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Office of Government and Community Relations

## Federal Relations Report

September 2011

*"The chance that this group will agree to an unbalanced deficit reduction package is not low."*

-- Ellen Nissenbaum, senior vice president for government affairs at the Center for Budget Policy and Priorities, speaking of the Joint Deficit Reduction Committee.

Although contemporary Washington has a reputation for gridlock, many parts of Congress's budget machinery are now in motion. Overarching all other activities is the work of the [Joint Deficit Reduction Committee](#), known colloquially as the supercommittee, which was established in the debt ceiling agreement reached by congressional leaders and the Obama administration in early August.

The debt ceiling agreement has two stages. The first involves nearly a billion dollars in cuts to discretionary spending over ten years, including defense spending. The vehicle for these cuts is a series of caps on annual discretionary spending for each of the next ten years, with [some notable exemptions](#). Of course, most of these cuts come in future fiscal years and can always be revisited by Congress. What is notable is that the overall discretionary spending cap for FY 2012, which begins October 1, is nearly \$7 billion or 1.4 percent lower than the amount funded in FY 2011. The cap will put a squeeze on research and education programs (although the Pell program should be protected from cuts); however, the cap is still \$24 billion or 4.8 percent above what the GOP-controlled House was originally planning on spending in FY 2012.

Appropriators are currently wrangling over **FY 2012 spending bills**. The House [completed](#) six of the twelve necessary funding bills before the August break, and the Senate has kick started its consideration of spending bills, moving seven of them through committee in September. House leadership is [under pressure from conservatives](#) to cut more than the level proposed in the first stage of the debt agreement. In order to preserve funding in the labor-health and human services and pension (LHHS) bill from taking the large cuts these conservatives are calling for, House Appropriations Committee leaders will not be putting forward an LHHS bill. They are electing instead to have the Senate mark up an LHHS bill, one that is more generous to programs such as the National Institutes of Health (NIH) and Department of Education than a House bill would likely have been.

Even with that maneuver, most research and education programs—with the exception of the explicitly protected Pell Grant program—are facing flat to slightly reduced budgets in FY 2012. Under the Senate's plan, for example, NIH would receive \$30.5 billion, a decrease of \$190 million from FY 2011, and the House would keep funding for the National Science Foundation flat at \$6.9 billion. And those numbers represent the best-case scenarios for each agency.

Agency/Program	FY 11 Final	FY 12 Pres. request	FY 12 House (Current)	FY 12 Senate (current)
<b>Department of Education (LHHS)</b>				
Pell Grant				
Maximum Grant*	5,550	5,550		5,550
National Institutes of Health (LHHS)	30,706	31,987		30,500
National Science Foundation (CSJ)	6,807	7,767	6,859	6,698
NASA (CSJ)	18,485	18,724	16,810	17,939
<b>Department of Energy (Energy/Water)</b>				
Office of Science	4,868	5,416	4,800	4,843
ARPA-E	180	550	180	250
Department of Defense 6.1 Basic (Defense)	1,947	2,079	2,098	2,081
National Endowment for the Humanities (Interior)	155	146	135	
<b>Agriculture**</b>				
Agriculture and Food Research Initiative (AFRI)	265	325	223	266
Hatch Act Funds	236	204	206	236
Smith Lever Funds 3(b) and 3(c)	294	283	257	296

In millions of \$ unless noted

\* \$ in thousands; including mandatory and discretionary

\*\* without 0.2% cut to non-defense

[View larger appropriations chart.](#)

Few observers expect an agreement on FY 2012 before the beginning of the fiscal year, so lawmakers are also fighting over a limited **Continuing Resolution** (CR) that would fund the government until November 18. House and Senate leadership are at odds over how to fund disaster relief in the wake of Hurricane Irene, but the sides will likely agree on a CR that cuts 1.4 percent across the board from FY 2011 amounts in order to meet the caps agreed to under the debt ceiling's first stage.

