

POLICY ISSUE

Notation Vote

June 27, 2016

SECY-16-0083

FOR: The Commissioners

FROM: Victor M. McCree
Executive Director for Operations

Maureen E. Wylie
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SUBJECT: PROJECT AIM—MATERIALS PROGRAM EVALUATION AND
RECOMMENDATION

PURPOSE:

The purpose of this paper is to provide the staff's evaluation of, and recommendation for, the potential further consolidation of the regional materials program.

SUMMARY:

This paper provides the staff response to Staff Requirements Memorandum (SRM) SECY-15-0015, "Project Aim 2020 Report and Recommendations" (Agencywide Documents Access and Management System (ADAMS) Accession No. ML15159A234). Additionally, the Enclosure, "Evolution of the National Materials Program," provides the staff response to SRM-M160225B, "Briefing on Strategic Programmatic Overview of the Fuel Facilities and the Nuclear Materials Users Business Lines" (ADAMS Accession No. ML16076A055), by providing the history of the business line. The staff evaluated the materials program, including the Nuclear Materials Users (NMU), and Decommissioning and Low-Level Waste (DLLW) business lines (BL), and considered qualitative and quantitative factors in assessing different options for potential consolidation of the program. The staff also conducted outreach to stakeholders and, to the extent possible, assessed past consolidation efforts for insights and lessons learned that are relevant to potential consolidation scenarios. This paper includes the pros and cons, and additional qualitative and quantitative factors of each option considered, as well as the staff's recommendation.

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At this time, the staff is recommending no further geographic consolidation of the materials program in order to preserve regional inspection and incident response capabilities as well as employee morale and engagement. As discussed more fully below, based on the staff's analysis, further consolidation would not yield greater program efficiencies and that further efficiencies sought can be achieved by alternate means. The staff would continue to enhance the national materials program through ongoing improvement and re-baselining efforts (saving 14 full time equivalent (FTE) per year from current levels) and would implement some regional reorganization to support regional efficiency (saving an additional six FTE per year). Overall this proposal would yield savings of approximately 20 FTE.

BACKGROUND:

On June 8, 2015, the Commission issued SRM-SECY-15-0015. As relevant here, the Commission directed the staff to evaluate further consolidation of the regional materials program to determine if further consolidation would result in additional efficiencies in the program. The Commission also directed the staff to submit to the Commission a SECY paper assessing the pros and cons of further consolidation of the regional materials program. If further consolidation was recommended, the staff was directed to provide the Commission, for its review and approval, a specific plan before implementing any consolidation.

Following issuance of the SRM, the staff formed a working group (WG) to perform the evaluation. The WG included representatives from the Office of Nuclear Material Safety and Safeguards (NMSS), the Office of the Chief Human Capital Officer, and Regions I, III, and IV¹. The National Treasury Employees Union was also represented on the WG. In addition, the evaluations and recommendations presented in this paper reflect coordination with other impacted internal stakeholders, such as the Office of the Chief Financial Officer and Office of Administration. In accordance with its charter, the WG solicited input from various internal and external stakeholders. The group held informal discussions with staff and management, conducted staff opinion surveys, held town hall meetings with the U.S. Nuclear Regulatory Commission (NRC) staff, and conducted a public meeting with external stakeholders, including the Organization of Agreement States. Additionally, as part of its evaluation, the WG reviewed previous Commission decisions related to the establishment of the regional offices and subsequent decisions to consolidate regional offices or activities. A summary of these decisions is provided below.

In 1961, the Atomic Energy Commission established five regional offices. Over the years—from the early 1960s through the late 1980s—the responsibilities of the regional offices increased. A significant increase in regional responsibilities occurred during the period of 1982 through 1984, with the implementation of the NRC's "Policy Statement on Regionalization," published in the *Federal Register* on March 25, 1983. This policy statement was designed to improve coordination of licensing, inspection, and enforcement actions; place the NRC activities closer to State and local governments and the public; and strengthen incident response capability.

Among the more important functions that were delegated to the regions were the following:

1 The Region II regional materials program was consolidated into the Region I program on October 1, 2003. As a result, RII was not included on this WG.

- materials licensing and inspection activities;
- decommissioning inspection activities for permanently shut down reactors and complex materials sites; and
- implementation of the Agreement State Program.

