NUCLEAR ENERGY INNOVATION AND MODERNIZATION ACT (NEIMA) — IMPLEMENTATION, IMPACTS, AND RECOMMENDATIONS FOR IMPROVEMENT OF THE U.S. NUCLEAR REGULATORY COMMISSION'S ANNUAL BUDGET JUSTIFICATION; FEES AND CHARGES; PERFORMANCE AND REPORTING; AND ACCURATE INVOICING

A Report for the
U.S. Senate Committee on Appropriations
U.S. Senate Committee on Environment and Public Works
U.S. House of Representatives Committee on Appropriations
U.S. House of Representatives Committee on Energy and Commerce

U.S. Nuclear Regulatory Commission
October 2021

Enclosure

EXECUTIVE SUMMARY

The U.S. Nuclear Regulatory Commission (NRC) developed this report as required by Section 102(e) of the Nuclear Energy Innovation and Modernization Act (NEIMA or the Act), which requires the NRC to submit a report to specific congressional committees on the implementation of NEIMA Section 102, including any impacts and recommendations for improvement. The NRC has implemented Section 102 of the Act. The NRC identified and implemented improvements to invoicing, the fee recovery framework, and performance reporting to reflect changes required by NEIMA, and complied with the specified corporate support percentage to the maximum extent practicable. The NRC experienced difficulties achieving the corporate support cap and anticipates significant challenges in future years due to three main factors. First, the corporate cap decreases over time, yet the NRC must still fund fixed costs and meet inflationary cost increases. Second, other federal mandates challenge the NRC's ability to comply with NEIMA's Section 102 requirements. Third, the definition of corporate support costs is tied to the fiscal year (FY) 2018 Congressional Budget Justification (CBJ), and the NRC is unable to make any adjustments based on further benchmarking or operational experience. As a result, the NRC reduced or postponed critical investments or services solely to meet the corporate support cap and anticipates substantial difficulties in the future years with the declining percentage. The NRC also anticipates challenges associated with the cap on operating reactors annual fees. The NRC identified the following recommendations for improvement that could be made to address the challenges identified:

- *Alleviating the constraints imposed by the corporate support cap and NEIMA's definition of corporate support costs.*
- *Alleviating the constraints imposed by the methodology for calculating the operating reactor annual fee cap.*

DISCUSSION

The NRC complied with the requirements of NEIMA and encountered significant challenges, particularly in the case of the corporate support cap requirement. Below is a high-level discussion of each requirement and the NRC's experience implementing it, followed by a discussion of the most significant challenges and recommendations for improvement.

1. Implementation

As required by Section 102(e), below is a report on the implementation of Section 102.

Requested Activities of the Commission

The NRC developed a new budget execution and reporting structure starting in FY 2021, to implement Section 102(a)'s requirement to expressly identify anticipated expenditures necessary for completion of the requested activities of the Commission in the annual budget justification. NRC staff analyzed approximately 2,000 existing data elements and created several new unique identifiers within its financial systems to map costs and accurately track resources directly in support of NEIMA requested activities. As a result of this effort, the NRC can now track and report NEIMA requested activity execution data and will continue to formulate and execute the budget using the updated budget structure to provide greater accuracy and transparency.

Limitation on Corporate Support Costs

As discussed in the challenges section below, the NRC implemented the requirements in NEIMA, but experienced significant challenges. Section 3(7) of NEIMA defines corporate support costs for purposes of the Act to mean, *"expenditures for acquisitions, administrative services, financial management, human resource management, information management, information technology, policy support, outreach, and training, as those categories are described and calculated in Appendix A of the Congressional Budget Justification for Fiscal Year 2018 of the Commission."*

Prior to the enactment of NEIMA, between FY 2014 and FY 2020, the NRC reduced corporate support resources by $104.6 million, including 194 FTE. As part of the NRC's NEIMA implementation, corporate support resources were further reduced by $13.0 million, including 31 FTE, between FY 2020 and FY 2022. The largest resource reductions were $3.6 million, including 3 FTE in acquisitions, and $15 million, including 8 FTE in administrative services. These reductions were partially offset by increases to salaries and benefits (S&Bs). The reductions in administrative services included reduced support for security guards, personnel security investigations, and logistics management. Additionally, funding was eliminated for general building alterations and upkeep, furniture and workspace modifications, and future planned renovation, modernization, and consolidation efforts. The subsidized rent payment for non-NRC occupants in 3WFN also falls within corporate support under administrative services, and accounts for approximately 1.6 percent of all corporate support costs.

