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U.S. Department of Energy
on the
Fiscal Year 2014 President's Budget Request
Before the
Subcommittee on Energy and Water Development
Senate Committee on Appropriations

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INTRODUCTION

Chairman Feinstein, Ranking Member Alexander, and distinguished members of the Subcommittee, thank you for having me here to discuss the President's Fiscal Year 2014 budget request for the Department of Energy's National Nuclear Security Administration (NNSA). Your ongoing support for the men and women of NNSA and the work they do, and your bi-partisan leadership on some of the most challenging national security issues of our time, has helped keep the American people safe, helped protect our allies, and enhanced global security.

The NNSA supports the President's nuclear security strategy, including those identified in the President's new global military strategy released in January 2012, the New Strategic Arms Reduction Treaty (New START) signed in 2010, and the Nuclear Posture Review (NPR). In April 2009 in Prague, President Obama shared his vision for a world without nuclear weapons, free from the threat of nuclear terrorism, and united in our approach toward shared nuclear security goals.

Most recently, in his 2013 State of the Union address, the President continued to highlight the importance of his nuclear strategy and pledged to "engage Russia to seek further reductions in our nuclear arsenals, and continue leading the global effort to secure nuclear materials that could fall into the wrong hands -- because our ability to influence others depends on our willingness to lead and meet our obligations."

The President's FY 2014 request for NNSA is \$11.65 billion, an increase of \$186 million, or 1.6 percent, over the FY 2013 Continuing Resolution level and \$650 million, or 5.9 percent, over the FY12 appropriation at a time of sequestration and spending reductions across the government. The request reaffirms the commitment of the President to his nuclear security vision, applying world-class science that addresses our nation's greatest nuclear security challenges and building NNSA's 21st century nuclear security enterprise through key investments in our people, programs, and infrastructure.

I want to assure you that NNSA is being thoughtful, pragmatic, and efficient in how we achieve the Nation's nuclear security objectives and shape the future of nuclear security. We are looking forward to what NNSA will become five, ten, twenty years into the future and what we are doing now to get there.

Our missions are clear: to enhance global security through nuclear deterrence, to reduce global danger from nuclear weapons, nonproliferation, naval nuclear propulsion, and national leadership in science, technology, and engineering. Based on these critical mission and capabilities, the demand on the enterprise is growing. We are challenging ourselves to reject old ideas that represent the way things have been done in the past. We are moving beyond the Cold War, strategically modernizing facilities and weapons systems, ensuring that the United States has the critical capabilities it needs without wasteful spending. Given our budget constraints and ongoing uncertainty, we have a responsibility to prioritize how we get things done, and we have developed clear strategies to guarantee our ability to do so. We must evaluate our programs and challenge the assumptions for all of our programs and projects to rethink the underlying premise and ensure that we are charting a path to the future that is well-reasoned and responsible. We are at a particular point in time, unique for a lot of reasons, and the context matters. It was with this in mind that we made sure this year's Budget request was also the result of an unprecedented level of planning and cooperation between the NNSA and the Department of Defense (DoD).

The NNSA has also made a number of organizational changes to help us make better, smarter, and more efficient decisions on how we conduct our operations and identify the resources needed to meet our nuclear strategy.

One of the major actions NNSA took in FY 2013 was standing up the Office of Infrastructure and Operations (NA-00) to serve as the fulcrum of the NNSA. The office encompasses our field operations, which are now directly reporting to the Administrator through the Associate Administrator for Infrastructure and Operations, who is dual-hatted as the NNSA Associate Principal Deputy Administrator. The consolidated office serves to oversee and direct the NNSA's Operations and Infrastructure, which as you know spans eight sites—from nuclear weapons laboratories to production plants—across seven states. The new office will make management of the nuclear security enterprise more efficient and effective.

In addition, the recently established Office of Acquisition and Project Management (NA-APM) continues to integrate our acquisition and project management staffs in order to improve the way we manage and execute major construction projects once the design is sufficiently mature to baseline and begin construction, post phase Critical Decision-2 (CD-2). NA-APM combines its knowledge of contracting and project management to ensure identified and agreed upon needs of the NNSA are met in an effective and efficient manner. Federal Project Directors (FPD) responsible for project delivery have been re-assigned to NA-APM, and we are establishing Project Management Offices staffed with people possessing appropriate construction project management skills that will report directly to the FPDs. Lastly, the NNSA is better aligning contract incentives for Capital Asset Projects to structure contracts to provide an equitable balance of risks; ensuring each party bears responsibility for its own actions, rewarding contractors for generating savings while protecting the taxpayers from paying for contractor negligence. We expect these changes to fundamentally affect the way the NNSA reviews its projects and interacts with its contractors to continue to drive efficiencies while delivering on our mission under current fiscal constraints.

