UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

CHAIRMAN

December 10, 1981

The Honorable Richard L. Ottinger, Chairman
Subcommittee on Energy Conservation and Power
Committee on Energy and Commerce
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

As Chairman of the Nuclear Regulatory Commission, I am writing to ask your support for legislation to amend the Atomic Energy Act of 1954, as amended, to help alleviate some of the most significant financial hardships associated with relocating the Commission's resident inspectors to individual nuclear facility sites. A draft bill is in enclosure 1; an analysis of the proposed language is in enclosure 2; enclosure 3 contains a breakdown of the projected costs of the proposal.

The resident inspector program was developed to meet the well-established need for a greater NRC presence at major licensed facilities, primarily nuclear power plants. The resident inspector provides a continuing Commission presence on-site. These inspectors are well-versed in their site's characteristics, nuclear technology, and the licensee's procedures and personnel. They monitor day-to-day activities and licensee performance, and are responsible for following up on NRC bulletins, circulars, and information notices relating to that site. Resident inspectors also help assure that the licensee meets commitments in response to NRC enforcement actions. They are available to respond quickly to events which could affect the public health and safety, both on-site and in the local area, providing a reliable and knowledgeable contact regarding activities occurring at the facility. With the assistance of Region-based inspectors, they perform a scheduled program of inspection into all aspects of plant construction, testing, and operation that may have a significant bearing on assuring the public health and safety.

In order to ensure the impartiality of the resident inspectors, the Commission permits an inspector to be assigned to one particular site for only three to five years. After this term expires, the inspector must relocate. Further, there are several restrictions placed on the personal lives of the resident inspector and the inspector's family which NRC requires to avoid even the appearance of a conflict of interest between these key regulatory officials and personnel of the regulated industry. During the development of the NRC resident inspector program, and in response to frequent expressions of congressional concern, great emphasis was placed on developing mechanisms for preventing inspectors from identifying too closely with the companies they were overseeing. These restrictive devices include limiting the employment opportunities of family members by prohibiting them from working for the licensee or licensee contractor (frequently the principal employer in the small communities near most plants). Also, other kinds of day-to-day contacts between the inspector and his family and employees of the licensee or licensee contractor and their families are restricted. For example, the inspector is prohibited from carpooling with licensee or contractor employees or using licensee-subsidized transportation (e.g.., vanpools).

As a result of these requirements, as well as of NRC's difficulty in competing with private industry to provide salary incentives and other benefits, NRC anticipates severe difficulty in recruiting and retaining the highly trained and competent individuals needed to make the resident inspector program effective. The problem is expected to become particularly pressing as the agency commences large-scale rotation of resident inspectors. One major source of concern is the financial cost involved in relocating, especially in light of very tight housing and financial markets. While some of these costs are reimbursable under current government statutes and regulations, a significant share must still be borne by the relocating inspector. A second problem area involves the costs of commuting between the resident inspector's residence and the nuclear reactor site. The resident inspector's commuting costs present a unique problem relative to those of other federal employees because of several factors: (1) the remoteness of many nuclear sites; (2) the frequent unavailability of public transportation; and (3) the restrictions placed on the inspector, which prohibit carpooling with licensee employees or using licensee-subsized transportation.

It is to these two areas of concern -- relocation costs and commuting costs -- that the proposed legislation is directed. This proposal would amend the Atomic Energy Act of 1954 to authorize the Commission to: (1) reimburse resident inspectors for points, owner's title insurance, and bridge loan expenses incurred in relocating between two NRC positions; (2) contract with a relocation service to assist resident inspectors in relocating between duty stations; and (3) provide resident inspectors with government cars to use for commuting purposes. The Commission believes these measures would alleviate to a significant degree the problems of recruiting and retaining qualified resident inspectors.

We have consulted with OMB about this proposed legislation. Unfortunately, OMB has decided for budgetary reasons that it will not support at this time any legislation liberalizing relocation benefits for any federal employees. Because of our concern about the severe financial hardships borne by resident inspectors and the consequent negative impact on the resident inspector program, we feel compelled to continue to pursue this much needed remedial legislation. We urge early and favorable consideration of this proposed legislation by the Congress.

Sincerely,

Nunzio J Palladino

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Enclosures:

1. Draft Bill
2. Analysis
3. Breakdown of Costs

cc: The Honorable Carlos Moorhead

ENCLOSURE 1

A BILL

"To amend the Atomic Energy Act of 1954, as amended, to authorize the U.S. Nuclear Regulatory Commission to alleviate certain costs to resident inspectors arising from their relocation."

