

Political and Policy Context for the FY 2015 Budget

*Joanne Padrón Carney
American Association for the Advancement of Science*

INTRODUCTION

For the first half of 2014, the research community adjusted to the Budget Control Act of 2011's (BCA) unwanted gift of life under sequestration and the automatic cuts to defense and non-defense discretionary spending. While both chambers of Congress continued to battle over differing budgetary visions for FY 2014, the true influencing factor was not the debt ceiling or tax reform, but the Affordable Care Act (ACA). Buoyed by an election year that won the Republican majority additional seats in Congress, congressional leaders shifted their attention beyond the deficit to the larger philosophical issue of the government's role in healthcare delivery. Thus, once again, the stage was set for policy issues beyond the scope of science to deal a heavy blow to the research community.

By the August recess, funding for FY 2014 became hostage to efforts to defund and/or delay the ACA's official launch date of October 2013. As usual, compromise was a fleeting dream as the U.S. Congress once again reached an impasse over moving even a continuing resolution forward. The urgency of avoiding sequestration for a second year in a row and protecting the federal R&D portfolio from drastic cuts became eclipsed by a new fiscal threat: the prospect of a government shutdown. The end result was a sixteen-day closure of regular government operations, an outcome not seen since the 1995-1996 government shutdown.

Public backlash in response to the government shutdown was quick and negative, especially against Republicans for using ACA as the catalyst. Politically bruised and wishing to build a positive platform upon which to start the 2014 election year, congressional leaders from both chambers and both parties crafted a two-year budget resolution to move the FY

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2014 budget to a quick closure and to seal the fate for FY 2015, which would hopefully diminish the prospects of another ugly budgetary battle at the height of the elections.

In the aftermath of these events, President Obama released his FY 2015 budget just one month shy of the usual February release date.

In past years the President released budget requests that did not reflect the discretionary caps outlined in the BCA or the sequester, and now with the addition of the recently passed two-year Bipartisan Budget Agreement, political leaders waited expectantly.

In the end, the President's FY 2015 request managed to have it both ways. It included a baseline discretionary budget of \$1.014 trillion, honoring the cap set by the bipartisan bill, and a second separate budget entitled the Opportunity, Growth, and Security Initiative (OGSI) that proposed additional discretionary spending to the tune of \$56 billion.

R&D IN THE PAST YEAR'S BUDGET PROCESS

The appropriations process for FY 2014 began in fairly regular order, with the House once again taking the lead and Appropriations Chairman Harold Rogers (R-KY) moving in quick fashion to mark up and report out of committee ten of its twelve appropriation bills by July; but only four of those were passed by the full House by that time, whereas the previous year the full House had passed seven.

The Senate Appropriations Committee also managed to mark up and report out of committee eleven of its twelve bills by the August recess. And as it did the year before, the chamber did not bring one to the floor for a vote.

While the initial phase of the appropriations process gave the appearance that all was following regular order, the prospect that the House and Senate could reach consensus over the total discretionary budget was never a reality. As 2012 had illustrated, disagreements would continue over how to honor the Budget Control Act of 2011.

House Budget Committee Chairman Paul Ryan (R-WI) introduced a budget resolution that, while honoring the post-sequester baseline discretionary spending levels, ultimately proposed a budget with additional flexibility for defense discretionary spending caps. Thus, once

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again, the House presented a budget blueprint that would place the burden of additional cuts to nondefense discretionary spending accounts.

The House resolution, dubbed *The Path to Prosperity: A Responsible, Balanced Budget*, quickly passed the House chamber by largely partisan votes. House Democrats, however, rather than countering with a competing plan as they did the prior year, introduced close to two dozen amendments to the GOP budget that would address a host of subjects including research. But none garnered the necessary votes to pass.

Across the Capitol, the Senate took an alternative approach from past years. Before sequestration, Senate leadership firmly took the position that the Budget Control Act served as a default budget resolution. While that strategy may have made sense before sequestration became a reality, a new plan was needed during the post-sequestration world of FY 2014.

Shortly after Ryan introduced the House Budget Resolution, Senate Budget Committee Chairwoman Patty Murray (D-WA) introduced the *Foundation for Growth: Restoring the Promise of American Opportunity*, the first time that chamber had introduced a formal proposal in four years. Not surprisingly, the budget proposed to eliminate the across-the-board cuts forced by sequestration and restore non-defense discretionary spending levels above the BCA caps for FY 2014. Eventually, however, the long-term plan would reduce non-defense discretionary levels below the BCA caps in the out years. The Senate ultimately passed its budget blueprint along a party-line vote after spending days debating a barrage of amendments.

