

## REGULATORY FLEXIBILITY ANALYSIS

The Regulatory Flexibility Act (RFA), as amended at 5 U.S.C. 601 et seq., requires that agencies consider the impact of their rulemakings on small entities and, consistent with applicable statutes, consider alternatives to minimize these impacts on the businesses, organizations, and government jurisdictions to which they apply.

The U.S. Nuclear Regulatory Commission (NRC) has established standards for determining which NRC licensees qualify as small entities (§ 2.810 of Title 10 of the *Code of Federal Regulations* (10 CFR)). These standards were based on the Small Business Administration's most common receipts-based size standards and provides for business concerns that are manufacturing entities. The NRC uses the size standards to reduce the impact of annual fees on small entities by establishing a licensee's eligibility to qualify for a maximum small entity fee. The small entity fee categories in § 171.16(c) of this final rule are based on the NRC's size standards.

The NRC is required each year, under the Omnibus Budget Reconciliation Act of 1990 (OBRA-90), as amended, to recover approximately 90 percent of its budget authority (less amounts appropriated from the Nuclear Waste Fund and for other activities specifically removed from the fee base), through fees to NRC licensees and applicants. The OBRA-90 requires that the schedule of charges established by rulemaking should fairly and equitably allocate the total amount to be recovered from the NRC's licensees based on the principle that licensees who require the greatest expenditure of agency resources pay the greatest annual charges. Since fiscal year (FY) 1991, the NRC has complied with OBRA-90 by issuing a final rule that amends its fee regulations. These final rules have established the methodology used by the NRC in identifying and determining the fees to be assessed and collected in any given FY.

The Commission is rebaselining its 10 CFR Part 171 annual fees in FY 2020. Compared to FY 2019, the FY 2020 rebaselined annual fees will increase for spent fuel storage/reactor decommissioning and the U.S. Department of Energy (DOE) transportation activities. Annual fees

will decrease for operating power reactors, fuel facilities, research and test reactors, materials users, and the DOE Uranium Mill Tailings Radiation Control Act Program. Annual fees for the non-DOE uranium recovery licensee remain unchanged. The Small Business Regulatory Enforcement Fairness Act (SBREFA) provides Congress with the opportunity to review agency rules before they go into effect. Under this legislation, the NRC annual fee rule is considered a "major" rule and must be reviewed by Congress and the Comptroller General before the rule becomes effective.

The SBREFA also requires that an agency prepare a written compliance guide to assist small entities in complying with each rule for which a regulatory flexibility analysis is prepared. As required by law, this guide was prepared for the FY 2019 fee rule and was relabeled for the FY 2020 proposed fee rule. The small entity compliance guide is publicly available in the NRC's Agencywide Documents Access and Management System (Accession No. ML19318G044). In FY 2019, a biennial review of fees was performed. Accordingly, the small entity fees increase to \$4,500 for the upper-tier fee and \$900 for the lower-tier fee. The next regulatory flexibility analysis will be performed during the next small entity biennial review scheduled for FY 2021.

#### **I. Impact on Small Entities.**

The fee rule will result in fees charged to those individuals, organizations, and companies licensed by the NRC, including those licensed under the NRC materials program. The comments received in response to previous proposed fee rules and the small entity certifications indicate that licensees qualifying as small entities under the NRC's size standards are primarily materials licensees. Therefore, this analysis will focus on the economic impact of fees on materials licensees. In FY 2019, about 31.6 percent of all licenses under the materials program (approximately 2,516 licenses) were held by licensees qualifying as small entities.

As part of the FY 2019 fee rule, the NRC received one comment regarding the small entity size standards, which stated that the NRC should consider establishing lower licensing fees by creating one or more additional ranges between the \$520,000 and \$7,500,000 gross annual receipts range (ADAMS Accession No. ML19070A318). A fee rate schedule with more steps for

small businesses would help reduce the license fee burden on the smaller entities and address small business concerns. To reduce the significance of the annual fees on a substantial number of small entities, the NRC established the maximum small entity fee in FY 1991. In FY 1992, the NRC introduced a second lower tier to the small entity fee. Because the NRC's methodology for small entity size standards has been approved by the Small Business Administration, the NRC did not modify its current methodology for this rulemaking. The NRC did not make a change to the FY 2019 final fee rule in response to this comment; however, as one of the ongoing Fees Transformation initiatives, the NRC is currently determining if a change to the small entity size standards is needed.

Commenters on previous fee rulemakings have consistently indicated that the following would occur if the proposed annual fees were not modified:

1. Large firms would gain an unfair competitive advantage over small entities.

Commenters noted that small and very small companies ("Mom and Pop" operations) would find it more difficult to absorb the annual fee than a large corporation or a high-volume type of operation. In competitive markets, such as soil testing, annual fees would put small licensees at an extreme competitive disadvantage with their much larger competitors because the proposed fees would be identical for both small and large firms.