In the last year, NA-APM's efforts resulted in \$20 million in reimbursements from contractors as we moved to more fully utilize our contracts to hold them accountable for unsatisfactory performance. We issued an unambiguous design policy for our complex nuclear projects ensuring that sufficient design work (90 percent) is completed prior to approving project baselines at CD-2. Of non-major projects completed since 2007 with the construction budget baseline established in 2006 or later, 83 percent (10 out of 12) were delivered on time and at or under budget. These 12 non-major projects with a combined budget of \$311 million were delivered more than \$32 million under budget. We are confident that the lessons learned in delivering this work are applicable and scalable to the major systems projects we have had problems with in the past.

A third management change is to put more focus on cost planning relative to budgeting and execution, particularly in today's fiscal climate. Key decisions about priorities and resource allocations must be made centrally within the NNSA, rather than left solely to individual sites. The NNSA Act is clear that planning, programming, budgeting and financial activities comport with sound financial and fiscal management principles. Over a year ago, the NNSA embarked on a multi-year, iterative process with the Department of Defense's Office of Cost Assessment and Program Evaluation (CAPE) to conduct a rigorous analysis to try to determine how to best meet the President's nuclear strategy and the resources it will take to both accomplish the current program of work as well as to recapitalize our infrastructure. This ongoing effort will continue to inform our planning and programming decisions and will be the foundation upon which we build successive out-year budgets.

In order to further improve transparency with Congress and to further drive efficiencies into our program planning and execution, the NNSA's FY14 budget request makes some significant changes to our budget structure.

In the FY14 budget, the Infrastructure and Operations (NA-00) organization gains budget authority which will move the NNSA towards a tenant-landlord site model in which NA-00 is the landlord and the program offices are now tenants. As a result of this reorganization, the NNSA is proposing to eliminate the Readiness in Technical Base and Facilities (RTBF) GPRA unit in our budget and split these activities between the existing Site Stewardship unit and "Nuclear Programs" within Defense Programs. The activities managed by NA-00 would be added to Site Stewardship under a new subprogram titled "Enterprise Infrastructure" which would encompass Site Operations, Site Support, Sustainment, Facilities Disposition, and site infrastructure-related construction. Nuclear Programs will provide for capability investments and capital construction projects that uniquely support the mission of Defense Programs.

The Defense Nuclear Nonproliferation appropriation account of the FY 2014 budget request has been restructured to include the Nuclear Counter Terrorism Incident Response (NCTIR/NA-40) and Counterterrorism and Counterproliferation Programs (CTCP/NA-80) programs, both of which include activities transferred out of the Weapons Activities appropriation. By drawing together these NNSA programs in the Defense Nuclear Nonproliferation appropriation, we strengthen existing synergies and cooperation among these functions. In doing so, we provide priority and emphasis to the NNSA programs that are responsible for implementing the President's nuclear security priorities for reducing

global nuclear dangers and the 2010 Nuclear Posture Review (NPR) which “outlines the Administration’s approach to promoting the President’s agenda for reducing nuclear dangers and pursuing the goal of a world without nuclear weapons, while simultaneously advancing broader U.S. security interests.” This change in budget structure will present with greater clarity the total funding and level of activity undertaken by the NNSA in this area, which the NPR identifies as the highest priority nuclear threat facing the nation. At the same time, this realignment ensures that the Weapons Activities appropriation is now more focused on stockpile and related activities, such as physical and cyber security.

