

UNITED STATES OF AMERICA
NUCLEAR REGULATORY COMMISSION

BEFORE THE ATOMIC SAFETY AND LICENSING BOARD

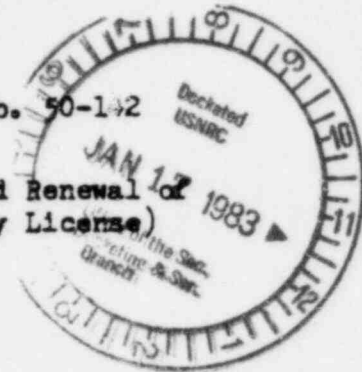
In the Matter of

THE REGENTS OF THE UNIVERSITY
OF CALIFORNIA

(UCLA Research Reactor)

Docket No. 50-142

(Proposed Renewal of
Facility License)



DECLARATION OF LEO BAFFSKY

I, Leo Baefsky, do declare as follows:

1. I am a Certified Public Accountant, licensed by the State of California since 1959. A statement of professional qualifications is attached.
2. I have been asked to review UCLA's presentation of financial data relative to its ability to provide reasonable assurances of obtaining and devoting the necessary funding to safely operate the UCLA reactor during the next twenty years. I find that an insufficient showing has been made.
3. Mr. Karlowicz, in his affidavit for the NPC Staff regarding CBG Contention XVIII, states in essence that funds have been available in the past, are available in the present, and will be available in the future to safely operate the UCLA research reactor.
4. In accounting concepts, availability of funds to finance operations means amounts have to be physically available, already collected or being collected shortly. Funds must be legally authorized for spending in the current period and not some future period. Further, revenue is susceptible to accrual when it is measurable and available to finance operations. Measurable means knowing the precise amount because the transaction is completed.
5. The fact that the 9-campus University of California system has been funded by the Legislature historically, at varying levels, provides

little if any assurance that funds will be available to finance a specific line item at one of those campuses during the next period of time. It is certain that the Legislature will continue to provide funding at some level for the University system as a whole, but it is not at all certain that the UCLA reactor will be funded at an adequate level during the next few years, let alone the next twenty. In fact, a review of the current fiscal picture suggests a significant likelihood of further substantial cuts in the operating budget for the reactor, given the budgetary crisis faced by the University and the State.

6. The fact that the University of California is one of the largest state-operated educational institutions in the United States with "substantial financial resources" has no bearing on funds available to operate the reactor. Funding normally comes from current tax funds and not from assets of the University. It is unlikely that the University would sell off any of its assets in order to maintain funding for the reactor, in the event a budget reduction by the Legislature imperiled the reactor program. The very size of the University system is one of its major financial liabilities at present; in light of dwindling State support, across-the-board cuts have become severe.

7. Neither the UCLA attempt to provide the Licensing Board with assurances about future funding for the reactor nor the NRC Staff review of the UCLA financial presentation discusses the current crisis facing the University and its primary funding source, the State of California. The State faces an estimated \$1.5 billion deficit in what the Los Angeles Times (12/30/82) has called "the gravest fiscal crisis in state government since the end of the Great Depression." Shortly after being sworn in as Governor on January 3, 1982, George Deukmejian issued an executive order freezing state hiring and imposing a 2 percent reduction in state spending, an order which applies to the University of California effective immediately. (San Francisco Examiner, January 4, 1983). The 2 percent statewide cut is estimated to save only \$70 million against the projected deficit of \$1.5 billion, so even larger cuts seem likely.

8. UC President Saxon has estimated the projected deficit could result in cuts of up to \$55 million in UC operations for this year and an additional

\$100 million cut possible next year, which he said "would have a devastating impact on the university." (UCLA Daily Bruin, November 22, 1982).

Saxon is quoted as saying that a \$100 million cut would be the equivalent of closing all 24 UC schools in engineering, business, agriculture, law, public health, nursing and education, or closing two of the nine UC campuses. These looming cuts would come on top of several years of deep cuts that have already been made in the UC budget. (For a good summary of the past cuts, see the November 1, 1982, letter from Jesse D. Shaw, Associate Director of the Budget, UC Statewide Administration, attached.)

