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"I don't see why anybody's talking about playing chicken with the debt ceiling...If we get to the point where you've damaged the full faith and credit of the United States, that would be the first default in history caused purely by insanity."

That was Austan Goolsby, chairman of President Obama's Council of Economic Advisers, back on January 3 of this year, talking about the prospect of Congress not raising the federal debt ceiling. While many of us in Minnesota have been preoccupied by the looming state shutdown on July 1, another doomsday date is approaching, for the federal government; on August 2, the United States will default on its debt if the debt ceiling is not raised, according to Treasury Secretary Tim Geithner.

Although fights over the debt ceiling are not uncommon—the Congress having raised it 11 times over the last decade alone—and although talks are still ongoing, the prospect for a first-ever United States default seems more real this year than ever before.

How did we get here? When Congress agreed on a Continuing Resolution that funded the government for FY 2011, it also agreed to take on another \$1.5 trillion in debt, the difference between its outlays and its revenues. And consequently the government is bumping up against its current \$14.3 trillion debt limit. In fact, the United States technically reached its debt limit on May 16, but the Treasury Department has used creative accounting related to government pension funds to buy a few more months before default.

Emboldened by their sweep of last year's House elections, GOP lawmakers have demanded significant federal spending cuts in exchange for a vote in the House (and possibly even the Senate, where 60 votes are needed to pass most legislation) to increase the debt ceiling. The Obama administration has countered with proposals to raise taxes on higher income families, but Republican leaders have rejected any tax increase in this fight thus far.

While there is danger for the national economy in the case of [default](#), there is also danger if a debt deal is reached. Programs important to the University of Minnesota such as student aid and research would likely see cuts under any federal austerity plan.

Appropriations process does not take the summer off

The debt ceiling debate is one pressure point for budget cutters to leverage this summer. The regular appropriations process is another. Recall that under the "[normal](#)" [process](#) by which Congress appropriates money to programs it has authorized, the president releases his budget request for the next fiscal year in February, kicking off the appropriations process. Congress then passes and reconciles a budget resolution, which leads to 12 individual appropriations bills marked up and passed by both houses of Congress before the beginning of the fiscal year on October 1, 2011. Thus far, only the House has passed a budget resolution, and only the House has passed any FY 2012 appropriations bills (Military Construction-Veterans, Agriculture, and Homeland Security), with an additional three passed out of the appropriations committee (Defense, Energy and Water, and Financial Service).

It is a point of pride for the House GOP majority that their plans for FY 2012 roll back spending to FY 2008 levels, with exceptions for "seniors, veterans and our troops," just as promised in the caucus's 2010 Pledge to America. The House Majority Leader recently boasted: "Once increases for Defense, Homeland Security, and Military Construction / Veterans Affairs are taken into account, **the 2012 bills come in \$2.12 billion below their 2008 counterparts**. Meaning, the Appropriations Committee has not just met our pledge, they've *exceeded* it" (emphasis his).

By shielding the defense bill from cuts, House GOP leaders have exempted half of the possible discretionary funds (as opposed to mandatory entitlement funds such as Social Security) because the defense budget makes up \$530 billion of the \$1.019 trillion discretionary budget they have put forward for FY 2012. Add in the other protected categories, and more than 60 percent of the House's proposed budget is off the table for cuts.

That means that domestic, non-defense discretionary spending will be the target for cuts, if the House has its way. As just one example, the House's Labor Health and Human Services bill, which encompasses key university priorities such as the National Institutes of Health (NIH) and Pell Grants, has not yet been acted upon, but the bill's planned overall spending level is worrisome: \$18 billion or nearly 12 percent below this year's spending levels.

In the Senate, appropriators have decided to move ahead on their FY 2012 funding bills despite not having a top-line discretionary spending number from an approved FY 2012 budget resolution. But no bills have yet passed on the floor.

The Senate's slow pace and the presumed divide between what the House and Senate will accept for spending levels has led many observers to predict that FY 2012 will be another budget funded by a series of Continuing Resolutions, just as FY 2011 has been.

Patent Reform Clears the House

On Thursday, June 23, the House approved H.R. 1249, the Leahy-Smith America Invents Act, marking an important step toward enactment of patent reform. The vote was 304 to 117. The House bill is similar enough to S. 23, which passed the Senate earlier this year, that the Senate may pass H.R. 1249 unchanged, precluding the need for a conference committee. The University of Minnesota outlined its support for the bill in a message to the Minnesota delegation.

During the six years that Congress has wrestled with a patent reform bill, representatives of the university community have lived by the political maxim that you are either "at the table or on the table," believing that negotiating would yield a better result than standing apart and opposing a bill that contains any provisions that might negatively affect university commercialization efforts. The bill's authors, in the House and the Senate, have made many changes to the bill as a result of university concerns, although some technology commercialization managers at universities remain dubious of many of the bill's provisions.

The six higher education associations that have been working together on patent reform issued a statement applauding the House action. They lauded H.R. 1249 as a "thorough, balanced effort to bring the U.S. patent system into the 21st century so that it can support more effectively America's economic competitiveness and job creation in the increasingly competitive global economic environment." In a press conference on June 29, President Obama called on Congress to get a patent reform bill to his desk as soon as possible.

