

1 MS. HERRIGAN: Well, thank you very much, and thank you
2 for inviting me today.

3 Before I start I would like to point out that you also
4 invited my director, Mitch Daniels, to come give a presentation.

5 Unfortunately, his schedule precluded his being here, but I
6 assure you that if he were here, he would be as passionate as he
7 has been in previous meetings in his adamancy against earmarks.

8 I am here as an OMB staff member, and I thought my job
9 today was to present a little bit of the history and try to
10 explain to you how we came up with the definition of earmarks
11 that we are using in the President's Budget. And I will keep my
12 remarks short, because I think the most interesting part of this
13 meeting is going to be our discussion.

14 In the previous administration, we, OMB, were asked by
15 the Office of Science and Technology Policy to come up with an
16 estimate for the amount of federal dollars spent on merit-
17 reviewed research. Being good civil servants, we did ask that
18 question of the agencies: how much money were they spending on
19 merit reviewed research at universities? And we got a number,
20 which we published in the President's budget.

21 However, that number couldn't tie to anything. As far
22 as we knew, the agencies could have been picking it out of the
23 air. And we, being analysts, like to figure out how numbers fit
24 together. And we could not explain how that number fit with
25 anything else.

26 So what we have done in the last couple of years is to
27 try to come up with a total across different categories of how
28 research funds are allocated that add up to the total amount of
29 basic and applied research. And that means that, when the
30 agencies develop these numbers, they need to think about those
31 numbers actually reaching the total of basic research plus
32 applied research. And we, as analysts, can go in and look at the
33 totals and make sure they add up and see if they make sense.

34 Now I hasten to point out that these allocation
35 categories are the total for basic and applied research. OMB
36 requests a number of other different categories from the
37 agencies. We ask them for their spending on basic research,
38 applied research and development. We also ask them for

1 categories of R&D facilities and R&D equipment.

2 And these five allocation categories that I am going to
3 talk about need to add up to the basic research plus applied
4 research. So we are missing potential R&D earmarks in
5 development and R&D facilities.

6 For example, if you look at our chapter in the
7 Analytical Perspectives volume of the budget -- I think you have
8 this as a handout on the back table when you came in -- you will
9 notice that the NSF amount for congressionally-directed research
10 is zero. And of course, that does not include the earmarks that
11 have been happening recently in their Major Research Equipment
12 account, which is book kept under the facilities piece of their
13 budget.

14 In developing these five categories -- and those are:
15 research performed at congressional direction, inherently unique
16 research, merit reviewed research with limited competitive
17 selection, merit reviewed research with competitive selection and
18 internal evaluation, and merit reviewed research with competitive
19 selection and external evaluation -- we tried to make these
20 categories sum up to the total research and also be somewhat
21 nonjudgmental in terms of whether they are good or bad.

22 Clearly if you tell an agency merit reviewed research
23 is good and everything else is bad, you are going to get merit
24 reviewed research in their submissions to us.

25 So we tried to make the point in our definitions that
26 different ways of awarding research funding can be important in
27 different situations.

28 For example, "inherently unique research" we originally
29 had called "research performed at agency discretion," but the
30 agencies did not particularly like that definition, so we changed
31 it to inherently unique.

32 We recognize that there may be some very important time
33 sensitive kinds of research that a program manager at an agency
34 would want to fund without going through an entire peer review
35 process. And frankly, we think we hire program managers at our
36 agencies who are qualified scientists and that they should have
37 some discretion. That's why we hire competent people.

38 So what we tried to do is come up with these five

1 categories that sum to the total of basic and applied research,
2 but are essentially nonjudgmental because we wanted to come up
3 with realistic numbers.

4 As I implied, we started this process the year before
5 last. Then, we had three categories, which were: congressionally
6 directed, research performed at agency discretion, and merit
7 reviewed research with competitive selection and external
8 evaluation.

9 We expanded those definitions, because, for example,
10 the Department of Defense argued that, even though they don't use
11 an external peer review process, their program managers and their
12 internal evaluation is equivalent to a peer reviewed process such
13 as is done at NSF or NIH. So we tried to accommodate the concerns
14 of the different agencies in coming up with these categories.