The NRC Headquarters (HQ) retains the policy and programmatic functions. In general, over the years, the regionalization of work functions proved to be cost-effective and significantly improved relationships with State and local governments and licensees. In addition, it has significantly improved the agency's capability to respond to events and to assist States in their handling of events. Also, regionalization has resulted in improvement in the agency's capability to participate in activities related to outreach with public stakeholders.

In the late 1980s through the 1990s, the growth of regional offices stabilized, and in some cases, the number of FTEs budgeted for regional office work decreased. Since 1990, the number of NRC materials licensees has declined significantly, primarily because of the growth in the number of Agreement States. This trend of reduced workload and attendant budget reductions led to questions of the continued cost effectiveness of maintaining five regional offices. A detailed review of the historical workload is provided in the Enclosure.

In a 1993 Commission Secretary memorandum, COMSECY-93-012, "Proposed Study of Region V Realignment," the Commission directed staff to perform a study of possible alternatives for the realignment or elimination of the NRC's Region V office in Walnut Creek, California. A study group evaluated several options. As a result of the study group's recommendations, the Commission decided in September 1993 to consolidate Regions IV and V into a single region headquartered in Arlington, Texas. On April 4, 1994, NRC Region V was abolished, and the NRC Region IV office took on expanded responsibilities to include the seven states formerly covered by Region V. At that time, the former NRC Region V office in Walnut Creek remained open as the re-designated Walnut Creek Field Office, supporting resident inspection activities at nuclear power plants in the states of Washington, Oregon, and California, until October 1, 1998, when the Walnut Creek Field Office was closed to further reduce costs. Following closure of the office, a limited number (four total) of technical staff members (materials licensing and inspection staff) remained in California under full-time telework agreements with Region IV, until the individuals left the agency or retired.

In the fall of 2000, a task group was formed to conduct a broad, independent review of the nuclear byproduct materials program. (Details of this evaluation can be found in the Enclosure) The task group reviewed the program and made recommendations to: 1) improve efficiency and effectiveness, 2) apply a more rigorous risk basis to the program, and 3) control or reduce user fees charged to materials licensees. These recommendations provided NMSS with both short- and long-term actions to improve efficiency and effectiveness. The recommendations focused on a more holistic, risk-informed, and performance-based regulatory approach to the oversight of the materials program. The majority of the recommendations to improve the licensing and inspection processes were implemented and remain in effect today.

In June 2002, the staff proposed to the Commission a restructuring of the fuel cycle inspection program (COMSECY-02-0030). The NRC determined that consolidating the inspection program for the nine major operating commercial nuclear fuel cycle facilities and three additional

facilities that were undergoing licensing or planned for licensing into the NRC's Region II office would be a more effective and efficient use of human capital resources. In an SRM dated February 26, 2003, the Commission approved the consolidation of the fuel cycle program activities in Region II, and the consolidation became effective on October 1, 2003. Additionally, as part of the agencywide initiative to improve effectiveness and efficiency, the Commission further directed the staff to consolidate portions of the nuclear materials program (in addition to the fuel cycle inspection program). Effective on October 1, 2003, NRC's Region II nuclear materials program was consolidated within the NRC's Region I office.

In 2015, in response to the Project Aim effort to improve the NRC's agility, effectiveness, and efficiency, the Commission issued SRM SECY-15-0015, directing the staff to perform a one-time re-baselining assessment. A common prioritization methodology and associated re-baselining task provided the staff an opportunity to review programs, processes, and work activities to determine their effectiveness and to look for more efficient ways to perform the work essential to the agency's safety and security mission. The staff identified and considered additional opportunities in the NMU and DLLW business lines that the WG considered as it evaluated further consolidation of the regional materials program.

As discussed above and detailed further in the Enclosure, continuous program enhancements are consistent with the history of the Materials Program. The Materials Program has continuously evolved to meet the changing regulatory and budget climate since its inception. As the number of Agreement States has risen, the number of licensees under NRC jurisdiction has decreased. A number of external factors (notably the need for increased nuclear material security) created and continue to create new challenges for the Materials Program. These challenges have been and will continue to be addressed through refinement of the Materials Program in order to remain right-sized, efficient, and effective.