WEAPONS ACTIVITIES

Defense Programs Overview

After adjusting for the infrastructure-related budget realignments described previously, the FY 2014 Defense Programs portion of the Weapons Activities account is \$5.1 billion or \$410.2 million above the FY 2013 continuing resolution level, constituting a 9 percent increase. As the President has committed, the NNSA is strategically modernizing our nuclear weapons infrastructure, weapons systems, and the supporting science to ensure a safe, secure and effective deterrent and to certify the stockpile without underground nuclear testing. Within today’s constrained fiscal environment, we have closely scrutinized our strategies, plans, processes, and organization to ensure we make the most of our resources. The results of the NNSA and DoD budget-driven requirements analysis has forged a stronger link between DoD’s requirements and the NNSA’s resulting resource needs across the nuclear security enterprise. Some highlights include a new strategy for the conduct of Life Extension Programs (LEPs); an updated and more complete plutonium strategy; a refocusing of our science and infrastructure investments on the capabilities most urgently needed; a reorganization of the operations of facilities accounts and major infrastructure project responsibilities within NNSA’s Defense Programs; and a significant effort to identify and implement management efficiencies. Each of these critical areas was determined following enormous effort to make smart business decisions on resourcing the highest priority mission work.

Life Extension Programs Strategy and Execution

The DoD’s “3 + 2” strategy calls for the transition of four warheads that make up the ballistic missile portion of our stockpile to be transitioned, over the next 25 years, to three life-extended, interoperable warheads that DoD could flexibly deploy across different missile platforms. Further, we will transition the three bomb/cruise missile warheads in the stockpile to two warhead types as part of their life extension.

In January 2013, the Nuclear Weapons Council (NWC) changed the schedule and cumulative production quantity for the W76-1 program. This change reduced the total LEP production quantity and realigned the end of the production period for all operational units from FY 2021 to FY 2019. Specifically, the scope and schedule parameters for the program in FY 2013 and FY 2014 remain unchanged as the

program will be executing steady-state rate production, and the annual production rates are the same for both fiscal years.

Regarding the B61 LEP, the NWC selected the option (3B) which satisfies the minimum Department of Defense threshold requirements at reduced life cycle costs. Option 3B maximizes the reuse of nuclear and non-nuclear components while still meeting military requirements for service life extension and consolidation of multiple versions of the B61 into the B61-12.

Following the W76 and B61 LEPs, the first of the LEPs to which the 3+2 strategy applies is the W78/88-1. A joint DoD/NNSA Enterprise Planning Working Group developed schedules reflected in the forthcoming FY 2014 Stockpile Stewardship and Management Plan (SSMP) which considers alignment of warhead development and production schedules with DoD system platform upgrades and balancing the workload across the nuclear security enterprise. Once developed as part of the Phase 6.2A activities, the DoD Cost Assessment and Program Evaluation (CAPE) team will review and the NWC will approve cost estimates for the W78/88 and future LEPs.

Engineering development for an alteration to the W88, the W88 Alt 370, is also under way. This Alt will address certain lifetime requirements by modernizing the Arming, Fuzing & Firing system and improving surety by incorporating a lightning arrestor connector. It will also provide additional logistical spares for the life of the system. The NNSA will complete the W88 Alt 370, the neutron generator replacement, and gas reservoir replacement will be completed at the same time with a planned first production unit for December 2018.

Plutonium Strategy

NNSA is committed to ensuring continuity of required plutonium support capabilities and mission functions to include analytical chemistry, material characterization, manufacturing, and storage functions. The strategy for doing so is encompassed by the Defense Programs Plutonium Strategy that expands our capability over the next decade to achieve a 30 pits-per-year capability by 2021 to support the W78/88-1 LEP activities. Achievement of this capability requires additional investment in the Plutonium Sustainment program along with efforts to free up space within the PF4 facility at LANL by cleaning out the existing vault space and installing additional equipment in existing facilities.

This strategy is critical for today's stockpile and is independent of the deferral period for the Chemistry and Metallurgy Research Replacement-Nuclear Facility (CMRR-NF). We are on track to move operations out of the existing Chemistry and Metallurgy Research facility at Los Alamos National Laboratory in 2019. Execution requires a \$120 million reprogramming approval for FY 2012 funds. This reprogramming is urgent for our workforce. NNSA and CAPE are developing a business case analysis of the plutonium strategy by August 2013. CMRR-NF deferral provides NNSA the opportunity to balance funding and requirements, and to evaluate an integrated, long-term plutonium capability solution.

