

House Moderates Steep Proposed Cuts for USDA R&D, Adds Earmarks

AAAS R&D Funding Update on R&D in USDA FY 2007 House Appropriations

Highlights

- In the first appropriations bill of the fiscal year (FY) 2007 appropriations season, the House would reject steep proposed cuts in the **U.S. Department of Agriculture's (USDA) R&D portfolio by adding nearly \$300 million to the request for a total of \$2.3 billion (see Table). The House appropriation would be \$100 million or 4.1 percent below this year's funding level.**
- The House once again plunges into the annual tug-of-war between Congress and the Executive Branch over earmarks. The \$300 million in add-ons to the request are nearly all for congressionally designated, performer-specific R&D projects, which the request would have eliminated.
- In order to fund earmarks, the House would trim a requested boost for the **National Research Initiative (NRI) of competitively awarded research grants, from a record \$248 million request down to \$190 million (up 5 percent over FY 2006).** But the House would boost formula funding for research, providing an increase in Hatch Act funding for the first time this decade to \$183 million (up 3.6 percent).
- The completion of the National Centers for Animal Health in Ames, Iowa, and the proposed elimination of earmarked facilities projects led USDA to propose a drastic reduction in intramural facilities from \$139 million down to \$8 million, but the House would add back earmarks for a \$140 million total in FY 2007. Earmarked add-ons would result in \$1.1 billion for intramural research, \$56 million more than the request but still \$73 million below this year's funding level.

USDA R&D in FY 2007 House Appropriations

On May 9, the House Appropriations Committee kicked off the FY 2007 appropriations process by approving its version of the FY 2007 Agriculture appropriations bill (HR 5384), which funds most of the U.S. Department of Agriculture (USDA). It is the first of the FY 2007 appropriations bills in either chamber to be drafted, and was followed a day later by the Interior appropriations bill (HR 5386), which funds USDA's Forest Service. Both bills will be debated and likely approved by the full House this week. Back in February, USDA proposed to cut 16.5 percent from the USDA R&D portfolio between 2006 and 2007, mostly through the proposed elimination of a bumper crop of FY 2006 R&D earmarks, but the House responds in the annual struggle over earmarks by adding most of them back. The House bills would provide \$2.3 billion for USDA R&D in FY 2007, down \$100 million or 4.1 percent from the current year but nearly \$300 million more than the request (see Table). (For details of the President's request for USDA R&D, please see Chapter 11 of *AAAS Report XXXI: R&D FY 2007* or the March 3 USDA R&D Funding Update.)

The House restoration of \$300 million in funding suggests that most of the FY 2006 earmarks proposed for elimination back in February will be renewed in USDA's FY 2007 appropriation. The AAAS analysis of the final FY 2006 budget counted \$331 million in USDA R&D earmarks in FY 2006. These earmarks are distributed in both intramural and extramural accounts, and primarily fund research grants but also fund facilities construction at USDA laboratories.

USDA's extramural research funds, distributed through earmarks, competitive grants, and formula funds, come from the Cooperative State Research, Education and Extension Service (CSREES). Total CSREES

R&D would fall 4.8 percent down to \$635 million in the House appropriation, but this would be a dramatic \$95 million improvement over the request (see Table). The House would add \$100 million to the meager \$3 million request for Special Research Grants for a total of \$103 million. Almost \$97 million of the total would go for 135 congressionally designated, performer-specific research projects, with the small remainder going to ongoing competitive programs or to congressionally designated research topics with competitive awards. Although the program would receive less than the \$127 million 2006 appropriation, many of the 2006 grants were Senate-initiated and will likely reappear when the Senate takes up the USDA budget. In addition to these grants, the House would add \$15 million in R&D earmarks in other parts of the CSREES budget.

At the same time, the House would reaffirm the importance of formula funding for research. The main formula funding program, the Hatch Act, would receive the first increase this decade with a 3.6 percent boost to \$183 million after stagnating at the current level since 1999. Other formula funding programs would also receive modest increases. The Agriculture bill, however, is silent on the USDA's proposal to shift a large portion of Hatch Act funding from formula distributions to competitive grants, leaving it unclear whether formula funding would actually rise or fall in 2007.

