 2018
  - $15.00 per hour, effective December 31, 2019
- **Employees in Nassau, Suffolk and Westchester Counties:**
  - $11.00 per hour, effective December 31, 2017
  - $12.00 per hour, effective December 31, 2018
  - $13.00 per hour, effective December 31, 2019
  - $14.00 per hour, effective December 31, 2020
  - $15.00 per hour, effective December 31, 2021
- **Employees in the rest of the state:**
  - $9.70 per hour, effective December 31, 2016
  - $10.40 per hour, effective December 31, 2017
  - $11.10 per hour, effective December 31, 2018
  - $11.80 per hour, effective December 31, 2019
  - $12.50 per hour, effective December 31, 2020
  - To be determined, effective December 31, 2021, and each succeeding December 31, as the minimum wage will continue to increase by a percentage determined by the Director of the Division of Budget ("DOB") in consultation with the New York State Department of Labor until it reaches $15 per hour.
  -

***Tipped Employees*:** As of December 31, 2015, the minimum cash wage for tipped workers in the hospitality industry (including food service industry employees, service employees and tipped employees in resort hotels) is $7.50 per hour if they earn at least $1.50 in tips. For all other tipped workers (except building service), the minimum cash wage is $7.65 per hour if they earn at least $1.35 per hour in tips, or $6.80 per hour if they earn at least $2.20 per hour in tips. Under the new Minimum Wage Plan, the minimum cash wage for tipped employees is **two-thirds of the applicable minimum wage then in effect, rounded to the nearest five cents, or $7.50, whichever is higher**. For example, on December 31, 2017, tipped employees working for New York City employers with 11 or more employees must be paid a minimum cash wage of $8.70 (two-thirds of $13.00), provided tips average at least $4.30 an hour.

***Potential Suspension If Economic Downturn*:** Beginning in 2019, the state DOB Director will conduct an annual analysis of the economy in each region and the effect of the minimum wage increases statewide to determine whether a temporary suspension of the scheduled increases is necessary.

What This Means for New York Employers
Employers should review minimum wages for their employees to determine whether changes will need to be made to the compensation structure. Employers may want to prepare their payroll service providers and payroll personnel to take appropriate steps to ensure the minimum wage increases are implemented properly.

FHWA Proposes Measures to Reduce Road Congestion, Tailpipe Emissions

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The proposal also calls for agencies to estimate and report the reduction in pollutants resulting from federally funded transportation projects. The FHWA is seeking comment on whether and how to establish a greenhouse gas emissions measure, although such a measure was not specified in MAP-21.

AASHTO Executive Director Bud Wright said that "state departments of transportation support the use of performance management principles to improve our transportation system, which is reflected in many performance-based programs that already exist at the state level.

"As we implement the new national-level performance management framework and the 19 associated measures established in MAP-21, it is critical to complete this implementation process by not adding any new measures as part of the federal transportation program. Establishing any additional measures should be left to the full discretion of states and their metropolitan planning organization partners in a way that best addresses their unique and diverse transportation challenges."

SC Legislative Audit Calls for Lawmakers to Increase Funding for State Roads, Bridges

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compliance with a 2007 restructuring law that mandated ranking and prioritizing of projects.

"The prioritization and ranking processes the agency implemented associated with the 2007 reform effort are complex," her statement said, "but SCDOT is in compliance with the procedures the Legislature approved for the agency to rank projects."

She said the audit identified both the "financial crisis" facing the agency as revenues do not keep pace with needs, and the agency's governance problems.

"It is imperative that the governance structure that the agency has been operating under since 2007 be addressed," Hall said. "The LAC itself noted the confusion over the simple question of who is in charge at the agency. Without that critical issue resolved, it will be nearly impossible to set clear priorities, instill effective accountability and correctly answer the question of where the buck stops for the organization."

PA - State Commission OK's New Oil and Gas Regulations

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Environmental groups testified in favor of the rules, although many complained they don't go far enough.

"There are many costs being borne by the public," says Nadia Steinzor of Earthworks. "Gas patch residents paying for their own drinking water and having degraded property values. There is a very expensive legacy of the conventional industry— over 200,000 abandoned and orphaned wells currently leaking down into the ground and up into the air."