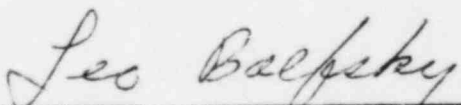
9. The state funding the University receives is for education and research. With the financial crunch that the Legislature faces, and with the dramatic decline in educational and research use of the reactor facility, and its replacement with commercial activity, the program is obviously in financial peril. The specific purpose was to educate undergraduate and graduate students in nuclear energy and related fields. Given the small enrollment in this arena, it would appear likely that the reactor facility will be a prime target for further substantial cuts. As indicated in my declaration on Contention II, the few dozen hours per year in which the reactor is used for education result in an extraordinarily high cost per hour, one which is not likely to escape notice of those responsible for cutting budgets. When faced with the option of cuts in a reactor program barely being used for education or research versus cutting, for example, faculty positions in thriving areas more central to the university's mission, the reactor program can be expected to fare poorly. Indeed, already a universitywide review committee on engineering at UC has indicated, in its July 1982 report, that because of the very low number of students involved, the nuclear engineering program at UCLA is of low cost effectiveness and should be a high priority for consideration for cost-cutting actions such as consolidation with other similar programs at other campuses.

10. Some comments are in order about alternatives to the facility being relicensed that should be thoroughly examined. The specific purpose was supposedly to educate undergraduate and graduate students in nuclear energy and related fields. Given the small enrollment and limited services in this area provided by the reactor, at substantial cost, it would appear to be more cost-effective

to look for other means of accomplishing the mandated purposes, such as, perhaps, leasing time at some other facility, or, as the universitywide review committee mentioned above suggested, consolidation of the program with that of other underutilized similar programs at other UC campuses. A clear dispute about use of available resources appears to exist regarding the proposed relicensing. The dispute is essentially whether, in these very difficult times financially for the University, can we accept the cost of \$337,000 per year for the next 20 years, especially with the minimal educational and university research reactor hours involved, and at the same time be giving what appears to be a substantial subsidy to commercial users?

11. In conclusion, neither the showing attempted by the University nor the review thereof by the NRC Staff is sufficient to demonstrate that funds are likely to be available for continued funding at an adequate level for the UCLA reactor, given its severe underutilization and low cost-effectiveness. Neither the University nor the NRC Staff analyze whatsoever the financial implications of the current budgetary crisis, the worst since the Great Depression, and the likely effects on reactor budget of the massive cuts faced by the University. Neither references to the size of the 9-campus University system, nor references to the assets of the University system, are adequate to demonstrate that the reactor is not likely to be a prime target for further substantial cuts. In the absence of a thorough examination of the implications of the current financial crisis for the University and the State, reasonable assurances of adequate funding for the reactor in the future have not been, and cannot be, provided.

I declare under penalty of perjury that the foregoing is true and correct to the best of my knowledge and belief.



Leo Baefsky

Executed at Los Angeles, California, this 9th day of January, 1983

Statement of Professional Qualifications

LEO BAEFSKY

My name is Leo Baefsky. I am a Certified Public Accountant, licensed by the State of California since March 1959.

I received my Bachelor of Science degree in 1946 from UCLA in Business Administration.

For many years I was associated with Samuel J. Rothman and Associates, a firm of public accountants, first as an employee and then as a partner. I now practice my profession as a sole proprietor CPA.

I am a member of the American Institute of Certified Public Accountants and of the California Society of Certified Public Accountants.

UNIVERSITY OF CALIFORNIA SYSTEMWIDE ADMINISTRATION

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Office of the Vice President
of the University

BERKELEY, CALIFORNIA 94720

November 1, 1982

Mr. Steven Aftergood
1637 Butler Avenue #203
Los Angeles, California 90025

Dear Mr. Aftergood:

I am writing in response to your letter of October 12, 1982, in which you request information concerning budget reductions at the University of California during the past few years.

The University's budget currently suffers from major funding deficiencies. State support of instructional programs has been deficient ever since the late 1960s and early 1970s when the student-faculty ratio deteriorated by nearly 20 percent. Since that time, there has been no improvement in the ratio despite its importance to the quality of instructional programs and despite repeated University requests for improvement.

