



Department of Energy
Richland Operations Office
P.O. Box 550
Richland, Washington 99352

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97-BUD-040

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Ms. Merilyn Reeves, Chair
Hanford Advisory Board
c/o Technical Resources International Inc.
723 The Parkway, Suite 200
Richland, Washington

Dear Ms. Reeves:

FY 1997 BUDGET ALLOCATION

This is in response to the Hanford Advisory Board's (HAB) letter dated November 8, 1996, concerning the above subject.

We share your concern about the length of time required before final allocation of the U.S. Department of Energy, Richland Operations Office's (RL) FY 1997 budget. However, we do feel that we have done a good job in keeping the HAB informed of our FY 1997 budget situation.

During the September 23, 1996, meeting of the Dollars and Sense Committee, we did inform the Committee of the situation concerning the FY 1997 appropriation bill which was signed by the President on September 30, 1996. In the interim we discussed the situation concerning the FY 1997 budget with both the Dollars and Sense Committee and the entire board at the meetings of October 29 and November 5-6, 1996. We revisited these issues again with you on January 10, 1997.

Concerning the specific items included in your subject letter, we can provide the following response:

1. The HAB recommendation to utilize the \$15M reduction in the Tank Waste Remediation System (TWRS) Privatization budget request for TWRS related technology development activities is consistent with the language in the Appropriation bill's conference report. TWRS did not receive the entire \$15M but we are still proceeding with the Hanford Tank Initiative, which will demonstrate retrieval of the single-shell tanks, with a FY 1997 budget of \$11M.
2. We agree with your concern about having sufficient funding for the 324 Building "B Cell" clean out. Our allocation for this high priority activity from the Closure Projects account was \$4.2M.
3. Concerning TWRS vadose zone characterization, one of your recommendations is that TWRS fund a third borehole in the SX tank farm this fiscal year. We are currently examining options for further monitoring and characterization of contamination in the soil and groundwater underneath the tank farms.

We do intend to consult with you and the State of Washington Department of Ecology on this effort.

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4. Your letter referred to the need to reprogram \$15M budgeted in FY 1996 for workforce separation to the TWRS program. Actually, the funds in question are FY 1997 funds and have been in the TWRS program. TWRS' decision has been to use these funds for workscope and to pay for workforce separation expenses through productivity savings.

We are following your letter's recommendation to use \$14M from the FY 1996 privatization carryover to offset TWRS' funding shortfall. There is no restriction on use of privatization funds from FY 1996, since both Budget Authority and Budget Outlay were provided.

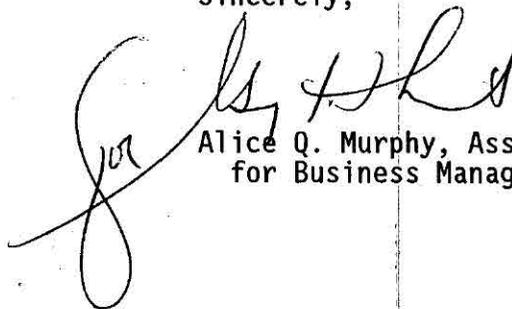
Your letter recommends that TWRS proceed to eliminate or defer \$27M of workscope to meet the funding shortfall provided that important commitments and milestones can be met. In doing this some commitments will not be met. These impacts have been discussed in both the Waste Management and Dollars and Sense Subcommittee meetings.

5. In response to your request to expedite resolution of TWRS' budget shortfalls, we have worked closely with Fluor Daniel Hanford, Inc., over the past two months to eliminate what was, in October, a \$59 million gap between available funds and planned workscope. We have succeeded in identifying a package of efficiencies, workscope deferrals, and funding changes that will avoid any major impacts to TWRS' compliance agreements.

Responding to your specific recommendation to reduce management and overhead costs, we are continuing efforts to reduce further the current budgets for TWRS management and sitewide overhead budgets.

Thank you for your letter. Should you desire to discuss this matter further please feel free to contact me or Jim Peterson of the Budget Division on (509) 376-6731.

Sincerely,



Alice Q. Murphy, Assistant Manager
for Business Management and CFO

BUD:ADW