The next step in the process is Senate consideration. Senator Judiciary Committee chairman Patrick Leahy (D-VT) issued a statement supporting the bill, noting that although H.R. 1249 differs slightly from the Senate-passed measure, "the core reforms are consistent." However, one senator, Tom Coburn of Oklahoma, has placed a hold on the bill because he is concerned that the House's chosen mechanism for

funding the U.S. Patent and Trademark Office (USPTO) may still allow diversion of fees paid to the office to the general fund, leaving the USPTO under-resourced, as most observers believe it is today.

Congress mulls increased reporting requirements for grant recipients

The federal government's American Recovery and Reinvestment Act (ARRA), otherwise known as the stimulus bill, added more than \$20 billion to research and development. Researchers and university leaders lauded this infusion of resources, but grants under ARRA also had some special strings attached in the form of increased and much more time-limited reporting requirements, pushing recipients to report on a quarter of their funding within 10 days rather than the previous, more manageable standard of 90 days. Ever since the bill was passed in early 2009, there have been rumors that these additional reporting requirements would also be applied to non-ARRA grants.

In a development that is causing sleepless nights for sponsored project and financial reporting staff at universities across the country, the House Oversight and Government Reform Committee abruptly considered—and unanimously passed—H.R. 2146, the Digital Accountability and Transparency Act (DATA). In an attempt to standardize, centralize and broaden access to information on federal spending, the bill would have the effect of perpetuating and extending ARRA reporting requirements to nearly all federal grants and contracts. A companion bill in the Senate has been introduced by Senator Mark Warner (D-VA).

A [letter](#) from the major higher education associations in opposition to the bill pointed out that the ARRA requirements have imposed significant administrative burdens on scientists and administrators, with little evidence that “they produced significant and useful information for the public or policymakers.” The letter quoted preliminary data that indicated that the ARRA requirements imposed an additional \$87 million in costs for 100 participating universities.

Still, legislation that requires additional accountability and “transparency” among federal funding recipients is likely to receive significant bipartisan support. University analyst Peter Zetterberg, who passed away this month, postulated a relevant truth that bears his name; Zetterberg’s law posits that the amount of accountability legislation is inversely proportional to the amount of funding available. The DATA legislation may well prove him right again this Congress.

On Campus and on the Hill

On April 26, Senator Al Franken held a roundtable at the Humphrey Center with University experts in renewable energy, and led a larger panel discussion on “What Minnesota Knows about Clean Energy.” The events were hosted by the University of Minnesota’s Center for Science, Technology, and Public Policy.

Sen. Amy Klobuchar helped celebrate President Robert Bruininks and Susan Hagstrum’s service to the University at an open house hosted by the regents at TCF Bank Stadium on April 27.

In April, President Bruininks and the heads of several St. Paul area colleges and universities met with rep. Betty McCollum to discuss higher education issues.

In May, Senior Vice President for Systemwide Academic Administration Robert Jones met with Rep. Betty McCollum to discuss the University’s work to improve access to broadband technology for underserved populations.

Also in May, Assistant Professor Abigail Gewirtz, Ph. D, L.P, gave the keynote speech at the U.S. Senate's National Children's Mental Health Awareness Day briefing and met with Minnesota delegation staff.

On May 6, former Congressman Jim Oberstar spoke at the Humphrey Center on the relationship between transportation and economic development. The speech was part

of a lecture series named for his former colleague Martin Olav Sabo.

At the invitation of the Coalition for National Science Funding (CNSF), Catherine Fitch, associate director of the Minnesota Population Center, presented information on the University's NSF-funded research projects at an exhibition and reception held in May for members of Congress.

Katie Meyer, Rep. Erik Paulsen's point person on health policy, visited the Medical Devices Center on the East Bank on May 17. She met with students and researchers involved in developing medical devices, and with staff from the Office of Technology Commercialization.

On May 31, Kent Pekel, executive director of the College Readiness Consortium, moderated a school leadership forum with Secretary of Education Arne Duncan and Minnesota education leaders in St. Paul.

In June, Prof. Arthur Reynolds of the College of Education and Human Development briefed delegation staff in Washington on his research into the long-term benefits of early childhood education.

Articles of Interest

[The past and future of our budget deficit in two graphs](#)
Washington Post
May 11, 2011

[The True Significance of 'Gainful Employment'](#)
Inside Higher Education
June 13, 2011

[Bill add-ons draw critics' comparison to earmarks](#)
The Boston Globe
June 13, 2011

[Broadening Our Global Health Vision](#)
Huffington Post Op-ed by Francis S. Collins, M.D., Ph.D.
June 15, 2011

[Debt Limit Negotiations Enter Critical Week](#)
CQ Today
June 20, 2011

[Everyone is looking for something \(different\) in a debt ceiling deal](#)
MinnPost,
June 22 2011

[CBO: We'll only have giant deficits if Congress wants giant deficits](#)
Washington Post
June 22, 2011

[Congressional Budget Office warns of debt explosion](#)
Washington Post
June 22, 2011

[Senate's spending-bill backlog](#)
Politico Op-ed by Reps. Robert Aderholt and John Culberson
June 21, 2011

[Wonkbook: How to compromise on a compromise](#)
Washington Post
June 27. 2011

[Why the budget showdown is bad for the economy](#)
Salon.com

June 27, 2011

The mother of all tail risks: A US technical default would convulse markets. Nothing else is certain

The Economist

Jun 23rd 2011

Debate over U.S. debt limit is going down to the wire

USA TODAY

June 16, 2011

Happy Independence Day,



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