Following the passage of Proposition 13 in June, 1978, the State responded by providing substantial fiscal relief to cities and counties, with the result that the budgets of State programs were markedly reduced. The University's initial share of the budget reductions was a \$15.4 million across-the-board reduction which affected all University programs. In addition, the Legislature made reductions to specific programs in the original 1978-79 Governor's Budget totaling \$16 million. Actions by the Governor and the Legislature further reduced the University's budget the following year. The combined effect of budget reductions in the two-year period 1978-79 and 1979-80 was \$39.1 million: \$16.7 million in across-the-board cuts and \$22.4 million in legislative reductions to specific programs which had been included in the Governor's Budgets.

In 1981-82, the State's fiscal condition caused the Governor to reduce his budget for University operations by \$7.5 million below the level initially approved by the Department of Finance; the Legislature then made further reductions of over \$30 million. In addition, a \$25 million revolving fund used for hospital working capital was eliminated from the University's budget, thus requiring the University to seek interim funding because of the lag in Medi-Cal payments from the State and Medicare payments from the Federal Government.

The resulting lean budget for 1981-82 was made suddenly much leaner by the Governor's Executive Order of October, 1981, which reduced the University's budget on a one-time basis by 2 percent, or \$22.3 million. This unanticipated reduction was announced after programs were already underway for the year, making budgetary adjustments more difficult. Moreover, the University and other State Operations were assigned a disproportionate share of the Governor's reductions, compared to Local Assistance budgets. As a result, the University was forced to

INTERNAL CORRESPONDENCE

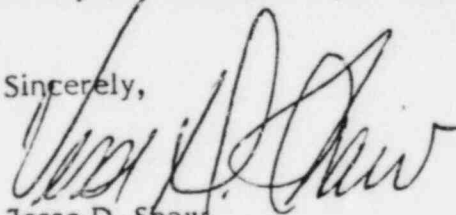
institute a hiring freeze on non-teaching positions, defer expenditures such as purchase of equipment and plant maintenance, and add a \$25 surcharge to student fees in the Spring Quarter in order to accommodate the cut.

The 1982-83 Governor's Budget restored funds cut by the Executive Order but, at the same time, proposed a permanent reduction of 2-1/2 percent or \$29.3 million. This reduction was retained by the Legislature, which made \$6 million of additional cuts to the University's base budget. The 1982 Budget Act thus includes cuts of over \$35 million. In addition, the Budget Act provides no salary increase for University faculty and staff or for State employees in 1982-83.

President Saxon has described the University's budget in recent years as "tough but fair under the circumstance." A copy of his most recent statement to the Board of Regents is attached for your review. The State's fiscal problems are real and the University cannot reasonably expect to avoid their consequences. In general, the State has dealt fairly with the University's budget and has continued to recognize education as a high priority. Nonetheless, it is important for Californians to understand that the University has absorbed major reductions over the past few years and that a university cannot remain outstanding indefinitely without adequate support. The University now faces a number of severe problems caused by lack of funds.

I hope this information meets your needs and is useful. Mr. George Anderson has talked with you about your information needs so please call him if you have additional questions.

Sincerely,



Jesse D. Shaw
Associate Director
of the Budget

cc: Assistant Vice President Baker
Senior Analyst George Anderson

REPORT OF THE
UNIVERSITYWIDE PROGRAM REVIEW COMMITTEE
ON
ENGINEERING

THE UNIVERSITY OF CALIFORNIA

JULY, 1982

engineering schools could be realigned for increased efficiency and better flexibility in adapting to the changes in program needs. UC faculty seem to have a natural inclination to split off into small, specialized departments. While we understand the advantages in program identification and autonomy, there are drawbacks as well. One is the increased administrative cost that inevitably follows. Even small departments need administrative assistants and a complement of staff, copying machines, and all the support services demanded by a well-functioning office. Worse yet, is the potential for small departments to foster isolation of their faculty and to impede communication between people in different but related disciplines. Also, the organization of a small department in a new specialty area reduces flexibility in making future organizational changes. What happens when the new specialty proves only of transient interest? It is much easier by rearrangement to eliminate a program option in a department than it is to eliminate a small department devoted to some specialty.