Research Development Test & Evaluation (RDT&E)

Last year we commemorated the 20th anniversary of the end of underground nuclear weapons testing in the U.S. Shortly after that decision in 1992, the Stockpile Stewardship Program was established to provide the science, tools, and critical skills necessary to certify that the stockpile is safe, secure, and effective without the need for nuclear testing. Since that time, we have been filling our toolbox with the cutting-edge science needed to accomplish this formidable challenge. Maintaining a stockpile under these conditions requires the best science and technology in the world. Breakthroughs have occurred that have enabled us to achieve this goal for today's stockpile. But as we look into the future, we see the need for the enhanced use of our science tools to gain better assurance that as our stockpile ages it will continue to be safe, secure and effective. The modern tools of Stockpile Stewardship not only serve as our insurance policy against a return to nuclear testing, but they also are increasingly revealing the "first principles" physics and materials' properties of our weapon systems.

Priorities of the Stockpile Stewardship Program include the development of capabilities to design and certify LEP options; preservation of specialized skills needed for maintenance of the nuclear stockpile by a generation of scientists who will not have worked with those experienced in nuclear testing; development of capabilities enabling timely resolution of issues from significant finding investigations resulting from surveillance observations; enabling annual assessment of the stockpile and associated operational decisions; and reducing nuclear dangers through the extension of capabilities used for assessments of foreign state weapons activities.

In the FY 2014 budget request, the Science Campaigns seek funding to provide the science underpinnings of our Plutonium Strategy and re-use options for the future stockpile, as well as advanced certification of nuclear explosive package options with improved surety to support LEP decisions and advanced diagnostics and experimental platforms (particularly optical imaging and radiography) for future subcritical experiments that augment and guide our plutonium science research. Through the National Boost Initiative (NBI), the Science Campaign is improving physics models for primary fission "boost." This understanding is essential as we reduce the stockpile, especially since we will be re-using many nuclear components.

The FY 2014 budget request for the Inertial Confinement Fusion and High Yield Campaign features an increased emphasis on non-ignition high energy density (HED) experiments, diagnostics, and experimental platforms development to support reuse and stockpile modernization. Such platforms and diagnostics will help validate secondary performance and surety technologies for the future stockpile, as well as help provide radiation effects testing of non-nuclear components. In addition, the budget request supports progress on achieving ignition, or thermonuclear burn in the laboratory, in accordance with the Path Forward report supplied to Congress in December 2012. This report described our plan for resolving discrepancies between experimental results at the National Ignition Facility (NIF) and the prediction of our codes, as well as the development of alternate ignition approaches (polar drive, direct drive, and magnetic drive). An Independent Advisory Board on ignition will be a subpanel of new Federal Advisory Committee being formed to provide advice on NNSA stockpile stewardship

challenges. Finally, the budget seeks support for the continued safe and efficient operation of NNSA's three major High Energy Density facilities: NIF, OMEGA, and the Z machine.

The budget in FY 2014 for our Advanced Simulation and Computing (ASC) program seeks to implement the "3+2 Strategy" agreed to by the NWC described earlier. To implement that strategy, an understanding of plutonium reuse and performance, which ASC simulation helps provide, is critical. Further, the ASC budget seeks support for improved and more responsive full system modeling and simulation capabilities for annual assessments, LEPs and significant finding investigations that provide enhanced fidelity in the stockpile. ASC is uniquely challenged by supercomputing technology advances that are forcing an evolution in computer architectures that are inconsistent with current methods used in our national computational tools for stockpile assessment. In response, ASC is coordinating high performance computing technology, research and development with the DOE Office of Science's Advanced Scientific Computing Research (ASCR) office, and attempting to maintain adequate essential skills and capabilities to support current and future requirements under flat budget restrictions. Foreign nuclear weapons assessments will continue to rely on our nation's nuclear weapons code base.

Strategic Management

Building on the strength of our experience working with DoD this past year, we are enhancing our partnership this year in areas where both of us will benefit. Specifically this year, studies are being conducted with DoD to find efficiencies and to identify workforce priorities. The "3 + 2 strategy" and the aggressive LEP schedule associated with that strategy are being implemented. Modernization of critical mission support infrastructure is focusing on the Uranium Processing Facility (UPF) with acceleration out of Building 9212, and moving forward with the plutonium Strategy.

Our enhanced partnership with DoD will be evident not only this year but also over the FYNSP period (FY 2014-2018), and beyond, throughout the next 25 years as the 3 + 2 Strategy, the LEPs, and modernization are all at various stages of planning and execution. The 25 year Strategic Plan will be described in detail in the forthcoming FY 2014 SSMP.