DISCUSSION:

As directed by SRM SECY-15-0015, the WG assessed the pros and cons of materials consolidation. The initial approach involved the collection and evaluation of a wide variety of information related to the size and performance of the program. This information included travel costs, number of completed inspections, number of completed licensing actions, number and types of licensees, and number of enforcement and Office of Investigations cases. The information reviewed depended upon numerous variables and presented no clear conclusions either for or against further consolidation. Therefore, the WG then defined several potential post-consolidation end states and assessed whether any of those scenarios would provide greater efficiency when compared to the current program. In this approach, the WG considered both qualitative and quantitative factors when evaluating the Materials Program.²

2 Details of the evaluation process, including the decision and rating criteria used, the assessment of qualitative factors and the assessment of quantitative factors for each of the options can be found in a memorandum by Daniel S. Collins, dated June 14, 2016, subject: Project Aim – Materials Program Evaluation – Integrated Business Case Evaluation (ADAMS ML16162A669).

Evaluation Criteria

The WG identified the following evaluation criteria to assess the options. The qualitative factors were used as a tool to compare the ratings against each other. Each qualitative factor sub-criterion was evaluated on a -5 to +5 scale, where negative scores denote negative impact and positive scores denote positive impact.

Qualitative Factors

1. Mission Effectiveness—Sub-criteria examined under this criterion were: a) oversight and licensing, b) incident response, and c) external stakeholder interactions. The mission effectiveness criterion was double weighted (i.e., multiplied by two) to capture the importance of maintaining agency mission effectiveness. The scores for each sub-criterion were then summed. The ratings were assessed for both the “transition period” (within 5 years) and the “end state” (after 5 years) for this criterion.
2. Employee Impact—Sub-criteria examined under this criterion were: a) loss of experienced staff, b) mentoring and career opportunities, and c) employee morale. The scores for each sub-criterion were then summed. The ratings were assessed for the “transition period” (within 5 years) and the “end state” (after 5 years) for this criterion.
3. Implementation Complexity—Sub-criteria examined under this criterion were: a) complexity, b) feasibility, and c) program risk. The scores for each sub-criterion were then summed. The ratings were assessed for the “transition period” (within 5 years) for this criterion.

Quantitative Factors

1. Costs/Savings—This criterion quantitatively captured estimates of FTE or dollar values saved or expended for each option. Areas of cost/savings considered included FTE, travel, cost of living (locality pay), real estate costs/savings, and relocation costs.

Assumptions Made

In conjunction with the evaluation criteria discussed, the ratings and cost estimates above also relied upon several assumptions regarding staffing and location. These assumptions included:

1. The base case, also referred to as Option 1, was a scenario in which no geographic consolidation occurs and already ongoing improvement and re-baselining efforts continue. This was assigned a qualitative factor score of 0, against which the other options were rated.

In the event that a consolidation were to occur:

2. No bargaining unit regional staff would be required to move to a new duty station. Bargaining unit staff would be given the choice of relocating to new duty station or

3. requesting³ full-time telework in accordance with the collective bargaining agreement. The agency would pay for regional staff to relocate within 2 years of the implementation date. The agency is not obligated to provide information technology equipment for voluntary telework arrangements.

After consolidation:

4. Vacancies in the regional materials program(s) would be filled at the new hub location(s). This would result in a gradual reduction of the number of staff working remotely from the previous region.

For cost/savings estimates:

5. For the purposes of bounding potential costs, the financial analysis (relocation, travel costs, locality pay) assumed that all affected personnel would move to the new duty station(s) at agency expense.
6. The real estate savings were based on regional Division of Nuclear Material Safety organizations vacating space, subject to the following constraints:
 - a. Regions I and IV do not have occupancy agreements to support this savings for several years (i.e., the rent would be paid in full until another renter is found). Region III currently has an occupancy agreement in which it could realize savings after 4 months, regardless if another renter was found.
 - b. The analysis assumed there would be no net increase in real estate space when people eventually moved. Depending on available office space at the time of a move, densification may need to occur in order to maintain no additional cost for the new hub region(s).
7. Analysis assumed a stable workload for the NMU BL.⁴ For the DLLW BL, the WG qualitatively considered new work related to known reactors and materials decommissioning. In addition, as additional reactors permanently cease operations, the DLLW BL workload would further increase.

Options

The working group arrived at five potential options. These options are described below. Each option was evaluated against the evaluation criteria, and considered the identified assumptions.

