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**UNITED STATES
NUCLEAR REGULATORY COMMISSION**
WASHINGTON, D.C. 20555-0001

November 6, 2017

Mr. Joseph E. Pollock
Vice President and Acting Chief Nuclear Officer
Nuclear Energy Institute
1201 F Street, NW, Suite 1100
Washington, DC 20004

Dear Mr. Pollock:

On behalf of the U.S. Nuclear Regulatory Commission (NRC), I am responding to your letter dated September 15, 2017, project number 689, "NRC Budget Adjustments to Reflect a Decreasing Workload." I would like to thank you for your input regarding the importance of strong fiscal discipline within the NRC's resource management and budgeting processes.

NRC's budget reflects Commission direction and includes workload adjustments. The Fiscal Year (FY) 2017 enacted appropriation included \$917 million and the use of \$23 million in carryover funds to support the agency's mission. The NRC's FY 2018 budget request of \$952 million (including \$30 million for high level waste activities) represents a decrease of over \$100 million, including a decrease of over 500 Full Time Equivalents (FTEs), when compared with the FY 2014 implemented budget. Building on progress made under Project Aim, the NRC continues striving to improve efficiency and effectiveness.

The majority of the milestones for the 19 Project Aim tasks have been completed. The Project Aim tasks included focusing on right sizing the agency while retaining skills needed to accomplish the mission, streamlining the agency's processes to use resources more efficiently, improving timeliness of regulatory decision-making, and responding quickly to changing conditions. The actions necessary to eliminate the work associated with 142 of the 150 items to be shed, deferred, or performed with fewer resources were completed in FY 2017, and the NRC is on schedule to complete the remaining items during the first quarter of FY 2018. The FY 2017 resource savings included \$39.3 million and 148 FTE. FY 2018 resource savings will be \$8.7 million and 37 FTE. In total, the NRC will realize a total resource savings of \$48 million, including 185 FTE for both FYs 2017 and 2018 as a result of the Project Aim rebaselining initiative.

The U.S. Government Accountability Office (GAO) report published on March 8, 2017, titled "Nuclear Regulatory Commission: Changes Planned to Budget Structure and Justification (GAO-17-294)," did not include any recommendations to change the NRC's budget process. Notwithstanding, the NRC staff continues to look for efficiencies in how it conducts internal processes, including budget formulation and execution.

With respect to performance goals and measures, as part of the Project Aim initiative, the NRC analyzed its fee setting process to improve transparency, equitability, and timeliness of communications for its stakeholders. The NRC developed a list of activities that include

improvements to: the agency's license-fee website, as well as its outreach to licensees concerning regulatory activities, invoicing, and the Congressional Budget Justification (CBJ). The NRC developed performance measures that it will use to gauge success in meeting the agency's goals of increased transparency, equitability, and timeliness, and the NRC will monitor planned activities and compare results with established performance measures.

For the transparency and equitability goals, the performance measures include: the percentage of improvement activities completed each year (80%), conducting an annual public fee rule meeting with stakeholders, and holding two informal meetings with stakeholders. For the timeliness goal, the measure is the date that the proposed and final fee rules are published. Additional metrics will be considered as appropriate for each goal as the agency gains experience with the changes.

As part of Project Aim, the NRC staff provided recommendations on fees transformation in SECY-16-0097 "Fee Setting Improvements and Fiscal Year 2017 Proposed Fee Rule." On October 19, 2016, the Commission directed the NRC staff to begin proposed fee setting improvement activities to be completed during the FY 2017 to FY 2020 timeframe (SRM-SECY-16-0097.) At this time, all of the 14 planned activities for FY 2017 have been successfully implemented, including adding information to the CBJ to align budget and fees, enhancing the explanations for international activities, developing a new internal report to streamline the development of the fee schedule, adding a section to the fee rule for a future class of licensees, and posting cost estimates for licensing and inspection actions on the agency's public website. The NRC was also able to accelerate and implement in FY 2017, three of the nine activities related to budget development scheduled for FY 2018. Also, to enhance timeliness for communicating fee changes, the NRC published the FY 2017 proposed fee rule in January of this year, earlier than in previous years. For the activities scheduled for implementation in FY 2018 and beyond, such as enhancing transparency in NRC invoices, inspection reports and the CBJ, along with increasing predictability by analyzing whether additional full cost recovery fees should be converted to flat fees in the fee schedule, the agency is currently reviewing the implementation schedule in an effort to support further acceleration. In addition, for enhanced equitability, the agency is continuing the analysis to support changes to the fee setting process planned for future fiscal years.

In your letter, you ask that our future budgets reflect a transparent, fair, and predictable fee structure. We develop our budget based on the requirements of our safety and security programs, and an analysis of workload estimates submitted by licensees and applicants. After the budget is appropriated, our fee structure is developed based on current work expectations and associated resource requirements including prudent use of carryover, to recover approximately 90 percent of our budgetary resources, as required by the Omnibus Budget Reconciliation Act of 1990 as amended (OBRA-90). To assist us in developing responsive and timely budget requests and adjustments, we ask that our licensees and applicants submit accurate future workload estimates, and communicate to us in a timely manner when those estimates change. We are committed to continued budget transparency and clarity on its relationship to our fee structure as a part of the annual Fee Rule process.

On August 23, 2017, the Commission directed the NRC staff to conduct further activities to reevaluate Office of Nuclear Material Safety and Safeguards programs and fee classes to consider alternate organizational, budget, and fee structures, with particular emphasis on exploring options for addressing Uranium Recovery fees. This reevaluation is expected to be completed in early 2018 and may result in changes to the fee calculation methodology for those fee classes in the future.

We value your feedback on our fees setting process and look forward to your continued participation in our public fee rule meetings. Please feel free to contact me directly should you need additional information at telephone (301) 415-7322 or by email at Maureen.Wylie@nrc.gov.

Sincerely,

/RA/

L. Ben Ficks
Acting Chief Financial Officer

SUBJECT: LETTER TO JOSEPH E. POLLOCK RE: NEI WHITE PAPER NRC BUDGET
ADJUSTMENTS, DATED, November 6, 2017

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DATE	10/17/17	10/24/17	11/02/17	11/6/17

*via e-mail

**MEWylie had first review on 10/24/17