WRITTEN STATEMENT
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TO THE
HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON ENERGY AND WATER DEVELOPMENT
FEBRUARY 10, 2016

Good morning, Chairman Simpson, Ranking Member Kaptur 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) 2017 budget request.

As you know, the NRC is an independent agency established to license and regulate the civilian use of radioactive materials in the United States to ensure adequate protection of public health and safety, promote the common defense and security, and protect the environment. The resources we are requesting for FY 2017 will allow the NRC to continue to uphold our important safety and security mission.

We'd like to underscore that this budget request reflects a substantial reduction from the 2016 enacted budget. Project Aim is delivering on the promise to achieve efficiencies in both corporate and programmatic areas. The NRC has taken a hard look at the proposed budget, and is proposing reductions in both full-time equivalents (FTE) and contract support dollars that represent real savings. As we continue our work through the Project Aim initiative, we anticipate additional savings and efficiencies to come.

To put this in context, the FY 2017 budget request reflects a decrease of $73.7 million and 279.7 full-time equivalent employees from the FY 2014 enacted budget. We believe this FY 2017 budget request reflects our continuing focus on our important mission while achieving resource savings and improving the agency's efficiency and effectiveness.

In FY 2017, the NRC will continue licensing and oversight activities for 100 operating commercial nuclear power reactors, including the Watts Bar Unit 2 nuclear power station slated to begin commercial operation later in calendar year 2016, and 31 research and test reactors. The resources we have requested for FY 2017 also support ongoing work associated with implementing lessons learned from the Fukushima Dai-ichi Nuclear Power Plant accident in Japan. While we expect the bulk of the most safety significant enhancements to be completed in calendar year 2016 and to bring to closure our work on most of the longer-term "Tier 2 and 3" issues, resources requested for FY 2017 support the continued implementation of the "Tier 1" enhancements, including seismic and flooding hazard reevaluations, spent fuel pool instrumentation and mitigation of beyond design basis events.

During FY 2017, the NRC expects to continue reviewing three new reactor combined license applications. Additionally, the NRC will continue to conduct inspections of four new reactor units

under construction – Vogtle Electric Generating Plant, Units 3 and 4, and Virgil C. Summer Nuclear Station, Units 2 and 3 – and will continue to carry out its vendor inspection program for both new and operating reactors. The NRC also expects to receive and begin review of one small modular reactor design certification application from NuScale.

Further, the NRC plans to review three applications for medical isotope production facilities, including reviewing an operating license for one facility and conducting environmental and safety reviews of construction permits at two others.

The FY 2017 budget request includes $5 million in non-fee billable activities related to developing the regulatory infrastructure for advanced nuclear reactor technologies. This funding would prepare the NRC to undertake effective and efficient licensing reviews of advanced reactor technologies consistent with the maturity and development pace of the technologies. The intended activities to be initiated in FY 2017 would fall into three categories: licensing infrastructure, technical preparation, and outreach.

Additionally, the FY 2017 budget request provides funding for licensing reviews and oversight activities at power reactors undergoing decommissioning, including Kewaunee Power Station, San Onofre Nuclear Generating Station Units 2 and 3, Crystal River 3 Nuclear Power Plant and Vermont Yankee Nuclear Power Plant.

The FY 2017 budget request also ensures the NRC can continue to license and oversee the safe and secure use of radioactive materials used for medical, academic, industrial and research purposes. The NRC and Agreement states oversee approximately 21,000 specific materials licensees. In FY 2017, the NRC will complete approximately 2,000 materials licensing actions and approximately 900 routine health and safety inspections, as well as reactive and follow-up inspections.

In FY 2017, the NRC will continue its oversight over nuclear waste and spent fuel storage facilities, certify storage and transportation containers and respond to events involving our licensees. The NRC expects to review one application for an interim consolidated storage facility.

In FY 2017, the NRC's research program will continue to support the NRC's regulatory activities by evaluating and resolving safety issues for NRC-regulated nuclear power plants, other nuclear facilities and materials users that the agency regulates. The NRC will further enhance its regulatory programs through coordination and cooperation with other Federal agencies, States, Tribes, and international organizations and foreign governments. The NRC will continue to support international conventions on safety and treaty compliance, and support a wide range of activities to help foreign regulatory counterparts develop or enhance their programs and their controls over radioactive sources.