As stated previously, with neither chamber agreeing to the same total discretionary spending level, the prospects of reaching reconciliation and providing a unified plan to move appropriations dimmed. However, the prospects were further burdened by efforts to repeal or delay the Affordable Care Act.

Traditionally, by the August recess both chambers would launch into talks to craft a continuing resolution to fund the government starting October 1. But a number of Republicans, buoyed by the election results that garnered additional seats for the majority, felt additional pressure to maintain their political momentum and couple their interest to repeal the ACA with a continuing resolution to keep the government operating.

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The House introduced and debated a continuing resolution for FY 2014 that also included language to either delay or repeal the ACA. The Senate took up the House bill, stripped it of its provisions and replaced it with their budget resolution. Given that the Senate vision ignored the post-sequestration funding levels, it should come as no surprise that the House would not pass the Senate bill lobbed back at them.

Each chamber and its party leadership stood firm in their belief that they each represented a true public mandate. For Democrats, the ACA was law and represented a key legacy of the Obama Administration, and thus should be implemented. For Republicans it represented an overreach of the federal government and all that was wrong with the direction of the nation. So with no continuing resolution in sight, by the August recess policy wonks began placing odds on whether the federal government would face a shutdown.

The month of September provided no respite from the battles over passage of a continuing resolution by the start of the fiscal year, October 1, or over the official launch of the ACA on that same day. So on October 1 the federal government officially shutdown and closed all “non-essential” programs and operations for 16 days. In all, approximately 800,000 federal employees were furloughed.

For the federal science enterprise, the vast majority of staff and programs fell into the “non-essential” category, meaning that they were directly affected by the expiration of budget authority. Thus, most federal R&D agencies, including the National Science Foundation (NSF), the National Aeronautics and Space Administration (NASA), the National Institutes of Health (NIH), the National Institute of Standards and Technology (NIST), the Environmental Protection Agency (EPA), and others, had to furlough a significant portion of their workforce.

There were, however, staff exemptions to the shutdown, for those necessary to ensure the safety of human life or the protection of property. At NIH, approximately 73 percent of its intramural workforce was furloughed, but some remained in order to protect and maintain biological research materials, as well as in-patient and out-patient care at its Clinical Center. For NASA, activities continued to support the International Space Station and existing satellite missions and probes currently in the operation phase. And many contractor-run facilities – like NASA’s Jet Propulsion Laboratory or many of the Department of

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Energy's national labs – were also not immediately subject to the shutdown.

For extramural research, academic scientists operating under a multi-year grant funding from FY 2012 or FY 2013 were allowed to continue their work since it did not rely on FY 2014 funding. However, if they required intervention or oversight from a civil servant, or were awaiting the disbursement of additional funding, their work may have been disrupted and potentially halted if the shutdown lingered too long.

At the same time, however, research that relied on access to a federal database or equipment—including astronomical observatories—was hampered as facilities closed and federal websites went dark. Fortunately, some quick-thinking scientists cached some federal data before the shutdown and access to key information continued in a few fields. Unfortunately, research studies that relied on a continuous stream of data or seasonal data had to be scrapped entirely and plans drawn up to start over.

Even the new research season at the Antarctic station became threatened by the shutdown as the days dragged on and the Senate Commerce, Science, and Transportation Committee held a hearing to highlight the impact of the shutdown to public health, safety, and scientific research.

But very early on, the House of Representatives had a strategy in place to blunt any negative backlash that was already brewing in the media in anticipation of the shutdown. In quick order, the House introduced and passed 15 individual continuing resolutions to fund very specific, publicly popular programs, including Head Start, the National Parks, the Federal Aviation Administration, and even the NIH.

Republicans argued that at a minimum, Congress should fund these critical programs while we continue to debate and argue over the larger fiscal picture and the ACA. Democrats argued that all federal government programs are critical and the entire government should be funded with a single continuing resolution. An impasse again ensued.

Although the House managed to pass these mini-appropriations, nothing was passed into law. Public resentment against the government shutdown grew and fell primarily on the shoulders of the Republican Party. So a solution had to be found.

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A deal was crafted by Senate Majority Leader Harry Reid (D-NV) and Minority Leader Mitch McConnell (R-KY). A continuing resolution was crafted that would fund the government at post-sequestration levels (a compromise for Democrats); would exclude language to defund or delay the ACA (a compromise for Republicans); and would raise the debt ceiling through February 7.

House Speaker John Boehner, not able to gather his caucus together to reach a compromise for a House plan, took up the Senate proposal, and by October 17 a clean continuing resolution was passed by both chambers of Congress and signed into law by the President.

