



Office of Government and Community Relations

Federal Relations Report

February 2011

"House Appropriations Committee Introduces [Bill] Containing Largest Spending Cuts in History"

--Headline on House Appropriations Committee news release, available [here](#)

That was the triumphant tone when the House began debate on a bill to fund the remainder of current fiscal year, FY 2011. It was a reminder that the House is under new GOP leadership that is focused on cutting government spending and narrowing the country's ballooning federal deficit. The House bill, H.R. 1, had already been revised once, when conservative members rejected an original draft from the House GOP leadership because, in their eyes, it did not cut enough.

On Monday, February 14, the bill collided with President Obama's release of his President's Budget Request (PBR) for FY 2012, which begins October 1. Although comparing the two proposals is a bit apples-to-oranges, they can both fairly be called austerity plans, albeit ones focused mainly on a small, 15 percent slice of the budget called non-security discretionary spending. That category is what is left of the federal budget after one takes out mandatory funding (mostly entitlements such as Social Security), defense and veterans affairs, and homeland security.

Unfortunately, most of the University of Minnesota's top priorities are in the non-security discretionary funding category, which is cut by roughly \$60 billion or 12 percent in the House's proposal for the remainder of FY 2011 and frozen under the FY 2012 PBR. On the plus side, the president's budget prioritizes education and science funding under the freeze and reflects the innovation theme outlined in his State of the Union speech on January 25, available [here](#).

House bill cuts student aid and science agencies

The House bill, which would fund the government from March 5 to September 30, would result in a \$845 cut to the maximum Pell Grant, which is the most direct assistance that the federal government provides to low- and moderate-income undergraduates. Last year, 25 percent or more than 25,000 students across the University received Pell grants, totaling nearly \$40 million in grant aid. President Bruininks and the leaders of Minnesota's other college and university groups sent a letter [\[link to letter-need to post\]](#) earlier this month to Minnesota's members of Congress, asking them to maintain the maximum Pell Grant at its current \$5,550.

Other relevant cuts proposed in the House bill include:

USDA, National Institute of Food and Agriculture

FY10: \$1.36 billion, H.R. 1 amt. for FY11: \$1.14 billion, Cut: \$-217 million (-16%)

USDA, Extension funds

FY10: \$495 million, H.R. 1 amt. for FY11: \$453 million, Cut: \$-41.86 million (-8%)

USDA, Ag. & Food Research

FY10: \$263 million, H.R. 1 amt. for FY11: \$228 million, Cut: \$-35 million (-13.3%)

Dept. of Energy Science

FY10: \$5.0 billion, H.R. 1 amt. for FY11: \$4.1 billion, Cut: \$-893 million (-18%)

National Science Foundation

FY10: \$6.87 billion, H.R. 1 amt. for FY11: \$6.51 billion, Cut: \$-359 million (-5.2%)

National Institutes of Health

FY10: \$31 billion, H.R. 1 amt. for FY11: \$29.23 billion, Cut: \$-1.63 billion (-5.4%)

Adding to the difficulties that H.R. 1 may cause to agencies important to the University is the fact that the bill would make its cuts in the second half of the fiscal year, concentrating their impact over seven months rather than an entire year.

President Obama has signaled he will veto (link [here](#)) H.R. 1 if it comes to him in its current form, and leaders in the Senate have indicated that they will not support such deep cuts to federal programs. The current Continuing Resolution (CR) funds the government from December 21, 2010, through March 4, 2011, and the stage is now set for a showdown between the House on one side and the Senate and the President on the other. If no agreement is reached or another short-term CR is not passed, the federal government will be forced to shut down. Another complication: senators will be back in their states this week and unable to take up any legislation, leaving only a few days next week to reach a resolution.

Rep. John Kline of Minnesota, the new chair of the House Education and Labor Committee, successfully attached a policy amendment to H.R. 1 that would keep the Education Department from implementing new so-called "gainful employment" rules (link [here](#)) affecting postsecondary certificate programs. While targeted mainly at for-profit career colleges and their high rate of students using federal grants and loans and federal loan defaults, the rule also affects a small number of programs at nonprofit institutions like the University.

Obama FY 2012 budget prioritizes education and research under an overall spending freeze

President Obama told a joint session of Congress in his State of the Union address that, "Cutting the deficit by gutting our investments in innovation and education is like lightening an overloaded airplane by removing its engine." The PBR for FY 2012 (October 1, 2011, to September 30, 2012) released last week kept to the president's main theme of "winning the future" and his assertion that the nation needs to "out-innovate, out-educate, and out-build the rest of the world."

As he did with his budget proposal for the current year, which was not enacted, the president set the maximum Pell Grant at \$5,550 and provided funding increases for research agencies while freezing non-security discretionary spending overall. (The budget document calls for the freeze to continue for five years.)