The large boost in earmarks and smaller boost in formula funds would come at the cost of competitively awarded funds. **The National Research Initiative, USDA's main competitive research grants program, would see its funding rise \$9 million to \$190 million, but funding would fall far short of the requested 37 percent or \$67 million boost to an all-time high of \$248 million.** In real terms, the House boost would be a cut because NRI is scheduled in 2007 to take on competitive grants currently funded in the Integrative Activities account.

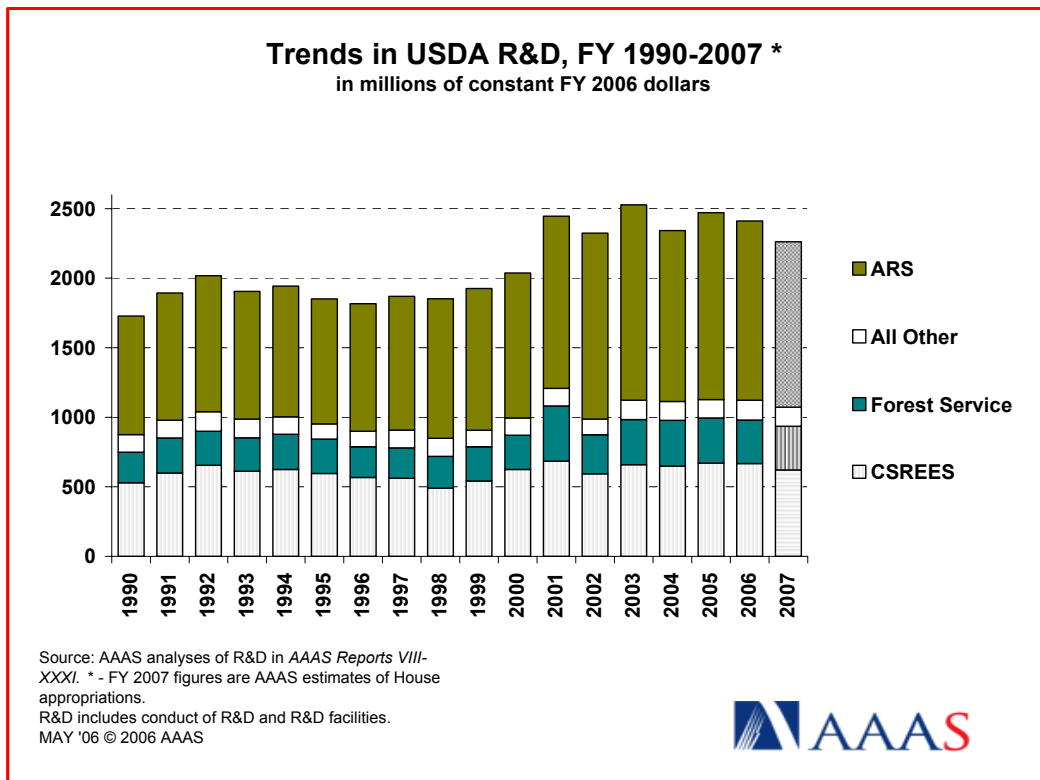


Figure 1. (click on the image for PDF)

Most of USDA's intramural research is performed in the Agricultural Research Service (ARS). **ARS R&D would fall 5.6 percent or \$72 million to \$1.2 billion.** The House would add \$132 million for facilities and \$56 million for research to improve on a nearly 25 percent requested cut. As with the extramural side, most

of the additions would restore earmarked R&D and R&D facilities projects that USDA proposed to eliminate in its budget request.

The other major USDA R&D agency is the Forest Service, whose R&D budget would gain \$19 million over the request for a total of \$321 million, an \$8 million or 2.6 percent gain over FY 2006. Although the primary focus of its R&D portfolio is forestry and ecosystems research, in recent years the Forest Service has emphasized its fire science and wildfire management research portfolio as well. Most of this research is performed in intramural laboratories.