In the area of financial management, the NRC reduced 4 FTE and resources for multiple agency financial management systems, as well as resources to support internal controls. These reductions were offset by increases to S&Bs.

With respect to human resource management, the NRC reduced $0.4 million between FY 2020 and FY 2022, which followed a $5.5 million, including 32 FTE reduction over the previous six fiscal years. The NRC reduced contract funding and centralized some human resource functions to gain efficiencies.

The NRC took several actions to reduce IT/IM resources. To meet the corporate support cap, the NRC cut 9 FTE from this area between FY 2020 and FY 2022,[1] which followed a reduction of $24.8 million and 33 FTE in the previous six years. The NRC instituted a more rigorous review process for IT budget requests to enhance the management of IT/IM spending and achieve additional reductions. The NRC has also been proactive in identifying and implementing opportunities to gain cost efficiencies. However, the NRC had to reduce Development, Modernization, and Enhancement (DME) to fund the fixed costs that equate to 96 percent of the corporate support IT/IM budget.

Finally, the policy support area includes activities associated with the Commission. To comply with the corporate support caps, the NRC reduced 6 FTE between FY 2020 and FY 2022. These reductions related to advice and assistance to the Commission on legal matters, adjudicatory matters, and public affairs.

Even after taking these and other actions to meet the corporate support caps, the NRC did not achieve the specified percentage of 30 percent for corporate support costs in its FY 2021 CBJ;

[1] Despite these cuts, there was an increase of $4.9M, primarily due to S&B increases.

instead, the NRC's budget submission for corporate was 31 percent. The NRC considered this to meet the "to the maximum extent practicable" provision in Section 102(a)(3). The NRC met the specified percentage of 30 percent in its FY 2022 CBJ.

New Fee Recovery Framework

The NRC implemented the new fee-recovery framework in the FY 2021 Final Fee Rule.[2] This included a modification to the budget formulation process and associated systems to reflect the changes required by NEIMA in Section 102(b). Several additional data fields were added to the budget formulation system to track fee data as part of the budget formulation process. The additional fields allowed for both the calculation of net budget authority and the estimated operating reactor annual fee. These changes were reflected in the budget starting with the FY 2021 CBJ.

Operating Reactor Cap

NEIMA Section 102(b) places a cap on the annual fee that may be charged to an operating reactor licensee. The cap is set at the amount charged in FY 2015, $4.8 million, not including the separate spent fuel and decommissioning annual fee and may be adjusted to reflect changes in the consumer price index. The NRC included an estimate of the operating power reactors annual fee in the FY 2021 CBJ, with the intent of increasing transparency for stakeholders. The operating power reactors annual fee was estimated to be $4.8 million. The NRC developed this estimate based on the allocation of the FY 2021 budget request to fee classes and certain data assumptions and historical information available during the FY 2021 budget formulation process.

Consistent with NEIMA, when developing the annual fee rule, the NRC took into account changes that occurred in the 2-year interval between the development of the FY 2021 budget request, which began in FY 2019, and the enactment of the FY 2021 appropriation in December 2020. As part of the development of the annual fee rule, the NRC estimates the amount of 10 CFR Part 170 service fees by analyzing billing data and the actual cost of contract work that was charged to licensees and applicants for the previous four quarters. The estimate, therefore, reflects any recent changes in the NRC's regulatory activities. The operating power reactors annual fee included in the FY 2021 Final Fee Rule, $4.749 million, was approximately $0.6 million below the FY 2015 operating power reactors annual fee amount adjusted for inflation based on the consumer price index and complied with NEIMA requirements.

Performance Reporting and Milestone Schedules

NEIMA Section 102(c) required the NRC to develop performance metrics[3] and milestone schedules for the requested activities of the Commission by July 13, 2019, and requires reporting of delays associated with certain final safety evaluations related to these activities. Below is a high-level summary of the performance metrics and milestone schedules that the NRC issued by the July 2019 deadline.[4]

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[2] Final Fee Rule: Revision of Fee Schedules; Fee Recovery for Fiscal Year 2021 (86 FR 32146; June 16, 2021). Change in effective date: Revision of Fee Schedules; Fee Recovery for Fiscal Year 2021 (86 FR 44594; August 13, 2021).

[3] While NEIMA uses the term "performance metric," the NRC uses the term "performance indicator." Therefore, the terms "performance indicator" and "performance metric" are used synonymously in this report.

[4] See Generic Milestone Schedules of the Requested Activities of the Commission.