All options include the process enhancements and associated FTE reductions as well as re-baselining reductions that would be implemented through ongoing improvements, regardless of

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- 3 The agency cannot require an employee to telework on a permanent basis. It can decide, however, to relocate a business function and offer the affected employees the choice of relocating or requesting to telework in accordance with agency telework policy and the collective bargaining agreement.
 - 4 Wyoming and Vermont have requested to become Agreement States in the next few years. The number of NRC licenses to be transferred is small (15 for Wyoming and 36 for Vermont).

consolidation. The process enhancements include: completion of HQ/regional product and process consistency efforts and further development of Web-based licensing (WBL), including production of all materials licensing documentation and cover letters; inspection planning modules and documentation; electronic signature; and direct interface with ADAMS documents through WBL.

Beginning in fiscal year (FY) 2018, these ongoing process enhancements are estimated to decrease staffing needs by three to four FTE per year, distributed through the regions and HQ. Additionally, program changes identified through the Project Aim re-baselining initiative would be implemented. These include: providing greater flexibility for scheduling inspections, increasing the materials license term, reducing efforts on materials guidance and procedures, reducing HQ support for ancillary activities supporting the inspection program, reducing Agreement State travel and training funds, and reducing lower priority Tribal liaison and training activities. Re-baselining in the materials program resulted in decreased staffing needs by 10 FTE per year (5.5 FTE of which would come from re-baselining the regions, including technical staff). The combination of ongoing enhancement efforts and re-baselining would reduce NMU staffing needs by a total of 14 FTE per year from current levels across the regions and HQ.

No Consolidation Option:

Option 1: Enhanced National Materials Program—Option 1 includes the process enhancements and re-baselining initiatives described above, while maintaining the Regions I, III, and IV Materials and DLLW Programs. No further regional consolidation is included under this option.

Consolidation Options:

Option 2: Consolidation of Functions from Reactor and Complex Materials Decommissioning—Option 2 includes two sub-options. These options include consolidation of functions from Reactor and Complex Materials Decommissioning: (a) both licensing and inspection functions to HQ, and (b) only inspection functions consolidated in a single region. Under this option, staffing needs are decreased by a total of one FTE (one branch chief).

Option 3: Headquarters Centralization of NMU Business Line Functions—Option 3 describes a consolidation of all the regional materials functions to HQ, and assumes that a new division would be established in NMSS for licensing and oversight.

Option 4: One Region Centralization—Option 4 includes three sub-options, one for each region (a-RI, b-RIII, and c-RIV) to be the centralization regional “hub.” Under Option 4, only regional materials functions in NMU and DLLW are consolidated. The current HQ functions remain in HQ. Under this option, the deputy division director position in the new hub location would become a Senior Executive Service position because of the expansion in scope of responsibilities that would occur.

Option 5: Two Region Centralization—Option 5 includes three sub-options, one for each of the two region combinations (a-RI/III, b-RI/IV, and c-RIII/IV) to be the two centralized hubs. Under Option 5, only regional materials functions in NMU and DLLW would be consolidated. The current HQ functions would remain in HQ.

Evaluation—Qualitative Factors

The WG evaluated each of the five options based on the qualitative criteria described above. The mission effectiveness, employee impact, and implementation complexity criteria, along with their sub-criteria, were the qualitative factors considered when assessing the overall positive and negative impact of each option. The working group used the rating scale discussed previously to assist in the evaluation in order to consistently apply the criteria for each option.

The scoring of each option relative to the criteria discussed above is shown in Table 1.

Table 1. Cumulative Rating of the Five Options for Potential Materials Program Consolidation

	Evaluation Criteria Ratings ((-) represents Negative Impact; (+) represents Positive Impact)			
	Mission Effectiveness (double weighted)	Employee Impact	Implementation Complexity	Total Rating
Option 1—Enhanced National Materials Program	0	0	0	0
Option 2a—Consolidation of functions from reactor and complex materials decommissioning; everything to HQ	-6	0	-3	-9
Option 2b—Consolidation of functions from reactor and complex materials decommissioning; only inspection functions consolidated in a single region	-6	-3	-3	-12
Option 3—HQ centralization of NMU BL functions	-20	-5	-11	-36
Option 4—One region centralization (only regional materials functions in NMU and DLLW consolidated; current HQ functions remain in HQ)	-14	-9	-8	-31
Option 5—Two region centralization (only regional materials functions NMU and DLLW consolidated; current HQ functions remain in HQ)	-8	-7	-6	-21

In addition to scoring the options, the WG evaluated if additional reductions in the number technical staff should be considered under consolidation options. A consolidated organization would not have much effect on the efficiency of the technical staff because of the nature of the materials licensing and inspection work. Materials licensing and inspection work is generally short-term work that does not benefit from additional staff being co-located. Turnover of a review or inspection from one license reviewer or inspector to another, that would be an option through increased co-location, increases the effort spent on individual-based, short timeframe reviews or inspections.