NNSA is taking the initiative to improve the effectiveness and reduce the cost of its operations and business practices. We understand that every dollar counts in these fiscal times and NNSA will build upon a number of successful efforts in the past to improve our contractors operations and efficiencies. We have already saved considerable money through our supply-chain management initiative, planned consolidation of the Y-12 and Pantex contracts, and pressing our contractors to change their benefit plans for employees, particularly pension plans. The funding requested in FY 2014 reflects anticipated "Workforce Prioritization" and "Management Efficiencies" savings as part of the NNSA/DoD joint study.

Defense Nuclear Security Overview

The NNSA recently reorganized our security organization to establish clear lines of authority for responsibility and institutionalize a formal performance assessment capability. The Office of Defense Nuclear Security's primary missions are policy development, strategic planning, and performance

assessments of NNSA site activities. We also realigned security management for operational direction, resource execution authority, and field assistance activities to the Office of Infrastructure and Operations (NA-00) which is consistent with its existing line management authority over all NNSA sites. NNSA is changing our culture of how we assess security so that we do not rely on reports provided by others but instead assess operational readiness of security at the sites by dispatching experts from the Office of the Chief of Defense Nuclear Security.

We are also committed to hiring the right caliber of security professionals; those with operational nuclear security field experience, to reshape and continue to improve the culture of nuclear security at NNSA. This initiative is focusing our leadership on instilling a culture that embraces security as an essential element of the NNSA mission, which is to provide the utmost protection for national security resources.

DNS is also hiring 15 additional Federal security experts in FY 2013 to conduct performance-based assessments at each of the NNSA sites. These security professionals will visit each site, to perform assessments of security readiness by directly observing security operations, and program implementation.

In the period following the Y-12 security event on July 28, 2012, we have learned a lot about our organization, the assumptions we had made, and how we communicate. The incident at Y-12 was a completely unacceptable breach of security. The security of our nation's nuclear material is our most important responsibility, and we have no tolerance for such unacceptable performance. We have taken strong and decisive action to fix the issues that led to the incident at Y-12.

We immediately shared lessons learned with all the NNSA Field sites and directed each to perform self-assessments related to those concerns found at Y-12. We directed the sites to assess 1) security culture, 2) formality of operations, 3) rules of engagement procedures, 4) security system maintenance and compensatory measures. We initiated efforts to establish a robust assessment model, which has included the new Acting Chief of Defense Nuclear Security leading teams of security professionals to conduct assessments of all NNSA sites to determine security readiness and review of Field Office and contractor security performance.

We are executing a deliberate process to restore the DOE directives as the baseline safeguards and security policy for NNSA.

Using NNSA's Corporate Performance Evaluation Process, our assessment of the Y-12 management and operating contractor's performance resulted in lost award fee totaling \$12.2 million, which included 100 percent of their possible security-related fee and a negative overall management fee adjustment of \$10 million.

Cyber Security

The FY 2014 budget reflects the consolidation of the activities managed by the NNSA Office of the Chief Information Officer under NNSA CIO (NCIO) Activities. The consolidation under a single account will allow more effective and integrated management of the program. Cyber Initiatives are supported by IT Investments and this change will provide better alignment of resources to focus on the emerging threat and to deliver capabilities that allow our employees to work anywhere, anytime, on any device. The FY 2014 budget includes \$148 million for the NCIO activities which includes support for federal IT as well as all programmatic funding for cyber security (covering federal employees and our Managing and Operating Contractors).

Providing an effective enterprise IT/Cyber strategy is critical to enablement of the OneNNSA strategy, the achievement of cost savings, and the deployment of shared services for the nuclear security enterprise. The NCIO leads Federal efforts to deploy innovative IT solutions, research and develop cyber defense technologies, and to deploy effective cyber security tools such as continuous monitoring, data loss prevention, and strengthened access controls. The NCIO focus for the next five years is to continue execution of our integrated strategy of IT Transformation (the NNSA Network Vision (2NV)), improved security monitoring of our environment (Joint Cyber Coordination Center (JC3)), and deploying next generation cyber defense capabilities that alter the economics of the cyber battlefield (Cyber Sciences Laboratory (CSL)).

The NCIO made significant progress towards the OneNNSA vision in FY 2013. The organization deployed a new, secure wide-area network (OneNNSA Network), a first of its kind federated Identity Management solution (a critical path step to full HSPD-12 implementation), a unified communications solution and agency wide social network allowing for the collaboration of over 45,000 employees (ONEvoice), and a state of the art cloud services broker (YOURcloud) that will provide a foundation for cloud computing adoption and was recently recognized by Excellence.gov as the most innovative project in government.