Milestone Schedules

The requested activities of the Commission have been categorized into 13 activities that are further refined by different activity types (e.g., light-water reactor, uranium recovery). The milestone schedules for each activity type are considered "generic" and are largely based on historical data for each activity type. The generic milestone schedules provide transparency into the expected timeframes for the issuance of the NRC's final safety evaluation for requested activities.

For certain generic milestone schedules, such as licensing of advanced reactors (non-light-water reactors), data does not yet exist to develop these timelines. For such instances, data and insights from reviews of new reactors were used. As the NRC gathers more data for each activity type, there will be opportunities to further refine these schedules for the NRC staff's preparation and issuance of a final safety evaluation after the acceptance review of an application is completed. A specific schedule may be shorter or longer than the generic milestone schedule based on the complexity of the review, information provided by the licensee or applicant, and agency resource availability.

Performance Indicators

The NRC has established NEIMA performance indicators for each NRC business line that performs requested activities of the Commission, to track the issuance of final safety evaluations[5] against the generic milestone schedule. The NEIMA performance indicators provide an increased level of transparency into the NRC's timeliness for issuing final safety evaluations.

The performance indicator is 100 percent timely issuance of final safety evaluations by the issuance date set in the generic milestone schedule for all the requested activities of the Commission, as identified by NEIMA, for each business line. The results of the NEIMA performance indicators are tracked in a database and reported on a quarterly basis to senior management at an internal agencywide Quarterly Performance Review meeting and are also included annually in the NRC's CBJ. If a NEIMA performance indicator is not met, the Commission is notified consistent with the reporting requirement in NEIMA Section 102(c)(2). In addition, a risk report is prepared consistent with the NRC's process for Enterprise Risk Management,[6] which includes a mitigating strategy to reduce the likelihood of exceeding the 180-day congressional reporting requirement in NEIMA Section 102(c)(3). The NEIMA performance indicators are also included in a quarterly status report provided to the Congressional Committees with oversight of the agency.[7]

The NRC will continue benchmarking against prior tracking results to determine whether the generic milestone schedules can be adjusted to account for recognized efficiencies. The generic milestone schedules will also be reviewed as part of a planned evaluation in FY 2023, as part of the NRC's implementation of the Foundations for Evidence-Based Policymaking Act of 2018.

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[5] This tracking applies to requested activities of the Commission for which the acceptance review has been completed after July 13, 2019.

[6] See Management Directive (MD) 4.4, "Enterprise Risk Management and Internal Control."

[7] See section 1.1 of the quarterly "Status Report on the Licensing Activities and Regulatory Duties of the U.S. Nuclear Regulatory Commission" (ADAMS accession number ML21201A254).

Accurate Invoicing

NEIMA Section 102(d) requires the NRC to complete three sets of actions relating to accurate invoicing: (1) ensure appropriate review and approval prior to issuance of invoices; (2) develop and implement processes to audit invoices to ensure accuracy, transparency, and fairness; and (3) modify regulations to ensure fair and appropriate processes to provide licensees and applicants an opportunity to efficiently dispute or otherwise seek review and correction of errors in invoices. The NRC has completed all three actions.

The NRC leveraged process improvements it developed and implemented as part of its fee transformation effort to address the first two actions. These process improvements included redesigning NRC invoices to add clarity and transparency for recipients. New features included an invoice legend of NRC acronyms and the names of individual NRC staff members or contractors, as applicable, who performed the work. In addition, the NRC's staff hours and contractor costs are listed separately on invoices so the recipient can view the subtotals for the two different categories of costs. The NRC also implemented a new data structure to more effectively account for and track all billable work at the project level. In July 2019, the NRC implemented a new agencywide process to standardize the validation of fees. The new standardized process improved accountability and oversight within the NRC to ensure that fee billing data are correct before an invoice is issued.

The second action concerns the accuracy, transparency, and fairness of the overall billing process. In October 2019, the NRC implemented an electronic billing (eBilling) system. This public-facing, web-based application provides the immediate delivery of NRC invoices, customizable e-mail notifications, the capability to view and analyze invoice details, and access to the U.S. Department of the Treasury systems to pay invoices. The eBilling application provides increased billing process transparency and has boosted applicant and licensee confidence in the assessed fees and charges. The NRC's new process will lead to improved internal and external auditing of service fee invoices to ensure the accuracy, transparency, and fairness of invoices. The process requires offices with fee billable charges to regularly review and certify hours and costs to validate the charges before the NRC sends an invoice for service fees. Annually, external financial statement auditors conduct an audit of a sample of invoices. As such, the NRC's invoices are now reviewed and audited by both internal and external parties.