THE CHANGING REGULATORY ENVIRONMENT

Before I get into the specifics of the NRC's FY 2017 budget request, I would like to talk about our Project Aim effort to find efficiencies, use resources wisely, and streamline processes and regulatory decision making while continuing to meet our critically important safety and security mission.

Since 2001, the agency grew significantly to enhance its security and incident response regulatory structure, and to prepare for the projected growth in nuclear power in the United States. That forecast in growth has been adjusted downward in response to changes in the nuclear industry. As is appropriate, the NRC is being scrutinized by its stakeholders for its response to these changes and the resulting use of resources. The agency can and should maintain focus on our mission while we take a hard look at our workload and how to achieve efficiencies.

We are confident that the agency is on the right track. Over $9 million in savings has already been identified through a comprehensive evaluation that involved staff at all levels of the agency, as well as stakeholder input. The savings, particularly in the areas of rulemaking, travel and corporate support are significant. However, through Project Aim, we are seeking additional efficiencies. Corporate efficiencies include centralizing financial management and human capital staff, and reducing information technology security costs. The NRC's safety and security mission remains paramount as actions are taken to re-baseline the agency.

The Project Aim Steering Committee has delivered to the Commission a rebaselining paper that outlines additional proposed efficiencies. While still under Commission review, the now-public paper reflects more than 140 activities that could be eliminated or reduced over the next six months, of about $41.1 million in FY 2017. Total potential reductions identified over 18 months is $49.5 million. The staff will later submit to the Commission a paper outlining additional areas for longer-term efficiencies and projected workload changes through FY 2020.

However, we cannot emphasize strongly enough that the NRC's ability to ensure adequate protection of public health and safety and the common defense and security will always be our main concern. While our size may change to reflect workload reductions and efficiency gains, the need for the great majority of the services we provide the American people remains unchanged.

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 some senior staff retire and new experts take their place. We must not forget that the success of the agency is due, in no small part, to the quality and dedication of the agency's people. Remaining one of the best places to work in the federal government is important to our ability to continue to recruit the most talented candidates, and retain our skilled and knowledgeable technical experts.

I want to highlight one other area where the Commission is focusing on improvement: the Commission's involvement in the rulemaking process. Over the last several years, the Commission has revised its rulemaking processes to improve its understanding of, and, where possible, reduce the cumulative effects of regulations. These new processes include increased opportunities for stakeholder interactions and feedback, publishing draft supporting guidance concurrent with proposed rules, requesting specific comment on the cumulative effects of regulations in proposed rules, and developing better-informed implementation timeframes.

We are cognizant of the Committee's concerns as expressed in the FY2016 Joint Explanatory Statement regarding the timing of Commission involvement. The Commission directed the NRC staff last September to propose a plan for increasing the Commission's involvement in the rulemaking process before significant resources are expended. The Commission has just issued its direction on the proposed plan, which presented eight recommendations to better define and enhance the Commission's role in the early stages of rulemaking. We believe our approved approach meets the intent expressed in the report language and we will provide the requested information to the Committee in March 2016.

FY 2017 BUDGET REQUEST

The NRC's proposed FY 2017 budget is $970.2 million and 3,462 FTE, excluding the Office of the Inspector General (OIG). The proposal represents a decrease of $19.8 million from the FY 2016 enacted budget, as well as a decrease of 90 FTE.

The OIG's component of the FY 2017 budget is $12.1 million, of which $11.2 million is for auditing and investigation activities for NRC programs and $1 million is for auditing and investigation activities of the Defense Nuclear Facilities Safety Board (DNFSB). These resources will allow the OIG to carry out its mission to independently and objectively conduct audits and investigations to ensure the efficiency and integrity of the NRC and DNFSB, to promote cost-effective management, and to prevent and detect fraud, waste, and abuse.

Under the provisions of the Omnibus Budget Reconciliation Act of 1990, as amended, the NRC FY 2017 budget request provides for 90 percent fee recovery, less the amounts appropriated for generic homeland security activities, waste incidental to reprocessing activities and DNFSB activities. Accordingly, $861.2 million of the FY 2017 budget will be recovered from fees assessed to NRC licensees, resulting in a net appropriation of $121.1 million. This appropriation is an increase of $2.1 million compared with the FY 2016 enacted budget due to the inclusion of $5 million in non-fee-billable resources for advanced nuclear reactor technology.