15 Now the topic for today is clearly the research
16 performed at congressional direction. And let me read you the
17 exact definition that we ask the agencies to follow.

18 It is: "intramural and extramural research programs
19 where funded activities are awarded to a single performer or
20 collection of performers with limited or no competitive
21 selection, or with competitive selection but outside the agency's
22 primary mission, based on direction from the Congress in law, in
23 report language, or by other direction. Funded activities may be
24 merit reviewed prior to award."

25 Now I know that sounds a little bit stilted perhaps,
26 but let me just tell you what we were trying to do.

27 What we were not trying to do is capture areas where
28 there is legitimate policy disagreement between the Congress and
29 the executive branch on types of research that ought to be
30 funded.

31 For example, the appropriators for the Veterans
32 Administration, Housing, and Independent Agencies bill for the
33 National Science Foundation have occasionally put in language
34 that talks about floors and ceilings saying, "If the final budget
35 number is lower or higher than the budget number in our bill,
36 then NSF must adjust the amount to be equivalent for each area,
37 each directorate, or each division."

38 The administration has a different view of that. We

1 actually believe that NSF ought to be setting priorities, and
2 that they should not have the exact same percentage increase or
3 decrease for each division or directorate. But that is a
4 legitimate policy difference that we are willing to discuss and
5 accept.

6 There are other examples, such as plant genome
7 research, where the Congress felt that research on plant genomes
8 was more important than what had been in the agency request and
9 they plussed that particular program up.

10 What we are trying to cover in this definition—which is
11 why there are so many qualifications—is all the permutations of
12 potential earmarking because, as many of you know who have read
13 report language, people are getting very skilled at how they
14 actually write that language.

15 It is very seldom that a specific institution is named
16 in the report language, but the language is often clever enough
17 so that it can only go to a particular institution. So we were
18 trying to cover that.

19 We also are aware that many agencies, even when there
20 is a specific earmark in bill language or report language, don't
21 just write a check to that institution. They require a proposal,
22 and they require a review of that proposal so that the wisest use
23 of that money is actually made.

24 So we did include the fact that funded activities may
25 be merit reviewed prior to award.

26 We also included the stipulation of potential earmarks
27 outside of the primary mission of the agency. We were thinking
28 there of examples such as breast cancer research at the
29 Department of Defense, which is not normally thought of as a
30 defense mission.

31 We also tried to capture the fact that—and I don't
32 think this is a totally dirty little secret—that some agencies
33 may be up on the Hill negotiating with congressional staff
34 because, clearly, they need to deal with the people who authorize
35 and appropriate their funds year after year. And sometimes they
36 may make agreements with congressional staff that don't go
37 through the normal budget process.

38 Of course we at OMB believe that the President's budget

1 is the budget that all agencies ought to be defending, and so we
2 disagree with that process and try to capture that in our
3 definition.

4 So I will stop there for the moment, but let me say one
5 more thing about just the problems with data collection.

6 I know that these numbers are published in a document,
7 and they look very nice like they are lined up in a table, and
8 that makes them look like they have some legitimacy. And we
9 certainly hope they do, but we also understand the problems with
10 this data collection.

11 Quite frankly, we at OMB cringe sometimes when we are
12 told, for example, to find out how much we are spending on
13 terrorism or on the environment or in other areas. Those numbers
14 are very difficult to come by, because we need to craft a
15 definition and communicate it to the agency budget offices, the
16 agency budget offices need to communicate that to their program
17 managers, and there is clearly a lot of potential for
18 misunderstanding what these data are.

19 We do have a problem, as some of you may know, between
20 the data that OMB collects—OMB asks the funders, the agencies how
21 much they are spending in different areas—and the data that are
22 collected by the National Science Foundation where they ask the
23 performers of research in surveys how much they are receiving.
24 And there are some disconnects there just because of definition.
25 So I wanted to put that caveat in and I am looking forward to a
26 spirited discussion.

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