If the president were to prevail, the maximum Pell Grant would stay at that level for the next ten years, despite a spike in demand that makes the program more expensive to fund, both now and in the coming years. The president would pay for the projected ten-year, \$100 billion shortfall in Pell by cutting the so-called year-round Pell, which students had recently been awarded to use for summer classes, and by cutting the in-school subsidy for graduate student loans. The PBR also rolls out changes to the Perkins Loan program, the future of which is in limbo.

In the area of research and outreach, the PBR proposes these funding levels for FY 2012:

USDA, National Institute of Food and Agriculture

FY10 CR: \$1.36 billion, PRB FY12: \$1.22 billion, Change: \$-139 million (-10%)

USDA, Extension funds

FY10 CR: \$495 million, PRB FY12: \$466 million, Change: \$-29 million (-6%)

USDA, Ag. & Food Research

FY10 CR: \$263 million, PRB FY12: \$325 million, Change: \$62 million (24%)

Dept. of Energy Science

FY10 CR: \$5 billion, PRB FY12: \$5.4 billion, Change: \$452 million (9.1%)

National Science Foundation

FY10 CR: \$6.87 billion, PRB FY12: \$7.67 billion, Change: \$895 million (13%)

National Institutes of Health

FY10 CR: \$30.8 billion, PRB FY12: \$31.8 billion, Change: \$1 billion (3.4%)

Under the PBR, NIH would be restructured with the addition of a new center, the National Center for Advancing Translational Sciences (NCATS), and the closing of the National Center for Research Resources (NCRR).

The budget request highlights three areas of focus for NIH that are “instrumental in paving the way for more rapid scientific advances across all areas of human health and disease, including global application.” These are:

- Technologies to accelerate discovery – including DNA sequencing, nanotechnology, computational biology, and microarray technology
- Work related to evidence-based health care decisions – including comparative effectiveness research and personalized medicine research
- New investigators, new ideas – including two programs, the NIH Director’s New Innovator Award and the Early Independence Award

The NIH budget request, including links to the request of each institute and center, is available [here](#).

The budget request’s 13 percent increase in National Science Foundation (NSF) funding comes mostly in the Research and Related Activities (R&RA) account, which accounts for three-quarters of the \$894.5 million proposed growth for the agency. NSF would increase both the number of research grants and the number of graduate research fellows by 2,000. The budget document highlights national priority areas for funding such as cyberinfrastructure for science and engineering, sustainability, and clean energy, as well as a \$1 billion for the NSF component of the Wireless Innovation Fund to expand the nation’s wireless broadband capacities.

Overall, the PBR’s funding levels would keep NSF on a track to double as planned in the American COMPETES Act of 2010, the bill that reauthorized NSF last year. The NSF budget documents are available [here](#).

Within the Department of Energy (DOE) budget, the administration’s request also maintains the doubling path for the DOE Office of Science outlined in America COMPETES. At the same time, Fusion Energy Sciences and Science Laboratories Infrastructure would see cuts of 4 percent and 12 percent, respectively.

The administration is also proposing \$146 million for DOE to support the three existing Energy Innovation Hubs and to create three new ones. The new hubs would address needs in batteries and energy storage, smart grid technologies and systems, and critical materials.

In the Department of Defense, accounting peculiarities mean that the most useful comparison for proposed spending levels is the president’s request for FY 2011, which was never enacted. Basic research, called Defense 6.1 Basic Research programs, received a 4 percent bump to a total of \$2.08 billion, and applied research, called 6.2 Applied Research programs, would rise 4.7 percent to \$4.69 billion over the FY 2011 PBR levels.

In taxes, the budget would make permanent the American Opportunity Tax Credit and index for inflation the \$2,000 tuition and expense amounts. The proposal also would extend through 2012 the deduction for qualified tuition and related expenses. In addition, the budget would exclude from taxation the balance of loans for students taking advantage of either the income-contingent or the income-based repayment program.

Finally, as the FY 2011 PBR did, the FY 2012 budget proposes to limit the value of itemized deductions, including the deduction for charitable contributions to organizations such as colleges and universities, to 28 percent for high-income

taxpayers. It also proposes to extend the IRA charitable rollover through 2012. The budget also proposes to make permanent the research and experimentation tax credit, and to increase the rate of the alternative simplified research credit from 14 percent to 17 percent.

Although Congress has not kept to the budget process (link [here](#)) for many years, the next step for the budget is for both houses to create a budget resolution that sets overall spending levels for the government. Since the budget request was submitted late this year, it is unlikely the next step will be completed by April 15, the traditional "deadline" for such action.