FY 2014 will build on these achievements and progress all three elements of our integrated strategy forward. For 2NV, NCIO will consolidate data centers using YOURcloud, modernize our applications to reduce legacy IT costs and enable a mobile workforce, and consolidate our intranets, websites, and file servers to common platforms to reduce costs. NCIO will improve our classified network monitoring capabilities, provide monitoring for 2NV investments, and strengthen the partnership with DOE for unclassified JC3 capabilities. For CSL, NNSA will execute a robust cyber defense R&D portfolio center around 3 signature programs: 1) Mission Resilience and Assurance, 2) Big Data and Behavioral Cyber Analytics, and 3) Scalable Testing of System Cyber Dynamics.

DEFENSE NUCLEAR NONPROLIFERATION

As I mentioned earlier, we decided to align all the global nuclear security activities under the Defense Nuclear Nonproliferation account. This will strengthen our focus on countering nuclear terrorism and proliferation, while encouraging cooperation among our programs in this area. The Request includes \$2.1B for the DNN appropriation which includes the NNSA Defense Nuclear Nonproliferation (DNN/NA-20), Nuclear Counter Terrorism Incident Response (NCTIR/NA-40), and Counterterrorism/Counterproliferation (CTCP/NA-80) programs.

Office of Defense Nuclear Nonproliferation

As we look to the future, we see challenges and opportunities across the globe. Over the past four years we have seen increased focus, determination and expansion of activities with our international partners. This has been due largely to the momentum created by the Nuclear Security Summit process to meet shared nuclear security goals. Russia, for example, has announced its intention to be a full partner with us, and remains a critical partner in the efforts to secure the most vulnerable nuclear materials and keep them out of the hands of proliferators and terrorists. The Russians are not alone, and dozens of countries have stood alongside President Obama and the United States at two Nuclear Security Summits to show their commitment to our shared cause.

One of our most important accomplishments has been to support the Administration's commitment to secure the most vulnerable nuclear material across the globe in four years. Since 2009, our efforts to secure plutonium and highly enriched uranium (HEU) around the world have accelerated to make it significantly more difficult to acquire and traffic the materials to make an improvised nuclear device. I am proud to say that we are very close to meeting our goals to remove or dispose of 4,353 kilograms of highly enriched uranium and plutonium in foreign countries by the end of 2013, and equip 229 buildings containing weapons-usable material with state-of-the-art security upgrades, though some challenges remain.

On April 5, 2013, we completed the removal of all HEU from the Czech Republic, making it the 10th country to be completely cleaned out of HEU in the last 4 years. The NNSA will complete prioritized removal of vulnerable nuclear material from three more countries this year.

The four year effort allowed us to accelerate some of our most important work, but it has been accurately described as "a sprint in the middle of a marathon." After our four-year sprint, there will be much left to complete in the areas of the elimination, consolidation and securing of nuclear and radiological materials worldwide. Nuclear and radiological terrorism continues to be a grave threat, nuclear and radiological WMD technology and expertise remain at risk, and materials of concern, such as plutonium, still are being produced. While the challenges are substantial, they are not insurmountable.

NNSA, working with its international partners and with strong support from the White House, will continue to eliminate, consolidate and secure high risk materials to ensure that terrorists can never

acquire a weapon of mass destruction. The FY 2014 request for ODNN provides \$1.8 billion to: continue efforts both domestically and internationally to convert research reactors and isotope production facilities from HEU to LEU, consolidate nuclear material in fewer locations, and permanently eliminate it where possible, improve and sustain safeguards and the security of nuclear materials at those locations, support the adoption of security best practices, prioritize efforts to secure or remove high-risk radiological sources, prevent illicit trafficking of nuclear and radiological material through the provision of fixed and mobile detection equipment and export control training, and work in collaboration with international partners to build global capability in these areas.

We will continue to pursue a multi-layered approach to protect and account for material at its source, remove, downblend or eliminate material when possible, detect, deter and reduce the risk of additional states acquiring nuclear weapons, and support the development of new technologies to detect nuclear trafficking and proliferation, as well as verify arms control treaties.