To address the third action, the NRC modified the regulations under 10 CFR Chapter I in the FY 2021 Final Fee Rule to provide a standard process for licensees and applicants to efficiently dispute or otherwise seek review and correction of errors in invoices. These regulations outline the interactions between the submitter and the NRC and enhance clarity regarding the dispute process by setting out the process for submitting a fee dispute, the stages of the decision-making process while the dispute is under review, and the manner by which the NRC will notify the submitter after it makes a final determination on the dispute.

2. Challenges

Section 102(a)(3) limits the amount of corporate support costs in the annual budget justification submitted to Congress, to the maximum extent practicable, to 30 percent in FY 2021 and FY 2022, 29 percent in FY 2023 and FY 2024, and 28 percent in FY 2025 and beyond. The NRC was unable to meet the 30 percent in its FY 2021 CBJ and meeting future years is a very high enterprise risk. The NRC identified major efficiencies and areas for cost savings within corporate support just prior to, and within the initial implementation of NEIMA, and has prioritized spending that is integral to the success of the agency's mission. Continued reductions to meet the corporate support cap are not sustainable, are already negatively impacting the agency, and will have an even greater impact as the corporate support cap declines in future years.

<u>Fixed Costs and Inflationary Increases</u>

The NRC has experienced challenges in implementing certain sections of NEIMA that, due to fixed costs and inflationary increases that the agency cannot control, impact the ability of the agency to support activities that will enable the NRC to carry out its safety and security mission.

Salaries and Benefits

Approximately 67 percent of the NRC's budget consists of S&Bs, which have been increasing by an average of 4 percent per year due to inflation. While the NRC has made significant efforts to reduce FTE, increases to S&Bs due to annual pay raises and federal contributions to health care and retirement plans have outpaced the workload reductions. As a result, the increase in S&Bs coupled with the declining number of power reactor licensees has narrowed the gap between the estimated annual operating power reactor fee and the operating power reactor fee cap, adjusted for inflation.

Workforce and Agency Support

To meet the NEIMA corporate support cap, the NRC reduced corporate support FTE and contract funding. These reductions have affected the NRC's ability to provide necessary support to the agency, and with NEIMA's incremental corporate support cap reductions in future budget years, agencywide support will continue to decline. This includes a reduction to human resources staff, which in turn hinders the agency's ability to hire and train the workforce for today and the future. Additionally, the FTE cuts across the corporate support enterprise have resulted in current corporate employees taking on additional duties that were previously performed by multiple people and therefore have resulted in increasing workloads. The NRC's bench-strength in this area is now limited, and the risk of attrition in these positions continues to increase over time.

Facilities

Although the NRC has strategically identified and prioritized the most vital physical facility expenditures, building rent and renovations are challenging to adequately fund while still accommodating the NEIMA corporate support cap. The NRC has outlined the agency's long-term space needs and developed a roadmap that identifies relocation and renovation opportunities for the NRC's headquarters and regional locations, which would yield future efficiencies in rent; however, the realization of such efficiencies is contingent upon near term investments. Funding for these efforts would allow the agency to ensure working environments that benefit from current technology and space-related modernization, including the flexibility to support the upcoming hybrid working environment and reduced footprint that would yield future savings. Most of the NRC's One White Flint North (OWFN) building has not been renovated in over 25 years. Renovations in OWFN are necessary to modernize the space and make it possible for new technologies to be used, but are difficult to accomplish under the NEIMA cap. To meet the corporate cap, the agency has also made significant reductions to the Administrative Services Product Line. Reductions to this area challenge the agency's ability to meet personnel-security-related mandates, address routine housekeeping and groundskeeping needs, plan for future campus infrastructure repairs and improvements, and provide necessary support to NRC facilities.

Information Technology/Information Management

The NRC classifies 69 percent of its total agency IT/IM resources as corporate support, with the rest reflected in the NRC's Nuclear Reactor Safety and Nuclear Materials and Waste Safety programs. Significant annual cuts to the IT/IM corporate support budget due to the NEIMA corporate support cap present substantial challenges.