We recommend that engineering schools should be organized into departments that reflect the basic disciplines of the profession. Specialty areas should be set up as options within these disciplines. For example, we believe that Manufacturing Engineering might best be offered as an option under Mechanical or Electrical Engineering. It need not become an independent department and program. Similarly, Biomedical Engineering might be an option offered by ME, EE, or ChemE. If historical developments have led to small splinter groups and specialities within a campus, now is the time to seek consolidation in the interest of efficiency. An example would seem to be the System Science department at UCLA. Knowing that local problems and considerations need to be taken into account, we believe that each campus should examine its present organization. Perhaps the expected budget tightness presents a new opportunity for organizational changes that will not only enhance efficiency but also lead to better communication among academic disciplines.

In trying to identify specific programs that should be reduced, we believe that one must have a generally accepted set of criteria deriving from systemwide goals. Cost effectiveness is certainly one goal. Academic excellence is another. Balance is a third. Many others might be mentioned, but what is needed is a translation of such goals into an operational method for tagging programs that need to be looked at anew.

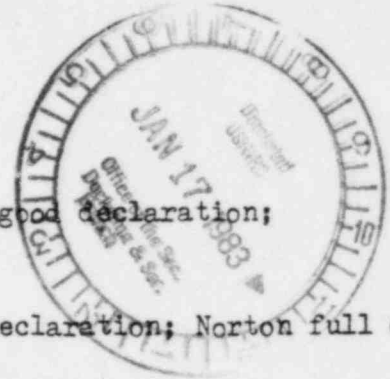
One method we applied was to look for small programs, defined as those graduating 10 per year or less, that exist on several UC campuses and that have been in existence for some time. Such programs seem good candidates for consolidation in the interest of cost effectiveness.

Nuclear Engineering programs at UCB, UCLA, and UCSB fall into this category. They are programs of long standing that have very low student-faculty ratios. We question whether three small programs in Nuclear Engineering are needed in the UC system, and suggest that a more detailed study be undertaken in this area.

Aeronautical Engineering is a small program that exists in

CONTENTION XIX

RESPONSE TO STAFF'S ASSERTED MATERIAL FACTS



1. DISPUTED (10 CFR 20 Appendix B, Table II; Aftergood declaration; Kaku declaration P83-86)
2. DISPUTED (Dupont P26-29; Warf, P27; Kaku full declaration; Norton full decl.)
- 3&4. DISPUTED (Norton P57-8, 60-8; Dupont, P26-9)
5. DISPUTED (Plotkin as to VII, P8; Norton, P69, 77, 78, 54; Kaku, P77, 37, 39)
6. DISPUTED (same as 5 above; compare with Ted Taylor P 17-21 and Dyson attachment on the far greater protections against student error offered by the TRIGA reactor, or a reactor with TRIGA fuel)
7. DISPUTED (Kaku, P66, 76, 83)
8. NOT DISPUTED. It is, however, not the Maximum Credible Accident
9. NOT DISPUTED. (CEG does not concede that UCLA will, however, obey its Tech Specs. As contended elsewhere, there is a history of violation).
10. NOT DISPUTED
11. NOT DISPUTED THAT THAT IS WHAT THE ACCIDENT ANALYSIS IN THE AMENDED APPLICATION SAYS. DISPUTED THAT THAT IS WHAT THE CONSEQUENCES FROM THE MAXIMUM CREDIBLE ACCIDENT ARE.

RESPONSE TO UCLA "FACT"

17. DISPUTED
counter facts:

- a. destructive power excursion, involving fuel melting and explosive chemical reactions, is a credible accident at UCLA. (Kaku, P54, Norton P75-6)
- b. fire is a credible accident at the UCLA Argonaut (Fulido P19-26; Kaku P58-64)
- c. Wigner energy release is a credible accident at the UCLA Argonaut (Dupont P26-29)
- d. Seismic disruption causing roughly 20 times the damage estimated in the fuel handling accident assumed by Hawley is a credible accident at the UCLA reactor (Kaku P 65-70, 83)
- e. Release of 25% of the core radiiodines is a credible consequence of a credible accident at the UCLA reactor. (Kaku, P 83-84)
- f. Consequences of the Hawley fuel handling accident (or SER seismic event) would be doses in excess of 9000 Rem thyroid (Aftergood declaration on VIII).
- g. Consequences of a 25% radiiodine release could be doses over one million rem to the thyroid and exposing the public out to 75 km to doses in excess of 10 CFR 20 limits. (Aftergood declaration on VIII; Beye declaration).