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Atomic Energy Act of 1954, as amended, is amended by adding a new Section 237 to read as follows:

Section 237. Resident Inspectors. --

a. Notwithstanding any regulations promulgated by the President pursuant to Section 5724a of Title 5, U.S.C., appropriations or other funds available to the Nuclear Regulatory Commission for administrative expenses are available, under such regulations as the Commission may prescribe and to the extent considered necessary and appropriate, for reimbursement of all or part of the following expenses of a resident inspector of the Commission, relocating between two NRC duty stations, for whom the Government pays expenses of travel and transportation under Section 5724(a) of Title 5, U.S.C. -- (1) Points or mortgage loan origination fees charged by mortgage lender to resident inspector on sale or purchase of a residence, not to exceed the lesser of $8000 or 8 percent of the sale price of the residence (8 points); (2) Interest on, and other expenses of, a "bridge" or "swing" loan, limited to 180 days of interest, taken by the resident inspector on currently owned property to provide an equity advance to purchase a second property prior to the sale of the first property; (3) The cost of an owner's title insurance policy paid for by the resident inspector on a residence purchased by him.

b. The Commission is authorized to enter into contracts for the provision of relocation services to assist employee resident inspectors for whom the Government pays expenses of travel and transportation under Section 5724(a) of Title 5, of the United States Code, in relocating between duty stations, including assisting in the sale of employees' residences.

c. Notwithstanding the provisions of Section 638a of Title 31, the Nuclear Regulatory Commission may authorize the Executive Director for Operations to approve the use of Government-owned or leased vehicles located at resident inspection offices for transportation of resident inspectors between their domiciles and official duty stations, when public transportation is unavailable or impractical.

ENCLOSURE 2

Section-By-Section Analysis

The draft bill would add a new Section 237 to Chapter 18, "Enforcement," of the Atomic Energy Act of 1954 to authorize the Nuclear Regulatory Commission to alleviate certain cost burdens to resident inspectors arising from the need to periodically relocate these employees.

Subsection 237a. would authorize the Commission to reimburse employees moving between two NRC assignments, one of which is that of resident inspector, for specific out-of-pocket costs associated with the sale and purchase of residences. The amendment allows payment of points on loans to purchase or sell a home (limited to the lesser of 8 points (8% of sale price) or $8000), interest on bridge loans (limited to 180 days of interest), and owner's title insurance, none of which are currently reimbursable under the federal travel regulations. These expenses have proved to be a significant burden to the relocating resident inspector, who must sell and purchase his residences in a very tight and expensive housing market and who must seek financing in an equally tight and expensive financial market.

Subsection 237b. would authorize the Commission to contract with private relocation services to handle the sale of the resident inspector's house. The advantages of using a relocation service are that it removes from the resident inspector the responsibility for disposing of his house at the old location, eases the transition of the inspector's family, and provides the equity necessary to purchase a new house, eliminating both the need for a bridge loan and the payment of points on the sale of a home.

Subsection 237c. would authorize the Commission to provide resident inspectors the use of Government-owned or leased cars to commute between their homes and official duty stations. This amendment eliminates the financial burden of high commuting costs experienced by many resident inspectors due to the remoteness of the sites from suitable housing and the usually poor or non-existent public transportation available to the resident inspector. This problem is exacerbated by the prohibition against the inspector utilizing carpools with employees of the licensee or transportation subsidized by the licensee. Currently, the use of Government vehicles for commuting purposes is prohibited by statute. This provision would exempt resident inspectors from this limitation, thereby relieving them of unreasonably high costs of commuting which are the direct result of their service with the NRC inspector program.

ENCLOSURE 3

BREAKDOWN OF COST

I. Resident Inspector Relocations

The number of resident inspectors onsite at Fiscal Year end from FY 1981 through FY 1986 are shown below:

Fiscal Year	Operating Reactor Sites	Construction Sites	Fuel Facilities	Total
1981	124	24	1	149
1982	136	32	1	169
1983	146	29	1	176
1984	158	24	1	183
1985	158	16	1	175
1986	160	12	1	173

The turnover rate -- the number of employees leaving the NRC -- for resident inspectors is expected to average 12 percent. The remaining resident inspectors will serve a tour of duty of four years and at the end of their tour of duty about 70 percent will be relocated to another site and 30 percent will go to an assignment at the NRC headquarters or the regional offices. All position vacancies in resident assignments will be filled with employees from within NRC who would be entitled to relocation compensation. It is anticipated that there will be a long term training program for all new employees prior to their be assigned resident duties and therefore even new employees would receive relocation entitlements. In those instances where a new employee is moved directly to the site the number of paid relocations would be reduced.

Projected Resident Inspector Vacancies

Fiscal Year	New Positions	Replace Turnover	Replace Assignments	Resident Rotation	Total
1982	20	18	10	33	81
1983	7	20	11	37	75
1984	7	21	12	39	79
1985	(12)	22	12	40	62
1986	(2)	21	11	38	68

II. Reimburse Points, Bridge Loan Expense and Owner's Title Insurance

In the fall of 1979, a questionnaire was sent to every resident inspector to determine the unreimbursed expenses associated with their recent relocation. The major categories of nonreimbursed expenses were: (a) points, (b) bridge loans and (c) homeowners title insurance. The cost of these categories of expense are provided below based on the average cost of a single family dwelling at $85,900 and the use of eight points per transaction.