We owe it to the American people to continually reevaluate our work and make strategic decisions for the future. The FY 2014 Budget request takes a thoughtful look at the Mixed Oxide (MOX) Fuel Fabrication Facility project and our plutonium disposition options. The United States remains committed to disposing of excess plutonium, and we believe this review will ensure that we are able to follow-through on our mission in the decades to come. The U.S. plan to dispose of surplus weapons-grade plutonium by irradiating it as MOX fuel has proven more costly to construct and operate than anticipated. Considering these unanticipated cost increases and the current budget environment, the Administration has begun assessing alternative plutonium disposition strategies and identifying options for FY 2014 and the out-years. During the assessment period, the Department will slow down its MOX project. We are committed to disposing of excess plutonium, we recognize the importance of the U.S.-Russia Plutonium Management and Disposition Agreement, and the U.S. will continue to engage key program partners and stakeholders as the assessment of alternative plutonium disposition strategies is developed.

Our continued focus on nonproliferation and nuclear security efforts is vital. The threat of nuclear terrorism and WMD proliferation remains. Detonation of a nuclear device anywhere in the world could lead to significant loss of life, and extraordinary economic, political, and psychological consequences. We must remain committed to reducing the risk of nuclear terrorism and WMD proliferation.

Nuclear Counterterrorism Incident Response

This year, the request for NCTIR will support a strategy focused on reducing nuclear dangers through integration of its subprograms; Emergency Management, Emergency Response, Forensics and International activities supported by training and operations.

In FY 2014, the program will invest in leverage at a distance capability for the Nuclear Emergency Support Team, maintain training of the Consequence Management Home Team, sustain stabilization cities, complete improvements to U12P-tunnel, address and sustain emergency management requirements, maintain the Emergency Communications Network, and continue supporting international partners. The NCTIR program will continue to maintain essential components of the Nation's capability to respond to and manage the consequences of nuclear incidents domestically and internationally, and continue to conduct programs to train and equip response organizations on the technical aspects of nuclear counterterrorism.

Counterterrorism and Counterproliferation Programs

The aforementioned budget realignment includes the Counterterrorism and Counterproliferation, or CTCP, program office, which we stood up last year. The funding request for CTCP includes the transfer of the discontinued National Security Applications funding into a consolidated and substantially revised budget line to support the highest priority counterterrorism and counterproliferation technical work, including the study of Improvised Nuclear Devices and other non-stockpile nuclear device threats. This increased funding will support unique nuclear device-related technical contributions derived from NNSA's core nuclear science and technology expertise. This activity supports interagency policy execution, DoD and Intelligence Community customers, and DOE's own emergency response operations.

NAVAL REACTORS (NR)

Naval Reactors' request for FY 2014 is \$1.246 billion, an increase of 15 percent over the FY 2012 request, to continue safe and reliable naval nuclear propulsion. The program directly supports all aspects of the U.S. Navy's nuclear fleet, which encompasses the Navy's submarines and aircraft carriers, over 40 percent of the U.S. Navy's major combatants. Currently, the nuclear fleet is comprised of 54 attack submarines, 14 ballistic missile submarines, 4 guided missile submarines, and 10 aircraft carriers. Over 8,300 nuclear-trained Navy sailors safely operate the propulsion plants on these ships all over the world, and their consistent forward presence protects our national interests.

Continued safe and reliable naval nuclear propulsion requires that NR maintain the capability to anticipate and immediately respond to small problems before they become larger issues. Our technical base and laboratory design, test, and analysis infrastructure is required for us to thoroughly and quickly evaluate technical issues that arise from design, manufacture, operations, and maintenance, ensuring crew and public safety without impeding the mission of our nuclear-powered fleet. Uncompromising and timely support for safe operation of the nuclear fleet continues to be the highest priority for Naval Reactors.

Beyond fleet support, Naval Reactors continues efforts on its three important new projects: the design of the OHIO Replacement reactor plant; the refueling overhaul for the S8G Land-based Prototype reactor; and recapitalization of our naval spent nuclear fuel infrastructure. Each of the projects is critical to fulfillment of the Navy's longer term needs.

The current OHIO-Class ballistic missile submarines are reaching the end of their operational lives and will begin to retire in 2027. Naval Reactors is designing and developing a life-of-ship core for the OHIO Replacement that will increase SSBN operational availability and reduce strategic deterrence submarine procurements from 14 to 12. The FY 2014 request is \$125.6 million and supports the Navy's schedule and progresses on reactor plant design needed for procurement of reactor plant components beginning in 2019. This request is essential to component design, procurement and ship construction.

