

WRITTEN STATEMENT  
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TO THE  
SENATE APPROPRIATIONS COMMITTEE  
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT  
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Good afternoon, Chairman Alexander, Ranking Member Feinstein, and distinguished members of the Subcommittee. My colleagues and I appreciate the opportunity to appear before you today to discuss the U.S Nuclear Regulatory Commission's (NRC) Fiscal Year (FY) 2018 budget request.

We appeared before this Committee in February of 2016, and committed to efficiencies in both corporate and programmatic areas. Today, I will focus on our accomplishments since then, including an update on our Project Aim initiative and ongoing efforts to improve the agency's rulemaking process.

The NRC is an independent Federal agency established to regulate commercial nuclear power plants; research, test, and training reactors; nuclear fuel cycle facilities; and radioactive materials used in medicine, academia, and for industrial purposes. The agency also regulates the transport, storage, and disposal of radioactive materials and waste and the export or import of radioactive materials. The NRC regulates industries within the United States and works with agencies around the world to enhance global nuclear safety and security.

The agency's statutory mission is to license and regulate the civilian use of radioactive materials in the United States, to ensure adequate protection of public health and safety, and to promote the common defense and security. The resources we are requesting for FY 2018 fully support

the NRC's mission while achieving resource savings and improving the agency's efficiency and effectiveness. The NRC's FY 2018 budget request, including requested resources for the Office of the Inspector General (OIG), is \$952 million and 3,284 full-time equivalent (FTE) employees. This request represents an increase from the FY 2017 enacted budget, due to the inclusion of \$30 million for Yucca Mountain activities. At the same time, the NRC's FY2018 budget request represents a *decrease* of \$48.3 million, including 311 fewer FTE, as compared to the FY 2017 Annualized Continuing Resolution (CR) budget.

The NRC's FY 2017 total budget authority, excluding OIG resources, totals \$928 million. This includes \$905 million for Salaries & Expenses, plus direction to use \$23 million in carryover. It does not include resources for Yucca Mountain activities.

Reductions achieved through efficiency and effectiveness efforts are, however, partially offset by the cost of the budgeted FTE rate to accommodate salaries and benefits costs, including government wide pay and benefits increases. Despite a declining budget and staffing levels, the FY 2018 budget fully supports the NRC's safety and security programs, and the agency's primary focus continues to be protecting public health and ensuring the long-term safety and security of nuclear materials and facilities.

In FY 2018, the NRC plans to recover \$814 million of the FY 2018 budget from fees assessed to NRC licensees. This would result in a net appropriation of \$138 million, which is an increase of \$19 million in net appropriations when compared with the FY 2017 annualized CR budget. The increase in the net appropriation is primarily due to the addition of \$30 million for Yucca Mountain, which is excluded from fee recovery, and which requires an appropriation from the Nuclear Waste Fund.

Before I discuss the specifics of the NRC's FY 2018 budget request, please allow me to address the efforts that the agency has undertaken to improve our processes.

### Project Aim

The budget request reflects significant efficiencies initiated through Project Aim. In June 2014, the NRC established Project Aim to enhance the agency's ability to plan and execute its mission in a more effective and efficient manner. The Project Aim Report included 19 tasks related to planning, processes, and personnel, with a goal to prepare the agency for the future. The agency has achieved a significant milestone by completing the major deliverables for each of the 19 Project Aim tasks

The agency's efforts have resulted in reductions to the agency's budget through the Commission approved work activities that can be shed, deferred, or completed with fewer resources.

The agency is institutionalizing a common prioritization process to more readily prepare the agency to evaluate emerging work and is implementing an enhanced strategic workforce plan to reshape the workforce to meet current and future needs. As we proceed, the agency remains mindful of the importance of its highly skilled technical staff and the need to maintain our expertise. We must keep a focus on knowledge management as senior staff retire and new experts take their place, while we remain cognizant that the success of the agency is due to the quality and dedication of the agency's people.

Through these actions, the agency continues to focus on resources while decreasing its size by more than 500 FTE since 2014. The FY 2018 budget request reflects reductions of \$48 million, including 185 FTE, as a result of NRC's rebaselining efforts under Project Aim. In addition, it reflects reductions resulting from longer-term efficiencies and improvement projects, including savings in corporate support services.

The agency is working on the implementation of additional actions to achieve longer-term efficiencies beyond FY 2018, and the staff is implementing process efficiencies that will yield resource reductions through standardization or centralization of specific regional support staff functions. This includes a review of mission support functions to assess standardization and centralization opportunities. The agency has also made significant reductions in agency-wide supervisory resources and programmatic mission support resources.

The agency will continue to enhance its effectiveness and efficiency beyond the completion of Project Aim tasks. The agency established Centers of Expertise (COE) within the agency's organizational structure to increase our ability to respond quickly and effectively to current, emerging, and unanticipated work. In addition, the Commission approved staff recommendations to implement process enhancements and re-baselining initiatives for its materials programs.