The IRRC vote fell along political lines, with the three commissioners appointed by Democrats supporting the rules and the two appointed by Republicans voting against them. Last week, both the House and Senate Environmental Resources and Energy committees, led by a GOP majority, voted to disapprove of the regulations– citing objections to the substance and the procedure behind the rulemaking.

Now that IRRC has given its approval, those legislative committees could issue concurrent resolutions to disapprove of the regulations again, which would then go to the full House and Senate. If successful, such a move would likely be vetoed by Governor Wolf, in which case the legislature would have to override his veto to stop the new rules from taking effect.

EPA Wants Closer Look at Energy Transfer's Rover Gas Pipeline

Continued from page 4

to construct and operate Rover and its sister projects, which would move up to 3.25 Bcf/d of gas from the Marcellus Shale to Michigan and other markets in the Midwest and Southeast.

The EPA also requested that FERC reconsider whether the proposed projects would facilitate additional production at reserves that are currently "stranded at the source due to a lack of infrastructure."

"We recommend the final EIS consider the potential for increased natural gas production as a result of the proposal and the potential for environmental impacts associated with these potential increases," EPA said.

The EPA suggested an analysis of impacts based on specific watersheds in order to gauge the cumulative effects of the project. It wanted additional estimates of greenhouse gas emissions from the production, leakage and combustion of natural gas. "FERC may also want to consider adapting [the U.S. Department of Energy]'s analysis to more specifically consider the [greenhouse gas] implications of projects," the agency wrote. (CP15-93, CP15-94, CP15-96)

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annual cost of living increases by January 15 of each year, with the adjustment tied to the year over year percentage increase in the Consumer Price Index.

If an OSHA inspection occurs prior to August 1, 2016 effective date, but the company receives the citation after the effective date the increased penalties will be assessed.

WOTC Update

Final guidance to implement PATH Act reauthorization of WOTC in the form of a Training and Employment Guidance Letter (TEGL) is still held up in IRS and DOL.

We're working with both DOL and Treasury to break the logjam and have gotten promises, but so far no results.

We have written to Mark Mazur, Assistant Secretary for Tax Policy at Department of the Treasury, arguing that delay of the TEGL and resulting confusion requires Treasury to grant additional time to employers for orderly processing of every 2015-2016 eligible hire to avoid a rush to comply with the latest TEGL requirements before the May 31st cut-off.

Treasury shares authority with the Department of Labor for administration of the Work Opportunity Tax Credit. Treasury recognizes in Notice 2016-22 that, "Because the PATH Act extended the WOTC retroactively for 2015 for members of targeted groups . . . and because the PATH Act created a new target group . . . employers need additional time to comply with the requirements of Section 51(d)(13)(A)(ii) of the Code for those targeted groups." Treasury has also revised IRS Form 8850 which must be submitted by employers to State Workforce Agencies for every WOTC eligible hire.

The Department of Labor, in its "Information and Interim Instructions for the State Workforce Agencies on the Recent WOTC Reauthorization," advises employers

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that "ETA is working in coordination with the IRS to issue a Training and Employment Guidance Letter (TEGL) regarding the PATH Act extension and changes for WOTC and the new target group." As of this date, the TEGL hasn't been issued.

The DOL Interim Instructions further state that, "Employers and their representatives are encouraged to postpone certification requests for the New Target Group until the revised forms are available. States may accept applications for the New Target Group using the current forms 9061 and 9062, yet must postpone processing those certification requests until ETA issues additional guidance." As the promised guidance hasn't arrived, employers are confused and many are holding off processing the new target group until they get definitive guidance in the TEGL on such basic matters as proof required for membership in the long term unemployment target group.

To illustrate, one large state's WOTC Unit told employers who filed certification requests for the long term unemployment target group, "For those of you that mailed in LTU applications, we will most likely be sending them back to you so you can use the new form." Another large state wrote, "We have no practical way of matching anticipated new target group "J" (long term unemployment) info with previously submitted forms with just "LTU" marked on the form. The result is these "LTU" marked forms will sit in a separate pile and most likely won't get data entered/addressed until 2017 while those on the new forms/or submitted via eWOTC with the new LTU coding will be dealt with in a matter of months once we receive final guidance and complete coding for the LTU target group.

The confusion resulting from delay in issuing the TEGL has created a situation where many employers haven't completed processing of certification requests for the large backlog of 2015 and 2016 hires, and they will shortly face the cut-off date of May 31st when the additional processing time allowed by Notice 2016-22 expires.