First, it has decreased the NRC's ability to invest in IT/IM innovation and modernization that could support program/business processes and functions throughout the agency. Although overall Federal IT spending is reported to have increased by 8.8 percent across the Federal Government since FY 2018, the NRC's IT/IM spending decreased by 3 percent since 2018. To meet the NEIMA cap, the agency reduced investments in IT/IM corporate support DME to fund ongoing operations and maintenance costs. Between FY 2020 and FY 2022, on average, only 2.4 percent of corporate support funding was budgeted for DME. In FY 2022, 95.6 percent of the corporate support IT/IM budget request is categorized as fixed costs, leaving only a small percentage available for corporate IT DME activities that support all agency programs. These constraints have resulted in an increase to the IT/IM costs needed to operate existing infrastructure and platforms, which the NRC cannot replace due to the same constraints. If the agency's IT infrastructure, largely defined as corporate support costs under NEIMA, cannot be modernized, the result will be the continued slowing or deferring of IT modernization efforts funded in programmatic areas. The significant disparity between the amount of corporate DME compared to programmatic DME limits the NRC's ability to rapidly streamline and modernize corporate infrastructure and platforms, making it difficult to meet agency business goals supported with programmatic IT DME funding. For example, the inability to fully implement the NRC's Cloud First Strategy makes it difficult to support moving program applications to the cloud.

Additionally, while the NRC has reduced its number of FTE significantly in recent years, IT costs do not have a linear relationship to agency staffing numbers. A certain baseline of IT/IM infrastructure and support services is required to support the agency regardless of staffing levels. For example, regardless of the number of staff in each of the NRC's various locations, the connectivity of the agency's geographic sites still requires a fully operational wide area network, and regardless of staff usage, the connectivity to the Internet still requires implementation of a Trusted Internet Connection. Moreover, annual contract escalation costs are standard, and staff S&B costs have increased. Continuing cuts to the IT/IM budgets will necessitate reducing modernization efforts and lowering service levels, impacting agency staff support and productivity.

Finally, the agency is leveraging insights from its ongoing IT strategic roadmap development to inform and align on future strategic IT priorities. The priorities will be used to identify enterprise-wide IT modernization investments needed to support agency transformation. Implementation of the strategic investments in this roadmap are at risk because of fiscal constraints placed on corporate support resources/investments.

<u>Federal Mandates</u>

The NEIMA corporate support cap poses a challenge to implementing Federal mandates, particularly those involving IT/IM investments such as the Executive Orders for Cybersecurity and Supply Chain Risk Management. With the significant fixed costs in the IT/IM budget and the declining percentage of the NEIMA corporate support cap, this restraint also impacts the NRC's ability to alter or update critical infrastructure and to meet federal mandates of IT applications that support the agency, such as updates to the NRC's financial systems Invoice Processing Platform; shared Federal services like NewPay; and Federal reporting systems to submit Capital Planning and Investment Control data. Reductions to the budget for administrative services may also affect the ability to meet personnel security mandates for the agency's background investigation and security clearance requests.

Another challenge relates to the 3WFN building at NRC headquarters. On December 4, 2013, with resolution PMD-04-WA11, the House Committee on Transportation and Infrastructure authorized the succeeding lease for the Two White Flint North building at NRC headquarters. The resolution also directed the NRC to relinquish eight floors of space in the 3WFN building, to be backfilled by the Food and Drug Administration (FDA), "Provided that, the Nuclear Regulatory Commission shall be responsible for the rental costs for Three White Flint North, which exceed the rental rate paid by the Food and Drug Administration, or any subsequent backfill tenant, for the term of the lease for Three White Flint North." The agency has paid approximately $21 million in rent subsidy for 3WFN since FY 2014 and is expected to pay an additional estimated $27 million through FY 2027. In FY 2021, the NRC occupied two floors of the 3WFN building and paid approximately $1.5 million in rent and $4.3 million in subsidies annually. The subsidy represents approximately 13 percent of the agency's total rent, does not support the NRC's mission, and directly impacts our licensees as their fees include the cost of subsidizing the rent of the FDA and the National Institutes of Health. Since the 3WFN subsidy is included within NEIMA's current definition for corporate support costs and is therefore subject to the corporate support cap, it limits the NRC's ability to invest in other corporate support areas with an expenditure that does not support the agency's mission and that continues to escalate over time.

<u>Corporate Support Costs Definition</u>

As discussed above, Section 3(7) of NEIMA defines corporate support costs for purposes of the Act to mean *"expenditures for acquisitions, administrative services, financial management, human resource management, information management, information technology, policy support, outreach, and training, as those categories are described and calculated in Appendix A of the Congressional Budget Justification for Fiscal Year 2018 of the Commission."* That current definition of corporate support has presented challenges to the NRC, and adjustments would make sense based on operational experience and benchmarking[8] of other similar agencies. A few key examples include the Permanent Change of Station (PCS) budget for the resident inspectors that move after they reach their 7-year term limit at a particular site to ensure no one inspector becomes embedded into the workings of one specific reactor, which could impact objectivity; the IT/IM budget that is specific to a particular program; and portions of the budget for funding the five-member Commission itself.

