

REPORT: DISCRETIONARY BUDGETING

Background

During its March 2007 public meeting in Knoxville, Tennessee, EMAB received presentations from Mr. Mark Frei, Deputy Assistant Secretary for Program Planning and Budget, and Mr. Steve Trischman, Office of Strategic Planning and Analysis. Specifically, Mr. Frei's and Mr. Trischman's presentations focused on "Priority Lists and Earmarks" and "Project Closeout and Transition," a review of the Focusing EM Resources on Cleanup Project Team Report (September 2003).

Board members discussed EM's current budgeting practices, lifecycle costs, utilized commercial nuclear **decontamination and decommissioning (D&D)** capital costs, risk mitigation, and compliance inputs, during the remainder of the open session

Following the public meeting, EMAB members James Ajello, Paul Dabbar, Dave Swindle, and Dennis Ferrigno, conducted further discussions with EM officials via conference calls on the following topics:

- Critical Decision 4: Project Closeout and Transition for the Focusing EM Program Resources on Cleanup Project Team Report (Report), dated September 2003
- EM's budget request process

Mr. Dabbar presented the Board's findings on the topic of Discretionary Budgeting during the September 2007 public meeting in Santa Fe, New Mexico.

Discussion

EMAB notes that the Report was very detailed and clearly sees that recent successes on site close-outs were likely influenced by reports such as this one. The Report clearly pointed out several factors on the scope of work at EM, focusing on whether then current work practices directly support the EM mission of accelerated risk reduction and site closure. In addition, the Project Team reviewed the business systems at each site to ensure that the necessary systems and processes were in place to efficiently and effectively implement the site program.

The Board also notes that the level of detail and focus of the Report in regards to budgeting issues was quite strong, and clearly recommended focus on this topic to optimally accomplish EM's mission. In particular, it noted new screening processes, systems, and change control mechanisms for Federal resources have been initiated to eliminate or redirect Federal resources towards critical EM closure activities.

One of the areas that the Report identified needed additional focus was in the area of Efficiency Focus. It recommended, among other items, to implement systems to integrate and prioritize decision making involving multiple EM sites or actions, in order to optimize complex-wide prioritization and to reduce continuance of lower priority activities at the expense of more critical work, and overall improve efficiencies across the complex.

EMAB through its initial review of the topic at the March 2007 meeting, in combination with the subsequent call with the EM Budget Office, clearly sees that there is a strong current focus on the primary goals of risk mitigation and compliance. In addition, it is also clear that EM is very cognizant of stakeholder needs at each of its sites, and the budgeting process has clearly taken account site/project inputs, including input from site-specific advisory boards.

In addition, from the discussions the Board has had, it appears that EM generally receives an appropriation that in its totality is little modified from the original requests from EM, both in terms of the quantum of the appropriation, as well as the allocation. In regards to allocations, it appears that in some fiscal years, the appropriation is made in a block form. This allows EM significant flexibility to internally allocate funds to meet the EM budgeting criteria.

However, one area that, although considered, did not appear to be as reviewed as these other areas (risk mitigation, compliance, and stakeholders) when budgeting was the business case. Given that EM, for the recent past and likely near term future, will have an appropriation quantum relatively level, considering the business case when allocating funds might also be helpful in regards to the Efficiency Focus topic. It appears that EM has data to support a number of topics that commercial nuclear D&D projects/sites use, such as possible project cost inflation, and risk of variances in a project's cost. It also appears EM has at site/project level data to support life-cycle costs.

To assist the Assistant Secretary in identifying additional methodologies and data that might be supportive in budgeting decision making, EMAB would offer the following recommendation:

Recommendation

Recommendation 2008-11: Further review the business case and possible additional analyses that could be incorporated into EM's budget request process.

Suggestions for Implementation:

- EMAB recommends further discussions with the EM Office of Budget and other decision making personnel on the topics of life cycle costs, cost inflation versus future expected capital availability, tools for decision making regarding the business case, and the business case data inputs. The Board sees that these discussions might lead to some additional or modified processes that might be

helpful for EM to develop for budgeting. The Board believes this could help further the goal of optimizing financial efficiency.