In sum, employers are in a bind and will run out of time to process their remaining 2015 and 2016 hires unless the TEGL is finalized and Notice 2016-22's relief is extended. Employers and State Workforce Agencies are dealing with a five-month flow of more than a half-million 8850's for January-May of this year in addition to last year's 1.5 million hires and long-term unemployment target group. We know from experience that a rush to submit 8850's by May 31st will create a backlog at SWA's which is highly detrimental to WOTC because a longer wait to obtain certifications means fewer employers participating, and ultimately fewer targeted workers getting jobs. By giving employers and SWA's additional time beyond May 31st, this problem can be avoided and orderly processing achieved.

Treasury can help by working with DOL to expedite the TEGL, but even if that document were issued today, we urge that the relief granted in Notice 2016-22 be extended another 90 days from May 31st to August 31st, and the deadline for filing 8850's be extended from June 29 to September 29 to give employers sufficient time to prepare and submit their 8850's for every eligible worker hired in 2015 and the first months of 2016.

Chemical Companies Steadily Gaining Strength

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M&A Activity Gathering Momentum

Chemical makers remain actively focused on mergers and acquisitions to diversify and shore up growth in a still-challenging economic environment. These companies continue to explore growth opportunities in the fast-growing emerging markets, particularly in the lucrative regions of Asia-Pacific and Latin America. The industry saw a pick-up in consolidation activities in 2014 and the momentum continued in 2015.

Albemarle Corp.'s (ALB - Snapshot Report) $6.2 billion buyout of Rockwood Holdings, Inc., Eastman Chemical Company's (EMN - Analyst Report) purchase of specialty chemical company Taminco Corp. for $2.8 billion, PPG Industries Inc.'s (PPG - Analyst Report) acquisition of Mexican paint company Comex, Olin Corp.'s (OLN - Snapshot Report) acquisition of a significant portion of Dow Chemical's (DOW - Analyst Report) chlorine business for $5 billion, Merck KGaA's $17 billion acquisition of Sigma-Aldrich, FMC Corp.'s (FMC) acquisition of Cheminova A/S, CF Industries' (CF - Analyst Report) planned acquisition of certain assets of Netherlands-based OCI N.V. for around $8 billion, and the $130 billion proposed mega-merger of Dow Chemical and DuPont (DD - Analyst Report) -- the largest chemical deal of all time -- are among the major deals that have taken place in the chemical space in the recent past.

A Rebounding Construction Space

A recovery across housing and commercial construction -- major chemical end-markets -- has been another key positive factor for the chemical industry. After being hit hard in the recession, the construction industry is currently in the process of gradual healing.

The U.S. housing sector saw steady recovery in 2015 backed by stabilizing mortgage rates, improving job market and moderating home prices, and the momentum is expected to continue in 2016. The underlying demand trends in the housing space remain strong and homebuilding is expected to pick up pace in 2016, supported by an encouraging job picture, affordable interest/mortgage rates and an improving economy.

The renewal of long-stalled construction projects and long awaited access to credit from lending institutions has helped invigorate the commercial construction sector. U.S. architecture firm billings continue to rise. The US Architecture Billings Index (ABI), an indicator that offers a glimpse into the future of U.S. non-residential construction spending activity, clocked 50.3 in February 2016 (a reading above 50 indicates an increase in billings).

Moreover, the American Institute of Architects (AIA) expects a healthy growth in non-residential construction spending this year based on strong demand for hotels, office space, manufacturing facilities and amusement and recreation spaces. The AIA sees spending to go up 8.3% in 2016. This bodes well for demand for chemicals in the construction markets.

Wrapping Up

As you can see from the above-stated factors, there are a few good reasons to be optimistic about the chemical industry. Chemical stocks that are well placed in the current operating backdrop include The Dow Chemical Company, LyondellBasell Industries NV (LYB - Analyst Report), Air Products and Chemicals Inc. (APD - Analyst Report), Eastman Chemical Company and PPG Industries Inc.

SAVE THE DATE

Annual Convention & Trade Show
September 8 - 10, 2016

SSDA-AT Board of Directors Meeting -
Friday, September 9, 2016

Make plans now to join us in
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Cut-Off Date: August 8, 2016
Mention WMDA to receive group rate.

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