

Sequestration Planning Guidance

Office of the Chief Financial Officer
July 21, 2015

Introduction

This guidance contains the Nuclear Regulatory Commission's (NRC) plan for addressing future sequestration requirements under the Balanced Budget and Emergency Deficit Control Act (BBEDCA) of 1985, as amended, including automatic, across-the-board budget reductions mandated by the Budget Control Act of 2011. The agency's overall strategy is to minimize the impact of any sequestration on the NRC's ability to successfully accomplish its critical safety and security mission activities. The NRC's planning efforts will focus on determining specific actions that will be taken to operate with the reduced budgetary resources required by sequestration, and communicating the anticipated impacts to affected stakeholders.

In the staff requirements memorandum (SRM) on COMAMM-14-0003, "Fiscal Year 2016 High-Level Planning Guidance," dated June 30, 2014 (Agencywide Document Access and Management Systems Accession No.: [ML14181B357](#)), the Commission directed the staff to prepare for potential fiscal year (FY) 2016 implications of the Budget Control Act of 2011 by submitting a draft FY 2016 sequestration plan to the Commission no later than August 30, 2015. The SRM directed that the plan should "reflect the budgetary reductions to the FY 2016 budget that would be required ... and a proposed allocation of the cuts necessary, at the business line level, under that scenario." This guidance document describes the process the agency will use to conduct sequestration planning for FY 2016 and for future fiscal years in which the NRC's budgetary resources might be reduced by sequestration.

Overview of Sequestration

Sequestration is an automatic reduction in Federal budget authority under the BBEDCA that is triggered when annual discretionary spending caps specified by law are exceeded by enacted appropriations. The Budget Control Act of 2011 imposed mandatory limits on discretionary spending for FY 2013 through FY 2021, and established an additional deficit reduction goal of \$1.2 trillion over the period, to be achieved by scheduled annual reductions to the Federal budget. The Bipartisan Budget Act of 2013 provided limited relief from sequestration cuts in FY 2014 and FY 2015, but also extended the sequestration period by two years, to FY 2023. In FY 2016 and beyond, sequestration will be triggered in any year in which annual appropriations for the Federal government as a whole exceed the discretionary spending limits or fail to achieve the scheduled deficit reduction.

Application to the NRC Budget

The required annual deficit reduction is allocated equally (50/50) to defense and non-defense discretionary resources. If the allocated reduction is not achieved in either the defense or non-defense category, sequestration is imposed on discretionary resources in that category. The NRC's budgetary resources are discretionary spending, and are contained within the non-

defense category. The NRC budget will be subject to sequestration in the event that Federal discretionary spending as a whole exceeds the annual cap, or the portion of the deficit reduction target allocated to discretionary non-defense spending is not achieved.

The reduction to NRC's budget will be taken against the NRC's Enacted Budget, or against the amount of funding provided to the agency under a full-year continuing resolution. The amount sequestered in a given year depends on the extent to which enacted resources exceed discretionary spending caps or fail to achieve the required deficit reduction. The Office of Management and Budget (OMB) will calculate the total amount to be reduced from the Federal budget, and the percentage and dollar amount of the reduction for each discretionary account subject to the sequester.

Relation to the Budget Cycle

Sequestration planning will be undertaken during the third and fourth quarters of the current year as part of the agency's broader preparation for the coming budget execution year. Because sequestration reductions depend on actual appropriations, planning will begin well before OMB notifies agencies of their final sequestration cuts. In August, and at the end of the Congressional session in the fall, OMB and the Congressional Budget Office forecast sequestration reductions in reports submitted to Congress in connection with the President's Budget. These reports estimate sequestration reductions based on proposed or enacted legislation.

Given the uncertainty surrounding sequestration, the Office of the Chief Financial Officer (OCFO) will use the best available information to generate a sequestration reduction analysis that covers the most likely budget scenarios. Sequestration planning will focus on preparing in a manner that allows the agency to scale its response to actual sequestration requirements without excessive rework by the staff.

The following sections describe the major elements of NRC's sequestration planning strategy.

Determining and Addressing Agency Sequestration Requirements

Staff from OCFO and the Office of the Executive Director for Operations (OEDO) will estimate the agency's sequestration requirements based upon available guidance from OMB and prepare a proposed response for Commission review and approval. The staff will recommend specific reductions and describe expected programmatic impacts.

The recommended reductions will be presented at the program and business line level and developed by the lead offices to meet targets set by the Chief Financial Officer (CFO) and the Executive Director for Operations (EDO).

- The targets will be based upon applicable agency workload and funding information; recent execution history; and consultations with both relevant NRC staff from the lead offices and the Deputy Executive Directors for Operations. There will be specific targets for reductions to contract support, travel, and full-time equivalents (FTE).

- In the annual sequestration instructions, the CFO and EDO will issue the business line targets to lead offices with an explanation of the rationale for the targets and guidance on how to develop, evaluate, and prioritize potential reductions to meet the targets. This guidance will set forth the principles and considerations that should inform business line deliberations and proposals.
- Lead offices will propose reductions at the business line level and provide the prioritized list of potential reductions to OEDO and OCFO for review and agency-level prioritization.

In August, the CFO and EDO will submit the sequestration proposal to the Commission for review and approval. Following Commission approval, the plan will be held in reserve until OMB informs the NRC of actual sequestration reduction requirements. If the final requirements do not align to the plan already approved by the Commission, the EDO and CFO will submit a revised proposal to the Commission for approval that is scaled to the actual sequestration amounts determined by OMB.