The NRC carries out its safety and security activities through two major programs: Nuclear Reactor Safety, which includes both Operating Reactors and New Reactors, and Nuclear Materials and Waste Safety, consisting of fuel facilities, nuclear materials users, decommissioning and low-level waste, and spent fuel storage and transportation. Compared to the FY 2016 enacted budget, the NRC's Nuclear Reactor Safety Program decreased by $3

million and 61.9 FTE; the Nuclear Materials and Waste Safety Program, including Decommissioning and Low-Level Waste, decreased by $1.8 million and 28.1 FTE.

I would now like to highlight portions of the FY 2017 budget request.

NUCLEAR REACTOR SAFETY

Operating Reactors

The FY 2017 budget request for the Operating Reactors Business Line is $587.5 million, a decrease of $1.7 million from the FY 2016 enacted budget. This reflects declining or completed workload associated with, among other activities, implementation of the Fukushima lessons learned, license renewals and National Fire Protection Association 805 license amendment requests.

New Reactors

The FY 2017 budget request for new reactors is $169.9 million, which represents a funding decrease of $1.4 million when compared with the FY 2016 enacted budget. The decrease is a result of delays in application submittals, and project slowdowns or suspensions. The New Reactors Business Line is responsible for the regulatory activities associated with siting, licensing, and overseeing construction of new nuclear power reactors.

NUCLEAR MATERIALS AND WASTE SAFETY

Fuel Facilities

The FY 2017 budget request for fuel facilities is $41.5 million, which represents an overall funding decrease of $2.9 million when compared with the FY 2016 enacted budget. The Fuel Facilities Business Line supports licensing, oversight, rulemaking, international activities, research, generic homeland security, and event response associated with the safe and secure operation of various operating and new fuel facilities such as conversion, enrichment, and fuel fabrication facilities, and nuclear fuel research and pilot facilities.

Nuclear Materials Users

The FY 2017 budget request for nuclear material users is $92.5 million, which represents a funding increase of $0.9 million when compared with the FY 2016 enacted budget. The Nuclear Materials Users Business Line supports the safe and secure possession, processing, handling of nuclear materials in many diverse applications, along with associated activities related to licensing, oversight, rulemaking, international engagements, research, generic homeland security, event response, and State, Tribal, and Federal Program interfaces. This increase is due to the resumption of security rulemakings and to address an industry petition for rulemaking. These were delayed in FY 2016.

Spent Fuel Storage and Transportation

The FY 2017 budget request for spent fuel storage and transportation is $37.2 million, which represents an overall funding increase of $1.1 million when compared with the FY 2016 enacted budget. The Spent Fuel Storage and Transportation Business Line supports licensing, oversight, rulemaking, international activities, research, and generic homeland security associated with the safe and secure storage and transportation of spent nuclear fuel and other radioactive materials. This increase is due to safety and environmental reviews of an interim consolidated storage facility and related safety analysis.

Decommissioning and Low-Level Waste

The FY 2017 budget request for decommissioning and low-level waste is $41.6 million, which represents an overall funding decrease of $1 million when compared with the FY 2016 enacted budget. The Decommissioning and Low-Level Waste Business Line supports licensing, oversight, rulemaking, international activities, and research associated with the safe and secure operation of uranium recovery facilities, removal of nuclear facilities from service and reduction of residual radioactivity to a level that permits termination of the NRC license, and disposition of low-level radioactive waste from all civilian sources. The Commission has directed staff to proceed with a decommissioning rulemaking that would establish clear requirements for decommissioning reactors. Comments from stakeholders are being collected through March 18th of this year with the bulk of the work on the regulatory basis and proposed rule completed by the end of FY 2017.

CLOSING

As I said at the onset, this budget request represents a substantial reduction from the 2016 enacted budget. The President's Budget takes advantage of the Project Aim-identified efficiencies, and, as we continue our work, we anticipate additional savings and efficiencies to come.

Chairman Simpson, Ranking Member Kaptur, and distinguished Members of the Subcommittee, this concludes my formal testimony on the NRC's FY 2017 budget request. On behalf of the Commission, I thank you for the opportunity to appear before you. We look forward to working with you on the 2017 budget and going forward. I know you share our dedication to the vital mission of the NRC.

I would be pleased to respond to any questions that you may have. Thank you.