2. Some firms would be forced to cancel their licenses. A licensee with receipts of less than \$500,000 per year stated that the proposed rule would, in effect, force it to relinquish its soil density gauge and license, thereby reducing its ability to do its work effectively. Other licensees, especially well-loggers, noted that the increased fees would force small businesses to abandon the materials license altogether. Commenters estimated that the proposed rule would cause roughly 10 percent of the well-logging licensees to terminate their licenses immediately and approximately 25 percent to terminate before the next annual assessment.

3. Some companies would go out of business.

4. Some companies would have budget problems. Many medical licensees noted that, along with reduced reimbursements, the proposed increase of the existing fees and the introduction of additional fees would significantly affect their budgets. Others noted that, in view of the cuts by Medicare and other third-party carriers, the fees would produce a hardship difficult for some facilities to meet.

Many requests to terminate licenses, approvals, or registration terminations have been received since the NRC first established annual fees for materials licenses. Although some terminations were requested because the license was no longer needed or could be combined with registrations, indications are that the economic impact of the fees caused other terminations.

To alleviate the significant impact of the annual fees on a substantial number of small entities, the NRC considered the following alternatives in accordance with the RFA in developing each of its fee rules since FY 1991:

1. Base fees on some measure of the amount of radioactivity possessed by the licensee (e.g., number of sources).
2. Base fees on frequency of use of licensed radioactive material (e.g., volume of patients).
3. Base fees on the NRC size standards for small entities.

The NRC has reexamined its previous evaluations of these alternatives and continues to believe that a maximum fee for small entities is the most appropriate and effective option for reducing the impact of fees on small entities.

## **II. Maximum Fee.**

The SBREFA and its implementing guidance do not provide specific guidelines on what constitutes a significant economic impact on a small entity. Historically, in developing the maximum small entity annual fee, the NRC has examined 10 CFR Part 170 licensing and

inspection fees and Agreement State fees for fee categories which were expected to have a substantial number of small entities. In 1991, six Agreement States (Washington, Texas, Illinois, Nebraska, New York, and Utah) were used as benchmarks in the establishment of the maximum small entity annual fee.

Since that time, the NRC conducted an in-depth biennial review of the FY 2009 small entity fees. The review noted significant changes between FY 2000 and FY 2008 in both the external and internal environment which impacted fees for NRC's materials users' licensees. Based on that review, the NRC changed the methodology for reviewing small entity fees. As stated in SECY-08-0174, "Fiscal Year 2009 Proposed Fee Rule and Advance Rulemaking for Grid-Appropriate Reactor Fees," dated November 7, 2008, (ADAMS Accession No. ML083120518), the NRC determined that the maximum small entity fee should be adjusted each biennial year using a fixed percentage of 39 percent applied to the prior 2-year weighted average of materials users' fees for all fee categories which have small entity licensees. The 39 percent was based on the small entity annual fee for 2005, which was the first year the NRC was required to recover only 90 percent of its budget authority. This methodology remains in place; however, the NRC does also consider whether or not implementing an increase will have a disproportionate impact on the NRC's small licensees when compared to other licensees. Therefore, the increase for the upper and lower tier fees were capped at a 21 percent increase.

In FY 2019, the NRC staff performed a biennial review using the fee methodology developed in FY 2009 that applies a fixed percentage of 39-percent to the prior 2-year weighted average of materials users' fees. Based on this methodology, the upper tier small entity fee increased from \$4,100 to \$4,500 and the lower-tier fee increased from \$850 to \$900. This constituted a 10 percent and 6 percent increase, respectively. Implementing this increase results in a proportionate impact upon the NRC's small licensees compared to other licensees. Therefore, for FY 2019 the increase for the upper and lower tier fees were not subject to the 21

percent capped increase. In FY 2020, the fees are unchanged from the FY 2019 values. The NRC staff will perform a biennial review again in FY 2021.

### **III. Summary.**

The NRC has determined that the 10 CFR Part 171 annual fees significantly impact a substantial number of small entities. A maximum fee for small entities strikes a balance between the requirement to recover 90 percent of the NRC budget and the requirement to consider means of reducing the impact of the fee on small entities. Based on its regulatory flexibility analysis, the NRC concludes that a maximum annual fee of \$4,500 for small entities and a lower-tier small entity annual fee of \$900 for small businesses and not-for-profit organizations with gross annual receipts of less than \$485,000, small governmental jurisdictions with a population of fewer than 20,000, small manufacturing entities that have fewer than 35 employees, and educational institutions that are not State or publicly supported and have fewer than 35 employees, reduces the impact on small entities. At the same time, these reduced annual fees are consistent with the objectives of OBRA-90. Thus, the fees for small entities maintain a balance between the objectives of OBRA-90 and the RFA.

SUBJECT: FISCAL YEAR 2020 REGULATORY FLEXIBILITY ANALYSIS, Dated

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