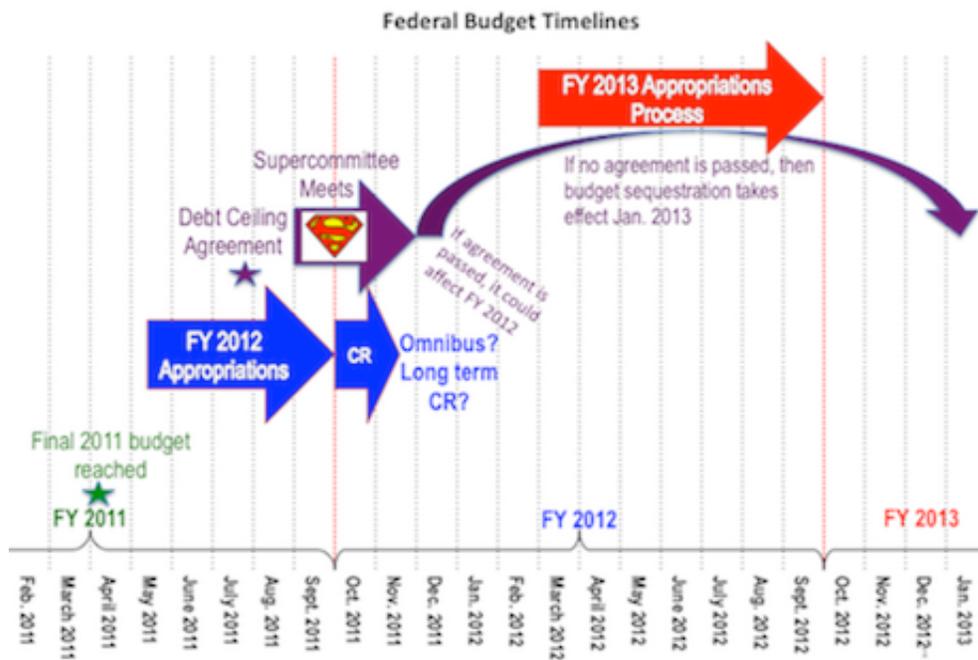
The resolution of FY 2012 funding appears more and more likely to lie in a large omnibus bill that would be agreed to by the administration and House and Senate leadership this fall. Such a bill would likely draw on the specifics of appropriations bills passed by both bodies, and would come together despite House leadership's distaste for comprehensive spending bills.

Some interesting specifics in the FY 2012 proposal:

- The Senate LHHS bill creates the National Center for Advancing Translational Science (NCATS) as part of a larger restructuring at NIH. The center's aim is to accelerate discoveries in basic science and research into treatments and cures. Additionally, within NCATS, the bill would fund the Cures Acceleration Network (CAN), which was authorized in health reform legislation last Congress. CAN is formulated to help bridge the "valley of death" between basic research and new drugs, devices, and therapies.
- The Senate LHHS bill also would maintain the maximum appropriated Pell Grant award at \$4,860, which would allow the total maximum award to remain level at \$5,550. Unfortunately, it does so by further cannibalizing other student aid benefits—this time, it is the six-month grace period of government-paid interest that undergraduates enjoy before they must begin paying back their federal student loans that is on the table. Under the proposal, students would still have a grace period, but interest would begin accruing as soon as they leave college. This follows a string of other student aid provisions that have been sacrificed for the main Pell program over the past year, including subsidized graduate loans, year-round Pell Grants, and LEAP grants. The Supplemental Education Opportunity Grant, Federal Work Study, TRIO, Javits and GAANN, and Title VI international education programs are level-funded under the proposal.
- Under the House's proposal for NSF, the Research and Related Activities account is increased by \$43 million to \$5.607 billion, and Education and Human Resources is funded at \$835 million, a \$26 million reduction from current levels. The Major Research Equipment and Facilities account is reduced to \$100 million,

\$17 million less than FY 2011 levels. The Senate bill would cut NSF but give the agency the option of shifting \$100 million from research account to make up most of the shortfall in the facilities account.

The second stage of the debt ceiling agreement relies on the supercommittee finding up to \$1.5 trillion in savings in the entire federal budget over the next ten years—and to do so by Thanksgiving. Congress would take a supercommittee agreement, should it be reached, and give it an up-or-down vote in December. Those deficit reductions could be made up entirely of cuts, although the door was also left open for revenue increases. House Speaker John Boehner has said his caucus remains adamantly opposed to tax increases. An agreement could theoretically tighten down spending caps further for FY 2012.



[View larger timeline.](#)

Should the committee fail to reach an agreement, or an agreement fail to pass Congress, or an agreement amount to less than \$1.2 trillion in savings, the debt ceiling agreement calls for budget sequestration, or automatic across-the-board cuts, to kick in, beginning in January 2013, four months into FY 2013. Sequestration could account for all the \$1.2 trillion (over ten years) or could bridge the difference between an agreement that finds a lower level of savings and the \$1.2 trillion figure.

Estimates about the impact of a \$1.2 trillion sequestration on the "average" unprotected federal program range from a 9 percent cut to a 12 percent cut in FY 2013. The across-the-board cuts would affect both domestic discretionary programs and defense programs. The potential for large "automatic" defense cuts is considered an incentive for GOP members on the committee to reach an agreement.