While this temporarily settled the dispute over total discretionary spending levels and allowed the government to be funded through January 15, 2014, it did not provide a complete budget blueprint for finalizing appropriations for FY 2014. So it fell to both the House and Senate Budget Committees to develop a plan that would reflect compromise but also offer political feasibility in a divided Congress.

Between mid-October and mid-December, Ryan and Murray put aside their partisan differences and worked on a compromise budget resolution for FY 2014. The result was the Bipartisan Budget Act of 2013, commonly referred to as the Ryan-Murray bill, which passed both chambers by December 18 just in time for the holidays.

The Ryan-Murray bill did more than just demonstrate that Congress could work together and move past gridlock. It set a fiscal blueprint for the nation for two years: FY 2014 and FY 2015. Still bruised by the public reaction to the government shutdown, congressional leaders from both chambers recognized that neither party had the political wherewithal to undergo another fiscal battle during an election year.

And thus the fate of the FY 2015 budget was carved in stone.

Once the 113th Congress returned for its second session in January 2014, it had seven working days to craft and pass a final appropriations bill for FY 2014. In reality, appropriations staff and Members of Congress from both parties and chambers worked feverishly through the holiday season to prepare a working draft that could easily pass by the January 15 deadline and avoid a second government shutdown.

Overall, the final result for the FY 2014 federal R&D budget in the omnibus appropriations bill was somewhat mixed, but that was due to the

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final bipartisan deal which did not leave Congress much fiscal flexibility. Federal R&D ended up with an estimated \$135.5 billion in FY 2014, an increase compared to \$131.5 billion in FY 2013, but a decrease compared to the \$142.5 billion in FY 2012.

As usual, however, while the total funding level did not keep up with inflation, there were gains in some research areas and losses in others. For example, funding for the Department of Energy's (DOE) Office of Science ended up closer to the original Senate mark, and some programs managed to avoid the sharp cuts proposed by the House recommendation. The same held true for research programs within the Department of Agriculture and NASA's Science and Exploration programs.

On the other hand, funding for the National Institutes of Health (NIH), even after a \$1 billion increase in FY 2014, still resulted in a final budget \$700 million below FY 2012 levels. And the U.S. Geological Survey and the Environmental Protection Agency also received less funding compared to other agencies.

Finally, other agencies, such as the National Science Foundation, received funding right at the middle between the Senate's higher mark and the House's lower mark. On a positive note, however, the final omnibus bill eliminated the Coburn amendment that restricted the ability of the NSF to fund political science research.

FORECAST FOR THE FY 2015 BUDGET AND BEYOND

Although Congress will continue to address a host of science and technology policy issues such as patent litigation, climate change, science education, and energy policy, their importance within the public discourse will still be eclipsed by the most prominent debate before the U.S. Congress: how to reduce the federal deficit. As these debates commence forth, federal spending will continue to experience cuts, either by default of sequestration or by Congressional decree.

Unfortunately, overall discretionary spending must still adhere to the caps as laid out in the Budget Control Act, and sequestration still remains a statutory reality in the future, though mitigated somewhat in the present by the Ryan-Murray bill. Hence, if increases are ever to be realized for some research areas, and are able to make it through a Congress focused on cutting spending, they likely must be offset by cuts in other areas.

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The research community will continue to argue on behalf of the critical importance of federal investments in research as an engine for discovery, advancement of new knowledge, and innovation and economic growth. Fortunately, there are leaders in both branches of government and from both parties that recognize this.

The Administration continues to argue that science, technology, and education are critical investments for our nation's future. The Opportunity, Growth, and Security Initiative (OGSI), which proposes \$5.3 billion more for R&D, reflects the President's interest in investing more beyond the constraints of sequestration and the Ryan-Murray bill. But at the same time, it can also be viewed as a political document for use in a tough election year.

In Congress, there are champions for science, and even as this chapter was in preparation, an appropriations hearing was scheduled to discuss research and innovation. But a hearing does not necessarily translate into higher funding levels, as there are many players in the policy-making process each with their own priorities and constituent interests.

Finally, the repercussions of the FY 2014 budget battle are still being felt in the political scene as a host of seasoned Members of Congress have decided to retire after such a brutal year. To date, 48 House and Senate members have planned to leave at the end of the congressional session, including chairmen and ranking members on key S&T appropriation and authorization committees.

Regardless of the outcome of the November election, new leaders will ultimately take over committee leadership. Given that the FY 2015 budget is not likely to be completed in a timely fashion, as history has shown, the influence of the outgoing Members of Congress remains to be seen as those that aspire for these open seats jockey for position.