Prioritization of Sequestration Reductions within Business Line

Upon receipt of business line targets, lead offices will work with their partners to develop a list of specific potential reductions to contract support, travel, and FTE; evaluate alternatives; and identify associated impacts to achieve those reductions. Development of potential crosscutting reductions and impacts will be led by the Office of the Chief Human Capital Officer for Training; by the Office of Chief Information Officer; and by the Office of International Programs (OIP) for International Activities. Lead offices and their partners will evaluate and prioritize potential reductions in accordance with the principles and considerations set forth in the guidance provided by the EDO and CFO.

Program and Business Line Plans

OCFO will provide templates for business lines to collect the required information to generate a plan for each major program; for corporate support; and for crosscutting product lines such as Travel, Training, Information Technologies, and International Activities. Lead offices will subsequently use these templates to (1) identify potential contract dollar and FTE reductions and their impacts by business line/product line/product/office and (2) prioritize them 1-n, with 1 being the highest program priority and last to be reduced.

Resources for one activity across multiple offices will have the same numerical prioritization. For example, if the agency eliminates a combined operating license (COL), and the Reactor Safety Program leads categorize that activity as priority 1, associated Office of New Reactors, Atomic Safety and Licensing Board Panel, Office of General Counsel, etc., contract and FTE resources would all be priority 1.

Business line leads will also provide explanations/impacts for items in the template, including—

- a) a succinct explanation of the activities that will not be accomplished (in terms of quantity and/or timeliness of products, as appropriate);

- b) The percentage reduction that is being proposed, i.e. 25% of the total resources for the activity.
- c) the impact, as related to the agency’s mission and strategic goals, of not accomplishing the activity;
- d) any dependencies resulting from not accomplishing the activity (e.g., if X is cut, Y will be affected in a certain way); and
- e) the approximate timing of impact—for example, if the agency cuts a COL review, the lead office will identify when the review was scheduled to begin (month/year).

Agency-Level Prioritization

OCFO will consolidate the planning templates for agency-level prioritization. In consultation with OIP, OCFO and OEDO will reprioritize the consolidated master list as follows:

High	Work that is <i>essential</i> to achieving the agency’s mission and strategic goals, and important work that is time sensitive
Medium	Work that is <i>important</i> to achieving the agency’s mission and strategic goals, and essential work that is not time sensitive
Low	Work that is <i>related</i> to achieving the agency’s mission and strategic goals

Resulting business line resource estimates, as with all sequestration proposals, will be reviewed and approved by the Commission.

Anticipated Impacts of Sequestration

When implementing the approved sequestration plan and communicating with stakeholders about planned reductions, the agency will strive for clarity in terms of when particular actions are set to take place (e.g., when particular grant funding will be reduced, when contracts will expire or be cut, when furloughing of employees will occur).

Agency Mission and Funding Flexibilities

If agency sequestration reductions are anticipated to result in delay or elimination of important activities that will have negative impacts on many of NRC’s stakeholders, and on the agency’s ability to accomplish its mission, the agency will use its prior year funds through reprogramming, if possible, to reduce the impacts of sequestration. Any such reprogramming request will identify, for example, high priority emergent funding needs not considered in the applicable budget year, unfunded mandates, and other required funding needs. Program delays caused by anticipated budget reductions will be communicated to NRC stakeholders prior to implementation.

Furloughs

NRC will communicate its intentions with respect any anticipated furloughs, and any anticipated related impacts, to its employees and National Treasury Employees Union representatives in both private and public communications. Among the information the agency will provide are the

number of employees to be furloughed; timing of when furlough notices will be issued; length of expected furloughs; manner in which the furloughs will be administered; and any other planned personnel actions (e.g. hiring freeze, elimination/curtailment of bonuses or promotions, etc.).

Contracts and Financial Assistance

Sequestration may cause delays, cancellations, and re-scoping of planned NRC contracting actions, grants, and interagency and international agreements. Many NRC contract awards are dependent upon receipt of industry proposals and applications that are subject to schedule changes for business reasons. NRC will work with the nuclear industry to prioritize incoming work with available funds and communicate impacts to affected contractors as schedules become clarified.

Fee Collection

As necessary, the Proposed Fee Rule for the execution year will address potential budget changes that may occur as a result of sequestration, and the Final Fee Rule will be published with fees based upon the sequestered budget absent other superseding appropriation action to cancel the sequestration. Any over-collections caused by the budget uncertainty will be treated as adjustments to the following fiscal year's Fee Rule.

Points of Contact

Questions about sequestration planning may be directed to Budget Operations Branch 2 in the Division of Planning and Budget.

Inquiry	Contact	E-mail	Phone
Specific questions about this guidance	Chet Trybus Sr. Program Analyst	Chester.Trybus@nrc.gov	301-415-6516
General inquiries sequestration planning	Victoria Voytko Branch Chief	Victoria.Voytko@nrc.gov	301-415-6970

Projected High-Level Schedule

Month	Milestone
February	Initial OMB and the Congressional Budget Office (CBO) sequestration reports available
April / May	OCFO generates sequestration planning assessment
May / June	OCFO and OEDO develop business line targets
June / July	Sequestration guidance and data call issued to lead offices
July / August	Lead offices submit proposed sequestration plans to OCFO

Month	Milestone
	OCFO and OEDO prioritize business line reductions at an agency level
August	Updated OMB and CBO sequestration reports available
	The EDO and CFO submit the proposed sequestration plan to the Commission
September	The Commission provides direction on the staff's proposed plan