The staff has also completed improvements to operating reactors licensing processes to enhance the predictability and efficiency of reviews while maintaining their effectiveness and quality. Furthermore, while several offices have completed internal restructuring to become more efficient and effective, the Commission approved the reorganization plan and the business

case for the proposed merger of the Office of Nuclear Reactor Regulation and the Office of New Reactors by September 30, 2020.

### Rulemaking

The Commission has considered the agency's rulemaking program and has taken steps to ensure Commission involvement early on in the rulemaking process, before significant resources are expended.

To accomplish this, the staff submits a rulemaking plan to the Commission for review and approval before the staff initiates activity on a rulemaking, apart from those rulemaking activities that are explicitly delegated to the staff.

Each year the agency reviews ongoing and planned rulemaking activities to develop rulemaking program budget estimates and to determine the relative priority of these rulemaking activities. As part of this review, the agency may identify rulemakings that may no longer be needed to meet our key strategic goals of safety and security. For example, in May 2016, the Commission approved discontinuing 7 rulemaking activities and deferring 2 rulemakings that were in the early stages of development.

The discontinued rulemakings covered a variety of topics, and the basis to discontinue was different for each rulemaking. For example, one rule the Commission voted to discontinue was related to entombment, one of the decommissioning options available to commercial power reactors. Rather than conduct a separate rulemaking only for entombment, the Commission determined staff should conduct a single rulemaking to make the decommissioning process more efficient, open, and predictable by reducing the reliance on licensing actions, including

license amendments and exemptions, to achieve a long-term regulatory framework that defines the requirements and decommissioning options for reactors.

In March 2017, the NRC deployed a centralized tracking and reporting tool that provides real-time updates on all NRC rulemaking activities. Current rulemaking data is posted to the NRC website on our rulemaking pages.

### Congressional Budget Justification Improvements

The FY 2018 Congressional Budget Justification reflects the NRC's efforts to improve the presentation of the budget request and to simplify comparisons between budget years. This document also demonstrates the agency's commitment to fee transparency. The chapter for each business line includes supplemental content such as workload tables and schedules to better align the budget and the resulting impact on fees. Content has also been expanded to include a synopsis of the agency's overall estimated fee recovery calculations to more clearly show the budget's impact on fee recovery.

### FY 2018 Budget Request

I would now like to highlight specific portions of the FY 2018 budget request.

#### **Nuclear Reactor Safety**

The Nuclear Reactor Safety Program encompasses licensing, regulating, and overseeing civilian nuclear power reactors, research, test, and training reactors, and medical isotope production facilities in a manner that adequately protects public health and safety and includes international and research activities. Resources for the Nuclear Reactor Safety Program

decreased by \$53.3 million, including a decrease of 214.5 FTE, when compared to the FY 2017 annualized CR.

### Operating Reactors

The Operating Reactors Business Line encompasses the regulation of 99 operating civilian nuclear power reactors and 31 research, test, and training reactors. The NRC is requesting \$368.1 million for operating reactors, including 1,546 FTE, which represents an overall funding decrease of \$34.9 million, including 155.5 FTE, from the FY 2017 annualized CR. The decrease is the result of, for example, Project Aim activities as well as declines in the staff's Fukushima Near-Term Task Force Tier 1 work related to the Mitigating Strategies Order, flooding hazard reevaluations, and seismic hazard reevaluations, and the completion of Tier 2 and 3 work.

### New Reactors

The New Reactors Business Line is responsible for the regulatory activities associated with siting, licensing, and overseeing construction of new nuclear power reactors as well as addressing policy issues associated with small modular reactors and non-light water reactors.

The FY 2018 budget request for new reactors is \$98.6 million, including 432 FTE, which represents a funding decrease of \$18.5 million, including 59 FTE, when compared with the FY 2017 annualized CR. This decrease is a result of Project Aim activities and the projected completion of the review of two combined license applications for Turkey Point and North Anna. In early January 2017, NuScale Power submitted the first design certification application for a small modular reactor. The agency has been in communication with NuScale since it completed a cooperative agreement for funding from the U.S. Department of Energy in 2014. In addition, to prepare for the future review of non-light water reactor applications, we have developed a

vision and strategy document, which was most recently updated and made publicly available in December 2016.