The WG also considered whether efficiency gains could be achieved through co-locating the materials and/or decommissioning work flow. The licensing and inspection processes are diverse and complex because they cover a wide variety of licensee types. Although the processes are complex, materials licensing reviews and inspections typically are completed

within the region that is responsible for the license without handoffs between multiple organizations. Hence, co-location of all staff performing the same or similar functions is not expected to yield improvements in process efficiency beyond the improvement efforts that are already in progress. The WG confirmed that staff work load is high, and noted that all regions maintain a positive inventory of licensing, inspection, and program support activities.

Option 1 has the benefit of maintaining regional proximity to the licensees, which maximizes mission implementation for material licensing, inspection, and event response. With a full contingent of health physicists (HPs) in the region, there is sufficient staff capacity to support incident response for reactor and materials events in any of the NRC modes of operation. In the area of employee morale, the uncertainty of possible moves (the item most discussed by staff in seeking input for this evaluation) is replaced by stability and elimination of the need to move families. In addressing complexity, Option 1 allows staff to focus on implementing process enhancements and re-baselining, which already saves 14 FTE per year. In summary, the current geographic diversity provided by the regional offices is effective in improving coordination of licensing, inspection, and enforcement actions; and placing NRC activities closer to State and local governments and the public. It also effectively strengthens incident response capability and has maintained the agency's capability to respond to events and to assist States in their handling of events. In addition, the geographic diversity has resulted in improvement in the agency's capability to participate in activities related to outreach with public stakeholders.

Mission Effectiveness

Based on input from the WG, as well as comments received from the NRC staff and stakeholders for consolidation Options 2 through 5, mission effectiveness would be negatively impacted by the following:

- Reducing, in the long term, technical staff support (particularly HPs) to the reactor incident response functions in the region(s) that transfer their nuclear materials program(s).
- Reducing effectiveness in outreach because of longer distances from many materials licensees and Agreement States.
- Creating work flow inefficiencies as a result of geographically dispersed staff, management, and support staff.
- Lengthening response times for some events.
- Creating additional challenges from managing at a distance. If employees are not required to relocate to a new hub location(s) following consolidation, many will select full-time telework or be remotely located for an indeterminate period.

Employee Impact

For consolidation Options 2 through 5, the employee impact factor was negatively impacted by potential loss of experienced staff and a decrease in morale. The WG received significant input from staff members indicating the difficulty of relocating from their current home and work locations or permanently teleworking. A large majority of staff members have established roots in their communities and have significant agency knowledge and experience. This would result in a loss of knowledge if a large number of staff members left the program.⁵ In addition, workforce demographics and family obligations make staff members much less likely to move. This was confirmed by past experience from consolidations of NRC Region V, and the materials consolidation of Regions I and II. Conversely, potential for promotion opportunities and career development at HQ (Option 3) were seen as potential positive impacts.

Implementation Complexity

For consolidation Options 2 through 5, the implementation complexity was negatively impacted by the following:

- the challenge of communicating with and managing the large number of staff members who would be on full-time telework or working remotely from their home office (if they are not required to relocate) to ensure that the reorganization and improvement initiatives are implemented successfully
- the challenge of securing additional physical space in the centralized location (hub)
- program risk involved with possible low employee engagement because of a smaller management team with management and staff not being co-located

Another potential risk associated with consolidation Options 2 through 5 would be diversion of staff focus from fully implementing ongoing enhancement initiatives and re-baselining, while staff temporarily re-focuses on centralization, moves, etc. These options would require contingency planning to minimize program risk.

Evaluation—Quantitative Factors

The WG evaluated each of the five options based on the quantitative criteria described above. The costs/savings criterion described previously represented the quantitative factors considered. Within this criterion, the working group evaluated, to the extent possible, potential costs and savings, including FTE, travel, locality pay, real estate costs, and relocation costs.

The estimated costs/savings of each option relative to the criterion are shown in Table 2.

5 As noted recently by the National Council on Radiation Protection and Measurements and the Conference of Radiation Control Program Directors and described in 2009 House testimony by the Health Physics Society, the industry is currently facing a shortage of HP professionals and graduates.

