



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 30, 2018

H.R. 1320 **Nuclear Utilization of Keynote Energy Act**

*As ordered reported by the House Committee on Energy and Commerce
on July 12, 2018*

SUMMARY

The Nuclear Regulatory Commission (NRC) licenses and regulates commercial nuclear power plants and other facilities that use radioactive materials. Under current law, the agency is required to recover most of its funding through fees charged to entities it regulates. H.R. 1320 would modify the formula used to determine the amount of those fees. The bill also would modify procedures related to NRC's review of applications for certain permits and licenses and allow the agency to conduct, on an informal basis, any type of hearing requested to review the agency's actions or decisions. H.R. 1320 also would require the NRC and the Government Accountability Office (GAO) to complete a variety of studies and reports on nuclear-related issues.

Using information from the NRC, CBO estimates that implementing H.R. 1320 would cost \$28 million over the 2019-2023 period, subject to the availability of appropriated funds.

Enacting the bill would not affect direct spending or revenues; therefore, pay-as-you-go procedures do not apply.

CBO estimates that enacting H.R. 1320 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

H.R. 1320 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary effect of H.R. 1320 is shown in the following table. The costs of the legislation fall within budget function 270 (energy).

	By Fiscal Year, in Millions of Dollars						2019- 2023
	2018	2019	2020	2021	2022	2023	
INCREASES IN SPENDING SUBJECT TO APPROPRIATION							
Estimated Authorization Level	0	0	0	10	11	11	32
Estimated Outlays	0	0	0	7	10	11	28

BASIS OF ESTIMATE

The NRC is statutorily required to offset most of its funding, which is provided in annual appropriation acts, through fees charged to the entities it regulates. Under permanent law, some funding is excluded (or exempt) from that cost-recovery requirement—primarily, funding for certain activities related to defense or homeland security and appropriations from the Nuclear Waste Fund to support activities related to nuclear waste disposal. Ninety percent of the remaining appropriation is offset by two types of fees:

- Cost recovery fees charged to individual applicants and licensees to cover NRC’s costs of providing services or things of value, and
- Annual fees assessed on all licensees at rates necessary to ensure that the aggregate amount of fees collected for a given year meets that year’s target.

The remaining 10 percent of nonexempt funding is not offset by fees. The NRC refers to the activities funded with that portion of funding as “fee relief” activities that are not directly attributable to existing licensees or that involve costs that are not recoverable under NRC policies.¹

Starting in 2021, H.R. 1320 would specify a new formula for the NRC to follow in setting fees. The bill would expand the scope of funding that is exempt from the cost-recovery requirement to include appropriations for activities related to developing a regulatory infrastructure for advanced nuclear reactor technologies. The bill also would exempt funding for any activities that the NRC identifies as eligible for fee relief. Under the bill, after backing out funding for excluded activities, the NRC would be required to offset approximately 100 percent of the remaining funding through fees.

1. For details on fee-relief activities in 2018, see Revision of Fee Schedules; Fee Recovery for Fiscal Year 2018, 83 Fed. Reg. 122 (final rule, June 25, 2018), <https://www.gpo.gov/fdsys/pkg/FR-2018-06-25/pdf/2018-13320.pdf>.

Permanently exempting funding related to developing a regulatory infrastructure for advanced nuclear technologies from the NRC's cost-recovery requirement would effectively authorize appropriations from the general fund for that purpose starting in 2021. (The Consolidated Appropriations Act, 2018, provided \$10 million for such activities and exempted that amount from the NRC's cost-recovery requirement for 2018; however, that exemption is only in effect for that year.) Assuming that future appropriations to develop that regulatory framework remain in line with current amounts, CBO estimates that outlays stemming from such funding would total \$28 million over the 2021-2023 period.

In contrast, CBO does not expect that permanently excluding funding for activities that the NRC identifies as eligible for fee relief from the cost-recovery requirement, in conjunction with the requirement that the NRC offset approximately 100 percent of all nonexempt funding, would materially affect spending for fee-relief activities, the aggregate amount of fees collected for a given year, or the proportion of overall funding that is not offset by those fees. Historically, the amount of funding that the NRC allocates for activities designated as fee relief has been close to, but not necessarily equal to, the 10 percent of nonexempt funding that is not currently offset by fees. Any difference between those amounts results in an adjustment (either an increase or decrease) to all licensees' annual fees to ensure compliance with the NRC's collection target. Under H.R. 1320, CBO expects that overall results would be similar—that is, annual fees could be higher or lower based on the amount of funding allocated for fee relief activities. Assuming that such funding remains in line with historical levels, CBO expects that the results of the proposed formula for collecting fees under H.R. 1320 would not differ markedly from the existing formula.

More broadly, under current law or H.R. 1320, the amount of fees collected in future years will depend on the level of funding provided for a range of specific NRC activities. Because CBO has no basis for predicting how much funding will be provided for such activities in future years, CBO cannot determine whether the resulting fees, in aggregate, would be higher or lower under H.R. 1320 than under current law.

Finally, CBO estimates that any increases in NRC's or GAO's costs to meet new reporting requirements under H.R. 1320—which would be subject to appropriation—would not exceed \$500,000 annually.

PAY-AS-YOU-GO CONSIDERATIONS: None.

INCREASE IN LONG-TERM DIRECT SPENDING AND DEFICITS

CBO estimates that enacting H.R. 1320 would not increase net direct spending or on-budget deficits in any of the four consecutive 10-year periods beginning in 2029.

MANDATES

H.R. 1320 contains no intergovernmental or private-sector mandates as defined in UMRA.

PREVIOUS CBO ESTIMATE

On June 20, 2017, CBO transmitted a cost estimate for S. 512, the Nuclear Energy Innovation and Modernization Act, as reported by the Senate Committee on Environment and Public Works on May 25, 2017. Both S. 512 and H.R. 1320 would make similar modifications to the NRC's cost-recovery formula, and both cost estimates reflect an increase in spending subject to appropriation for activities related to developing a regulatory infrastructure for advanced nuclear reactors. Differences in our estimates of budgetary effects attributable to proposed changes in the cost-recovery formula reflect differences in when that formula would take effect.

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