The NRC's PCS budget and the Commission's budget are currently included in their entirety

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[8] The NRC conducted a brief benchmarking study with similar agencies to identify best practices, possible inconsistencies within the agency's business processes, and any unique requirements that apply to budget formulation, budget execution, or fee recovery. The study identified that while there is not a standard governmentwide definition of corporate support, the agencies the NRC benchmarked are generally structured in a similar way in terms of activities that are considered corporate support. The review highlighted differences with respect to the treatment of permanent change of station moves, resources for the Office of the Commission, and IT/IM resources, whereby these costs can be categorized as programmatic and not corporate support.

within NEIMA's definition for corporate support costs. A large portion of the PCS budget and the Commission's work is directly tied to the mission of the NRC and would be more appropriately allocated proportionately across all NRC business lines. Additionally, a portion of the NRC's IT/IM resources are included within NEIMA's definition for corporate support, however, these resources directly support the agency's mission through programmatic business lines. Given the direct nexus to programmatic activities, recategorizing portions of the PCS budget for resident inspectors, the Commission budget, and IT/IM would make sense, and would allow for increased investment in other critical agency corporate support activities.

3. Recommendations For Improvement

This section responds to the requirement in section 102(e) for the NRC to provide recommendations for improvement.

Corporate Support

The NRC recommends alleviating the constraints imposed by the corporate cap and definition of corporate support.

As mentioned, the NRC has initiated efforts to address the corporate support concerns noted within NEIMA that resulted in a decrease to the overall corporate support budget percentage of 37 percent in FY 2014 to 30 percent in FY 2022. As a result of these reductions and the other items noted within this report, such as fixed costs, emergent and competing federal mandates, and strategic IT and space investment needs, the continuation of a reduction to the corporate support cap is expected to negatively impact the agency's ability to directly support its safety and security mission.

Second, inclusion of certain costs that are programmatic in nature into the definition of corporate support costs inhibits the ability of the NRC to directly support its safety and security mission. For example, the PCS budget that directly supports the movement of NRC resident inspectors, the IT/IM budget specific to program support, and a portion of the Commission budget are programmatic in nature but are all currently defined in NEIMA as corporate support. Removing programmatic costs such as these from NEIMA's definition of corporate support would allow the NRC to more fairly, accurately, and transparently budget for organization-wide corporate functions and ensure the NRC can responsibly budget for fixed costs and critical investments. Based on limited benchmarking, this approach appears consistent with how other agencies categorize corporate support costs.

Finally, the annual subsidy for 3WFN to GSA does not directly support the mission of the agency and continues to increase annually. The inclusion of the subsidy for 3WFN within the corporate support cap adds to the challenge in meeting the cap and limits the necessary funding on other needed investments.

Operating Reactor Annual Fee Cap

The NRC recommends alleviating the constraints imposed by the methodology for calculating the operating reactor annual fee cap.

Approximately 67 percent of the NRC's budget consists of S&Bs and recently, the federal cost of living adjustment has outpaced the consumer price index. As a result, the methodology for calculating the operating reactor annual fee cap, which is adjusted to reflect changes in the consumer price index, could present challenges in the future because it does not take into consideration the difference between increases in the consumer price index and the federal cost of living adjustment, both of which affect agency budgets.

CONCLUSION

The NRC worked diligently to implement Section 102 of NEIMA. As a result, the agency made major improvements to the budget and fee structure, invoicing, performance metrics, and milestone schedules. However, the NRC experienced considerable challenges, particularly with the corporate support cap, and anticipates significant enterprise risks in future years as the decreasing percentage continues to further constrain corporate support spending. The NRC has considerable fixed costs and must still meet new mandates and inflationary cost increases, within a declining corporate support cap and the definition of corporate support costs in the Act. These factors are adversely impacting the agency's ability to invest in needed modernization, innovation and human capital, and going forward will challenge the efficiency and effectiveness of the agency. The NRC appreciates the opportunity provided in NEIMA to report on its implementation of Section 102, including any impacts and recommendations for improvement. The NRC would welcome the opportunity to further discuss the contents of this Report.