The Land-based Prototype provides a cost-effective testing platform for new technologies and components before they are introduced to the fleet, and is essential for the testing of new materials and technology for the OHIO Replacement life-of-ship core. To preserve this vital research, development, and training asset for the long-term and to achieve life-of-ship core for the OHIO Replacement, core development and preparations for the refueling overhaul must continue in FY 2014. The FY14 request for the S8G Land-based Prototype Refueling Overhaul is \$143.8 million.

Finally, the Spent Fuel Handling Recapitalization Project (SFHP) supports the Navy's refueling and defueling schedule for nuclear-powered aircraft carriers and submarines by providing the capability to unload and return spent fuel shipping containers to the shipyard. The FY 2014 budget includes \$70 million to continue conceptual design for a new facility. Significant portions of the existing Expended Core Facility are more than 50 years old, and were not designed for its current mission of processing and packaging spent naval nuclear fuel for permanent dry storage. The existing facility is not capable of handling full-length aircraft carrier fuel from M-290 shipping/storage containers. The need to prioritize operational fleet support following enactment of the Budget Control Act resulted in a year and a half delay to the project; the FY 2014 request supports this revised schedule. Further delay to the SFHP would create a need for additional M-290 containers, at approximately \$100 million per year of delay, for temporary storage.

Like our Weapons program, over the last year, DOE, NNSA and the DoD CAPE conducted a comprehensive analysis of Naval Reactors' program and validated that our requirements are consistent with the President's overall strategy.

OFFICE OF THE ADMINISTRATOR

The NNSA's Office of the Administrator (OA) appropriation provides the Federal salaries and other expenses of the NNSA mission and mission support staff, including the Federal personnel for Defense Programs, Defense Nuclear Nonproliferation, Emergency Operations, Defense Nuclear Security, Acquisition and Project Management, the Office of the Chief Information Officer, Safety and Health, the Administrator's direct staff, and Federal employees at the Albuquerque Complex and site offices. The OA account is an essential enabler of the federal roles and missions that are the heart of our Enterprise.

The OA account continues to streamline operations and provide staffing for efficient and effective oversight to our programs. We have taken aggressive measures to significantly downsize the account, including cutting travel and support services by about 1/3 and offering voluntary separation incentive payments and early retirement to help right-size our workforce.

IMPACT OF SEQUESTRATION

The sequestration cuts now in effect will hamper NNSA's ability to carry out the full range of national security activities planned in our FY 2013 Budget. These cuts are coming five months into the current fiscal year, forcing the NNSA to absorb the spending reduction in a seven-month period rather than an entire year. Under the current law, the NNSA FY 2013 budgetary resources have been cut by roughly 7.8%, which equates to an effective reduction of over 13% when measured over the balance of the fiscal year. Under sequestration, the reduction for the entire NNSA is approximately \$900 million. This results in the Weapons Activities appropriation is approximately \$600 million below the FY 2013 request levels, and more than \$250 million below the FY 2012 levels.

Prior to sequestration taking effect, NNSA informed Congress through hearings on two separate occasions that thousands of contractor jobs at our labs and plants could be affected either through work hour reductions or other personnel actions with Directed Stockpile Work and the Life Extension Programs being impacted the greatest. While we continue to believe that sequestration will cause significant impacts, these preliminary impact statements, which were formulated in a period of uncertainty regarding the precise provisions of the final Continuing Resolution (CR), need to be revised.

Now that we know the actual terms and conditions of the CR, NNSA is working closely with our partners in the labs and plants to develop mitigation strategies that will protect our highest priority workload to the best of our ability given the current resources. Our highest priority will remain the safety and security of our nuclear security enterprise. Once this review is completed, the Department plans to use a combination of the Operating Plan required by the CR, as well as a reprogramming to address the most critical funding needs and implement mitigation strategies to give program managers the flexibility they need to best handle the reductions across the enterprise.

Due to the indiscriminate nature of these cuts and view that it remains poor policy, the President's FY 2014 Budget request does not reflect sequestration's impacts; either in FY 2014 or across the FYNSP.

CONCLUSION

The FY14 budget reaffirms the national commitment to the President's nuclear security vision, applying world-class science that addresses our nation's greatest nuclear security challenges and building NNSA's 21st century nuclear security enterprise through key investments in our people, programs and infrastructure. We are looking toward the future and building an organization that will ensure success. I look forward to working with each of you to help us do that. Thank you.