

Highlights

In April, President Bush released a fiscal year (FY) 2002 budget request containing overall increases for the federal investment in research and development (R&D), but cuts in most of the major R&D funding agencies. The budget calls for tax cuts totaling \$1.6 trillion over ten years, additional funds for Medicare, a reserve for unanticipated needs, and the retirement of \$2.0 trillion in publicly held debt over ten years. These proposals, however, leave little room for increases in discretionary spending other than for his priority investments in health and defense.

- Because the Department of Defense (DOD) and the National Institutes of Health (NIH) are high priorities for the new Bush Administration and are also the two largest funding sources of federal R&D, **total federal R&D would increase in FY 2002 to a record \$96.5 billion**, \$5.6 billion or 6.1 percent more than FY 2001 (see Table II-1 and Chapter 1).
- The proposed increases for DOD (\$3.6 billion) and NIH (\$2.7 billion) would be more than the overall \$5.6 billion increase, leaving all other R&D funding agencies combined with less money than in FY 2001. **Six of the 11 largest R&D funding agencies would see their R&D decline in FY 2002.** The National Science Foundation (NSF), the Environmental Protection Agency (EPA), and the Departments of Energy, Agriculture, Commerce, and Interior would all see their R&D budgets decline (see Table II-1 and Chapter 1).
- Nondefense R&D would increase by 4.3 percent to \$47.1 billion. NIH would receive a 13.6 percent increase in its R&D funding to \$22.4 billion; NIH would make up almost half of the entire nondefense R&D portfolio. **Excluding NIH, however, all other nondefense R&D would fall by 3.0 percent to \$24.7 billion**, a loss of \$752 million (see Table II-1 and Chapter 3).
- **Defense R&D** would increase 8.0 percent to reach \$49.4 billion. DOD did not submit a full FY 2002 budget in April; the agency is

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conducting a major review of defense priorities that will result in a full FY 2002 budget request in June. Most of the DOD request consists of placeholder figures assuming the FY 2001 budget plus inflation, but there is also an extra \$2.6 billion in unallocated funds for development (see Table II-2 and Chapter 6).

- The federal investment in **basic research** would grow by 6.0 percent or \$1.3 billion to an all-time high of \$23.3 billion, primarily because of a 12.4 percent requested increase for basic research in NIH (see Table II-1 and Chapter 3). NIH would provide the majority (56 percent) of federal basic research. **Basic research excluding NIH would decline 1.0 percent** to \$10.4 billion.
- The AAAS analysis of the **outyear projections** in the FY 2002 budget shows that nondefense R&D would increase from \$45.1 billion in FY 2001 to \$55.5 billion in FY 2006, a 10.9 percent gain after adjusting for expected inflation (see Table I-15 and Chapter 3). NIH would be responsible for the increase. Excluding NIH, nondefense R&D would fall 2.8 percent in inflation-adjusted terms between FY 2001 and FY 2006. Most nondefense R&D agencies would see their R&D funding lose ground to inflation.
- The Bush Administration places a high priority on R&D for defense and health (see Table I-4 and Chapter 3). Defense R&D (up 8.0 percent) and health R&D (up 12.4 percent) would increase substantially and would together make up more than three-quarters of the federal R&D portfolio. **R&D funding for most of the other national missions would decline.** There would be steep cuts to energy-related R&D (down 25.8 percent), commerce-related R&D (down 29.1 percent), and agriculture R&D (down 9.5 percent).
- **Industry support for R&D** continues to grow far faster than federal R&D or the U.S. economy as a whole. U.S. industry-funded R&D increased by 10.8 percent to \$181 billion in 2000, following similar increases in the previous five years; private industry now funds 68 percent of all U.S. R&D. Total U.S. R&D reached \$265 billion in 2000, and further increases are expected in 2001 (see Tables I-11 through I-14 and Chapter 4).