### **Nuclear Materials and Waste Safety**

The Nuclear Materials and Waste Safety Program is responsible for licensing, regulating, and overseeing nuclear materials in a manner that adequately protects the public health and safety. Through this program, the NRC regulates uranium processing and fuel facilities, research and pilot facilities, and nuclear materials users such as medical, industrial, research, and academic uses. Additionally, through this program, the NRC regulates spent fuel storage, spent fuel and material transportation and packaging, decontamination and decommissioning of facilities, and low-level and high-level radioactive waste activities. The FY 2018 budget request for this program is \$171.1million, including 627 FTE. This funding level represents an overall funding increase of \$22.4 million, including an increase of 19.5 FTE, when compared with the FY 2017 annualized CR budget. This increase is due to resources for the proposed Yucca Mountain deep geologic repository for spent nuclear fuel and other high-level radioactive waste -- \$30 million, including 71 FTE -- that was not included in FY 2017.

### **Fuel Facilities**

The Fuel Facilities Business Line is responsible for ensuring that fuel cycle facilities are licensed and operated in a manner that adequately protects public health and safety and promotes the common defense and security. The FY 2018 budget request for fuel facilities is \$25.2 million, including 114 FTE, which represents an overall funding decrease of \$4.1 million, including 22 FTE, when compared with the FY 2017 annualized CR. This decrease represents savings from Project Aim activities.



### Nuclear Materials Users

The Nuclear Materials Users Business Line supports the licensing and oversight necessary to ensure the safe and secure processing and handling of nuclear materials. The FY 2018 budget request for nuclear materials users is \$61.7 million, including 223 FTE, which represents a funding decrease of \$3.5 million and 21 FTE when compared with the FY 2017 annualized CR. The decrease is a result of Project Aim activities and additional process enhancements.

### Spent Fuel Storage and Transportation

The Spent Fuel Storage and Transportation Business Line supports the safe and secure storage of spent fuel, and the safe and secure transport of radioactive materials. These activities include licensing, oversight, rulemaking, international activities, research, and generic homeland security.

The FY 2018 budget request for spent fuel and transportation is \$26.2 million, including 103 FTE, which represents a funding increase of \$1.9 million and a FTE decrease of 4.0 when compared with the FY 2017 annualized CR. Overall proposed resources increase in FY 2018, and are partially offset by the agency's rebaselining of resources as part of Project Aim. In particular, a modest increase in resources is needed in FY 2018 to support the safety, security, emergency preparedness, and environmental reviews for two applications for consolidated interim storage facilities.

### Decommissioning and Low-Level Waste

The Decommissioning and Low-Level Waste Business Line supports licensing and oversight associated with the safe and secure operation of uranium recovery facilities, decommissioning of nuclear facilities, and disposition of low-level radioactive waste from all civilian sources. The

FY 2018 budget request for decommissioning and low-level waste is \$28 million, including 116 FTE, which represents an overall funding decrease of \$1.9 million and 4.5 FTE when compared with the FY 2017 annualized CR. The decrease largely reflects Project Aim activities.

#### High-Level Waste

The High-Level Waste Business Line supports the NRC's activities for the proposed Yucca Mountain deep geologic repository for the disposal of spent nuclear fuel and other high-level radioactive waste using appropriations from the Nuclear Waste Fund. The FY 2018 budget request for high-level waste is \$30 million, including 71 FTE. Resources would support continuation of the licensing proceeding, which would primarily consist of restarting the adjudication.

#### Corporate Support

The NRC's corporate support involves centrally managed activities that are necessary for agency programs to operate and achieve goals more efficiently and effectively and includes acquisitions, administrative services, financial management, human resource management, information technology and information management, training, outreach, and policy support. As part of the agency's efforts to be more efficient, we have looked for ways to reduce costs associated with the delivery of corporate support services. The FY 2018 budget requests \$301.4 million and 616 FTE for Corporate Support, which is a reduction of \$3 million, including 116 FTE, compared to the FY 17 annualized CR. As with all business lines, reductions are offset in FY 2018 to accommodate actual salaries and benefits costs for the remaining FTE. In addition to absorbing an increase for salaries and benefits, the reductions are also offset by increases for rent escalations; operations and maintenance for core IT systems and

infrastructure; targeted investments in development and modernization efforts; and for support of a full five member Commission.

#### Office of Inspector General

The OIG's component of the FY 2018 proposed budget is \$12.9 million, of which \$11.8 million is for auditing and investigation activities for NRC programs and \$1.1 million is for the auditing and investigation activities of the Defense Nuclear Facilities Safety Board (DNFSB). These resources allow for the OIG to carry out the mission to independently and objectively conduct audits and investigations to ensure the efficiency and integrity of NRC and DNFSB programs and operations; to promote cost-effective management and to prevent and detect fraud, waste, and abuse.

#### **CLOSING**

In closing, this budget request reflects our continuing efforts to achieve additional efficiencies without sacrificing public health and safety, or the security of our nation. Chairman Alexander, Ranking Member Feinstein and distinguished Members of the Subcommittee, this concludes my formal testimony. On behalf of the Commission, I thank you for the opportunity to appear before you. Thank you also for your support of the vital mission of the NRC. I would be pleased to respond to your questions. Thank you.