Table 2: Estimated Cost Savings for Each of the Five Options for Potential Materials Program Consolidation (FTE converted to \$, using \$171K/FTE)

	Option 1	Option 2	Option 3	Option 4	Option 5
Operating Costs	\$0	(-) \$0.16 to (-) \$0.19 M/yr (1 FTE)	(-) \$2.0 M/yr (10 FTE)	(-) \$1.8 to (-) \$2.0 M/yr (10 FTE)	(-) \$1.4 to (-) \$1.5 M/yr (8 FTE)
Implementation Costs	\$0	<u>One-Time:</u> (+) \$0.80 to (+) \$1.20 M <u>Annual:</u> (+) \$0.01 to (+) \$0.02 M/yr	<u>One-Time:</u> (+) \$7.0 M <u>Annual:</u> (+) \$0.14 M/yr	<u>One-Time:</u> (+) \$4.6 to (+) \$4.8 M <u>Annual:</u> (+) \$0.07 to (+) \$0.08 M/yr	<u>One-Time:</u> (+) \$2.2 to (+) \$2.4 M <u>Annual:</u> (+) \$0.03 to (+) \$0.04 M/yr

*The table represents only the savings that are a direct result of a consolidation. The range of values in some options indicate the variation of costs/savings for the different sub-options based on the location of the regional or HQ hub.

Process enhancements described by Option 1 would result in a total FTE savings of 14 FTE per year from current levels (10 FTE because of re-baselining recommendations approved in SRM-SECY-16-0009 ("Recommendations Resulting from the Integrated Prioritization and Re-Baselining of Agency Activities," ADAMS Accession No. ML16104A158), dated April 13, 2016; and 4 FTE per year from current levels because of other ongoing efficiency improvements).

Based on estimates informed by current and historical costs of FTE, travel, real estate, locality pay, and relocation, the WG identified potential annual operating cost savings for Options 2 through 5 overall, which range from \$156,000 per year for Option 2 to \$2 million per year for Option 3. The analysis shows that the principal savings gained by consolidation are driven by FTE and real estate. These estimates have moderate uncertainty because of limitations in cost modelling and availability of actual cost data. Travel costs are expected to increase, and are dependent on both the extent of consolidation, number of staff moved, and the specific regions involved. Implementation costs offset potential savings for at least the first few years, as one-time costs related to relocation range from \$800,000 for Option 2 to \$7 million for Option 3.

Summary

Based on the significant input provided by the staff, which included experience from prior consolidation of the materials program, and the uncertainties associated with the financial estimates, the staff considered the qualitative factors to be dominating, although not precise, indicators of likely impacts on the NRC materials program. These qualitative factors outweighed the potential savings summarized in Table 2.

- Large negative impacts on staff morale and engagement would likely result from a requirement to relocate (if the agency required such), fewer career growth opportunities in the regions, or geographic distance from supervisors and senior managers. While telework may be a viable option for some of the materials work performed by the regions, it is not suitable for all of the work that regional staff perform.
- Consolidation of the materials program in one or two regions would adversely impact the reactor event response capability of the region(s) that transfer their materials programs. The materials program HPs comprise the majority of the regional base team's protective measures team and the site team's dose assessment team. Alternate strategies would need to be developed to address staffing gaps.
- Consolidation of the materials program in one or two regions would adversely impact the materials event response capability because there would be longer distances for inspection staff to travel to respond to materials events.
- Program workload is projected to be stable or increase slightly since it is unlikely that there would be significant shifts in NRC licensees to new Agreement States, after Wyoming and Vermont become Agreement States, and the premature decommissioning of power reactors may continue. A slightly decreased staffing level is anticipated for the agency's nuclear materials program after ongoing enhancements and re-baselining are completed, and a slight increase in regional DLLW staffing is possible to implement the decommissioning oversight program.
- Estimated savings in the consolidation options (Options 2 through 5) are driven by FTE reductions in management, supervision, and administrative support as a result of eliminating or expanding organization(s), rather than from gains in process efficiency or workload changes.
- The reduction in managers associated with Options 2 through 5 would lead to a workload increase for remaining management/supervision. As an initial matter, there would be fewer managers/supervisors to cover essentially the same workload. More significantly, if staff were not required to relocate to a new regional hub, the remaining supervisors would have the compounding challenge of supervising a large portion of their staff members who are geographically dispersed (either through full-time telework or because they are working in another region's office space).
- Successful implementation of ongoing improvement efforts (e.g., further implementation of Web-based licensing and regional consistency enhancements) would be more difficult in a new environment where staff morale and engagement are challenged.
- Geographic consolidation would add distance between NRC and the Agreement States, licensees, and members of the public, which is contrary to the basic premise for regionalization.