It remains unclear which scenario—agreement—partial agreement and partial sequestration, or complete sequestration—would be better or worse for programs important to the University of Minnesota. As the quote that opened this section hinted, budget experts believe that the committee will be under extreme pressure to reach an agreement, perhaps one that would be disproportionately destructive to higher education's priorities.

University of Minnesota President Eric Kaler cosigned a [letter](#) to the supercommittee, along with the Association of American Universities, the American Public and Land-grant Universities, and scores of other university heads. The letter called on the panel

to consider both entitlement and tax reform, and to broaden its focus beyond the domestic discretionary budget, which constitutes only 16 percent of the budget, but which contains the lion's share of federal education and research programs and has been the main target for recent cuts.

In the end, even under the sequestration scenario, Congress is giving itself room to maneuver. The across-the-board cuts would not kick in before calendar year 2013, so Congress could overrule itself and take down the sword it has hung over its own head. Members of the appropriations committees will also have a say, because they will presumably craft the FY 2013 budget, out of which the sequestration cuts would be carved.

### **Patent reform becomes law**

On September 16, President Obama signed the Leahy-Smith America Invents Act, a bill that reforms the U.S. patent system. Over the past five years, the U of M has been part of a coalition of research universities that has worked to ensure that patent reform would help rather than disadvantage technology commercialization efforts by universities. The bill includes a number of carefully developed technical provisions to improve patent quality and reduce the cost of patent litigation. Also included are redesigned funding streams that the U.S. Patent and Trademark Office needs to end the current backlog of patent applications and to support 21st Century U.S. patent system.

The White House also referred to the work the Obama administration has done with higher education institutions and other organizations to stimulate innovation and economic growth. The collaborative innovation effort began earlier this year when more than 130 university and association leaders agreed to develop and enhance campus-based activities relating to entrepreneurship, technology commercialization, and economic development. The University of Minnesota is part of this agreement, and the Office of the Vice President for Research took the occasion of patent reform becoming law to highlight its recent work to improve collaboration and technology commercialization.

### **On campus and on the Hill**

Over the summer, President Eric Kaler met with Reps. John Kline, Keith Ellison, and Betty McCollum and had introductory conversations with both of Minnesota's US senators.

In August, Bidisha Bhattacharyya, Sen. Franken's policy adviser on environmental and energy issues, was briefed by Jon Foley and John Sheehan of the Institute on the Environment.

Peter Frosch, legislative director for Rep. McCollum, met with Professors Katey Pelican and John Deen to discuss their work on RESPOND, a major US Agency for International Development (USAID) project. Frosch and district director Josh Straka also discussed technology commercialization and economic development issues with Eric Hockert and other staff from the Office of Technology Commercialization (OTC).

Reps. Keith Ellison and Tim Walz, and House Democratic Leader Nancy Pelosi, joined USAID Administrator Raj Shah for a forum on Somalia at the Humphrey Institute on August 31. Shah took the occasion to announce the release of \$23 million in aid for the drought-stricken country.

In September, Professor Michael Miner of the Department of Family Medicine and Community Health visited congressional offices to discuss his research.

On Sept 13, senior research fellow Col. John T. Hoffman testified before the Senate Committee on Homeland Security and Governmental Affairs on "Agro-Defense: Responding to Threats Against America's Agriculture and Food System."

Katherine Blauvelt and Dan Solomon from Sen. Franken's office visited OTC and the

Office of Student Finance.

## Articles of Interest

[John Boehner says 'no threat' of a shutdown after spending bill loss](#)

Washington Post  
September 23, 2011

[House Science Panel to Investigate NOAA Climate Service](#)

Science Insider  
September 22, 2011

[Why the White House changed course](#)

Washington Post  
September 19, 2011

[GOP faces omnibus headache](#)

Politico  
September 18, 2011

[How the Potential Across-the-Board Cuts in the Debt Limit Deal Would Occur](#)

Center for Budget and Policy Priorities  
Sept. 16, 2011

[Senate Plan Gives NSF a Choice on Facilities vs. Research](#)

Science Insider  
September 16, 2011

[The Congress Approves Major Overhaul of U.S. Patent Law](#)

Chronicle of Higher Education  
September 8, 2011

[News: Cutting Back on Kazakh](#)

Inside Higher Ed  
September 2, 2011

[Two years after Obama's college graduation initiative, major obstacles remain](#)

Hechinger Report  
July 11, 2011



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