Even before that date, lawmakers will likely be forced to consider raising the national debt ceiling, which promises to be another contentious decision point in this divided Congress, where newly elected House members affiliated with the Tea Party have promised not to support raising the ceiling without significant spending cuts. Just as not passing a continuing resolution for FY 2011 would have the dire consequence of shutting down the government, failure to raise the debt ceiling would effectively put the U.S. government in default. If you are a fan of old Westerns and the gunslingers' showdown on Main Street, then you will likely enjoy the next few months in Congress; there are likely to be numerous showdowns.

On Campus and on the Hill

On January 18, Sen. Amy Klobuchar held an innovation summit on the Minneapolis campus, with a morning panel on fostering innovation that featured Sen. Mark Warner (D-VA), CEO Bill Hawkins of Medtronic, and University Vice President Tim Mulcahy, and an afternoon panel on trade issues.

In January and February, Senator Al Franken met with University and Mayo researchers to discuss the partnership's "Decade of Discovery, A Minnesota Partnership to Conquer Diabetes," and Profs. Brian Van and Doris Taylor to discuss medical research breakthroughs. He was also on the Crookston campus to discuss potential flooding issues, and the Morris campus and the Mid-Central Research and Outreach Center in Willmar to discuss renewable energy and sustainability issues. Sen. Franken had a chance to meet fellows and tour the Medical Devices Center on the East Bank, finishing up with a visit to the Minnesota Supercomputing Institute to see the latest in 3D imaging used for prototyping medical devices.

Congressman Keith Ellison spoke at the opening of the Islamic Law and Human Rights Program (IHRP) at the Law School on February 4, and rallied students at the state capitol Support the U Day on February 23.

Jay Shrankler, director of the Office for Technology Commercialization, was in DC for the 2011 Innovation Coalition Legislative Fly-in on February 16. He visited Hill staff to highlight the University's work to move innovations into the marketplace

Deb Swackhamer, co-director of Water Resource Center, met with congressional staff to talk about importance of water-related research.

Tom Schmidt from the Office of Student Finance briefed Minnesota delegation staff on the Perkins Loan program.

Dean Steven Crouch of the College of Science and Engineering in the Twin Cities and Dean James Riehl of the Swenson College of Science and Engineering at UMD briefed Hill offices on the role their colleges play in educating engineers and scientists for the state and regional economy.

Senior VP and Provost Tom Sullivan, Prof. Craig Packer, and Tammy Lee Stanoch of the University of Minnesota Foundation met with Sen. Amy Klobuchar and Rep. Betty McCollum, as well as Johnnie Carson, Assistant Secretary of State for the Bureau of African Affairs, to discuss the University's Whole Village Project.

Articles of Interest

[Reid pushes for stop-gap plan to keep government funded at current level](#)
Washington Post
February 22, 2011

[House Poised to Block 'Gainful'](#)
Insidehighered.com
February 18, 2011

[Senate Democrats Roll Out Agenda For Winning The Future](#)
Senate Democratic Caucus
February 16, 2011

[The long term budget problem begins now](#)
Keithhennessey.com
February 16, 2011

[What story does Obama's budget tell Americans?](#)
Salon.com
February 14, 2011

[The Cook Report: Hang On Tight](#)
National Journal
February 18, 2011

[White House Threatens Veto of Government Funding Measure](#)
NationalJournal
February 15, 2011

[Maximum Pell, at All Costs](#)
Insidehighered.com
February 15, 2011

[Cutting Pell Grants](#)
New York Times Online
February 14, 2011

[Wait, Who's Cutting Pell Grants? And Why?](#)
The New Republic
February 14, 2011

[The Budget Debate: Austerity Lite](#)
Yahoo News
February 14, 2011

[How to Think About the 2012 Budget](#)
The Atlantic
February 14, 2011

[Democratic senators slow to embrace Obama's budget](#)
Washington Post
February 14, 2011

[30 years of spending priorities](#)
Washington Post
February 14, 2011

[Spending Showdown](#)
Insidehighered.com
February 14, 2011

The Defense Department won the future, or at least the budget

Washington Post
February 14, 2011

Republicans Splintering on Size of Cuts

Wall Street Journal
February 10, 2011

Senate Appropriations Chairman Says No Earmarks, Despite His Support of Pork

ABC News
February 1, 2011

Shielding Education and Research

Insidehighered.com
January 26, 2011

Thank you for reading. Feel free to contact us if you have any questions.

Sincerely,



Channing Riggs
Director, Federal Relations
University of Minnesota
612-624-8520
riggs035@umn.edu



Dan Gilchrist
Coordinator, Federal Relations
University of Minnesota
612-624-3304
dang@umn.edu

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