The WG conclusion from the evaluation is that maintaining the current materials program structure would achieve the following:

- Help maintain robust management and supervision, maximizing the flexibility for the potential changes in workload, and minimizing the need to manage at a distance.
- Maintain support to incident response capabilities for both the reactor and materials programs.
- Help maintain employee engagement by avoiding disruption associated with employee relocations or transition of a significant number of staff to working remotely from their managers'/home office location(s).
- Help maintain program focus on already ongoing improvement and change efforts.
- Maintain staff, supervisors, and managers near licensees and Agreement States that they provide oversight and support to, and help minimize travel expenses.

Accordingly, the WG recommended that the geographic consolidation scenarios described in Options 2 through 5 not be pursued.

Additional Staff Deliberations

As part of the evaluation, the WG recognized that many of the cost saving steps that are contemplated in the consolidation scenarios can be implemented without having to implement a geographic consolidation. For example, if the goal is to reduce the number of first-line supervisors or managers, each region can reassign work internally and reorganize to support local reorganizations and achieve such reductions. Similarly, if a determination were made that the technical or support staff size is too large in any region, that issue can be addressed in budget and staffing plans without relying on consolidation.

After thorough consideration of the WG evaluation and recommendations, the steering committee, with input from the Regional Administrators, explored variations of the working group's defined options in an effort to attain the following three objectives:

1. Gain efficiencies assumed in consolidation;
2. Retain materials specialties in each region to maintain agility and support incident response capability; and
3. Minimize disruptions and costs associated with geographic and organizational movement of personnel.

Ultimately, the steering committee concluded that a variation of Option 1 would allow these objectives to be met within the existing structure. This approach would reduce each region's supervisory or non-technical staff by two FTE, while maintaining the Region I, III, and IV NMU and DLLW programs and process enhancements as described in Option 1. Each region would determine the specific positions reduced and implement the associated changes at the

beginning of FY 2018. These reductions would be in addition to the re-baselining and efficiency gains (14 FTE) identified in Option 1.

This variation of Option 1 would provide additional operating cost savings of \$1.0M per year (six FTE). This savings of six FTE from current levels is near the savings estimated in Options 2 through 5, without the negative impacts and implementation costs. Overall this proposal would yield savings of approximately 20 FTE.

RESOURCES:

Implementation of the program changes outlined in Options 1 through 5 would not require any additional resources beyond those budgeted in the FY 2016 and FY 2017 requests as adjusted for approved rebaselining items. Any further FTE decreases resulting from implementation of the options would be addressed through the planning, budgeting, and performance management process.

RECOMMENDATIONS:

The staff recommends that the Commission approve this variation of Option 1. This option would: (1) reduce FTE similar to potential reductions in Options 3, 4, and 5; (2) retain materials and HP expertise in each Region to support the incident response capability; (3) minimize geographic and organizational movement of personnel; (4) allow staff to maintain focus on ongoing process enhancements and re-baselining activities; and (5) minimize employee impact and implementation complexity. Finally, this approach would preserve the key attributes of regionalization including: effective coordination of licensing, inspection, and enforcement actions; maintaining NRC activities close to State and local governments, licensees, and the public; and maintaining a robust incident response capability.

In addition to the resource savings identified in re-baselining and achieved through process enhancements (14 FTE), Regions I, III, and IV will each identify reductions of supervisory or non-technical staff by 2 FTE (6 FTE). Each region would determine the specific positions reduced and implement the associated changes at the beginning of FY 2018. Overall this proposal would yield savings of approximately 20 FTE.

COORDINATION:

This paper has been coordinated with Office of the General Counsel, which has no legal objection.

/RA/

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Maureen E. Wylie
Chief Financial Officer

Enclosure:
Evolution of the National Materials Program

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Enclosure:
Evolution of the National Materials Program

ML16148A800

SRM-S15-0015-11; SRM-S15-0015-12; SRM-M160225B

OFFICE	NMSS/MSTR	NMSS	NMSS	OGC	OCFO	OEDO
NAME	DCollins	W Moore	S Moore	M Doane	M Wylie	V McCree
DATE	06/14/2016	06/09/2016	06/16/2016	06/15/2016	6/20/2016	06/ 27/2016

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