Type of Cost	Average Cost Per Employee*
Points	$6872
Interest and Expense on Bridge or Swing Loan	488
Homeowners Title Insurance	275
Total Cost per Employee	$7635

* There has been no adjustment made for inflation in FY 1983 and beyond

When the above factors are applied to the number of residents being relocated each year, the following estimated costs of relocation result:

Fiscal Year	Relocating Residents	Cost per Resident	Total Cost of Points, Bridge Loan and Title Insurance*
1982	81	$7635	$618,000
1983	75	7635	573,000
1984	79	7635	603,000
1985	62	7635	473,000
1986	68	7635	519,000

III. Reimbursement for Relocation Service Contracts

Estimated costs for the use of relocation service contractors to advance the equity and sell the property of a relocating employee are based on data available from the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

*Dollars rounded to nearest thousand

Supporting information was also obtained from several companies offering this service on a nationwide basis.

Prior to the tightening of the real estate and home financing markets in 1980, relocation services for houses -- which include real estate broker fee and all other fees associated with the selling of property, providing an equity advance to the seller, plus a profit margin -- averaged between 14 and 17 percent of the property's selling price. During 1980, the Comptroller of the Currency and the Federal Deposit Insurance Corporation experienced fees that ranged from 13 percent to 25 percent of the property's selling price and averaged approximately 22 percent. About 80 percent of their employees had a property sale transaction in conjunction with a relocation which is the figure that will be used in the relocation service contract computations.

The above cost of contracting with a relocation service includes costs that are already reimbursed to relocating employees, which amount to approximately 10 percent of the property's selling price, up to $8,000, for the real estate broker's fees and for some fees associated with a property transaction. Therefore, the cost of the legislative proposal is the net of the additional cost of using a relocation service. The following is a breakdown of those costs.

PER EMPLOYEE COST OF A RELOCATION SERVICE

Selling Price of the Property	$85,900
Relocation Service Fee	18,898 (22%)
Current Reimbursement	8,000
Net Cost of Relocation Service	10,898
Percent of Relocating Residents Involving Property Transactions	80%
Weighted Average per Employee	8,718

The resulting cost for the use of a relocation service contract for all resident inspectors:

Fiscal Year	Relocating Residents	Weighted Average Cost	Total Cost*
1982	81	$8,718	$706,000
1983	75	8,718	654,000
1984	79	8,718	689,000
1985	62	8,718	541,000
1986	68	8,718	593,000

* Dollars are rounded to nearest thousand.

IV. Government Furnished Vehicles for Commuting

It is assumed that each resident inspector would be provided a vehicle obtained from the General Services Administration or, if necessary, from a commercial vendor to be used for commuting and official business. Case-by-case determinations will be made to eliminate the use of one vehicle per inspector with the objective of reducing the number of vehicles to one per resident office. The reduction to one vehicle per site may not be possible due to different work shifts or in cases where the resident inspectors reside in two widely separated locations. In that respect the cost projections listed below are the upper-bound costs. Based on NRC surveys of resident inspectors commuting distances and actual records of their official travel, each of these vehicles is expected to be used for an average of 12,000 miles annually. GSA costs for subcompacts (e.g. Ford Pinto) were used, although in a few instances larger or specialized vehicles may be necessary. The cost calculations are shown below:

Fiscal Year	Number of Residents/ Max. Number of Vehicles	Cost per Vehicle	Total Cost*
1982	169	$2,700	$456,000
1983	176	2,700	475,000
1984	183	2,700	494,000
1985	175	2,700	472,000
1986	173	2,700	467,000

* Dollars are rounded to nearest thousand.

IV. Summary of Costs

A summary of costs for each aspect of the legislative proposal is listed below. Any relocating resident inspector will be able to choose between being reimbursed for (1) points, bridge loan expense and title insurance or (2) using a relocation service. All residents will be provided a vehicle to defray the additional cost of commuting. The total column reflects that choice by showing a range of costs depending on which option the residents choose.

Fiscal Year	Points, Bridge Loan Title Ins	Relocation Service	Government Vehicles	Total Costs*
1982	$618,000	$706,000	$456,000	$1,074,000 - 1,162,000
1983	573,000	654,000	475,000	1,048,000 - 1,129,000
1984	603,000	689,000	494,000	1,097,000 - 1,183,000
1985	473,000	541,000	472,000	945,000 - 1,013,000
1986	519,000	593,000	467,000	986,000 - 1,060,000

*Dollars rounded to nearest thousand.