Impacts of the USDA R&D Portfolio

The House FY 2007 USDA R&D portfolio would be a reduction, but would keep the department's R&D funding near record highs in inflation-adjusted dollars (see Figure 1). USDA R&D has been at historical highs this decade. Since hitting a recent low in FY 1996, the funding trend has been generally upward, first because the federal budget surplus made more discretionary funds available to congressional appropriators, then in FY 2000 and FY 2001 from the release of mandatory competitive research funds on the extramural CSREES side. Since FY 2002, because of heightened concern about agricultural terrorism and the security of USDA laboratories, millions of dollars have poured into the ARS intramural side for laboratory security upgrades and other homeland security-related investments. With homeland security-related construction needs waning at locations such as Ames, the FY 2007 budget brings USDA R&D down from record levels.

USDA is the sixth-largest supporter of R&D in the federal government, and its support is especially important for key disciplines. USDA is responsible for just 5 percent of all research support in the broad area of the life sciences, but dominates funding for two disciplines within life sciences, agricultural sciences and environmental biology. USDA is also an important supporter of chemistry and biology, and represents a majority of federal support for economics through the Economic Research Service (ERS).

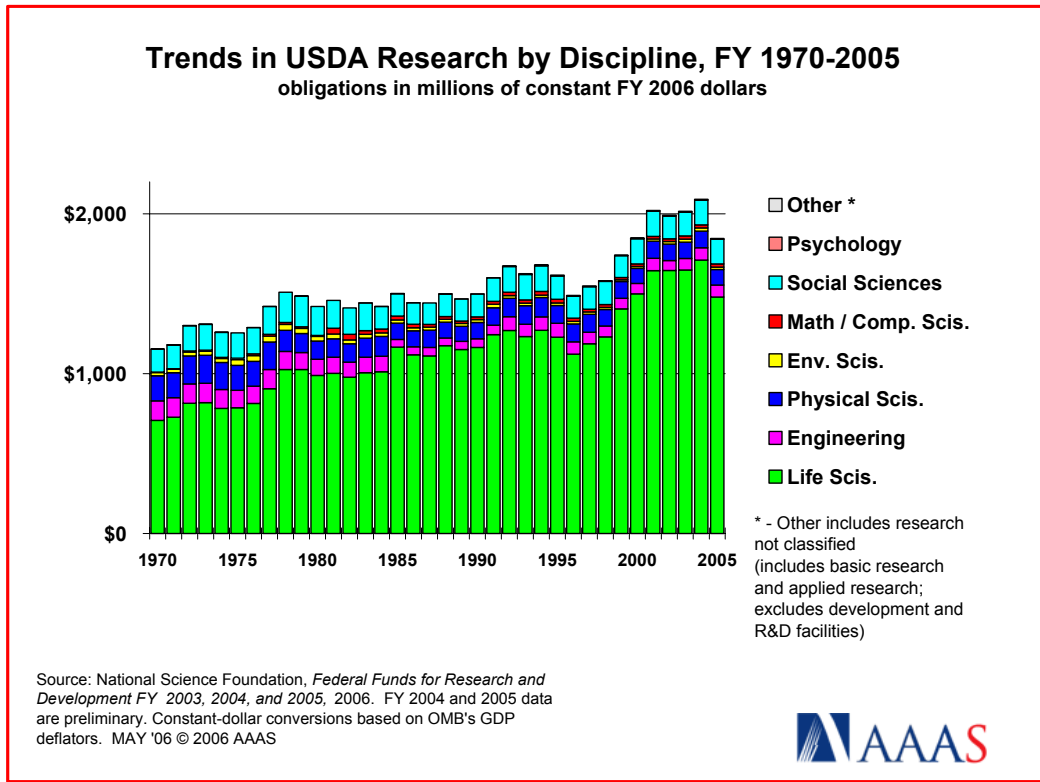


Figure 2. (click on the image for PDF)

Recent increases for USDA R&D have boosted USDA support of research (see Figure 2), with most of the increases going to the life sciences. USDA support of other disciplines has declined steadily over the years and will likely decline even further when the FY 2006 and 2007 budgets are distributed.

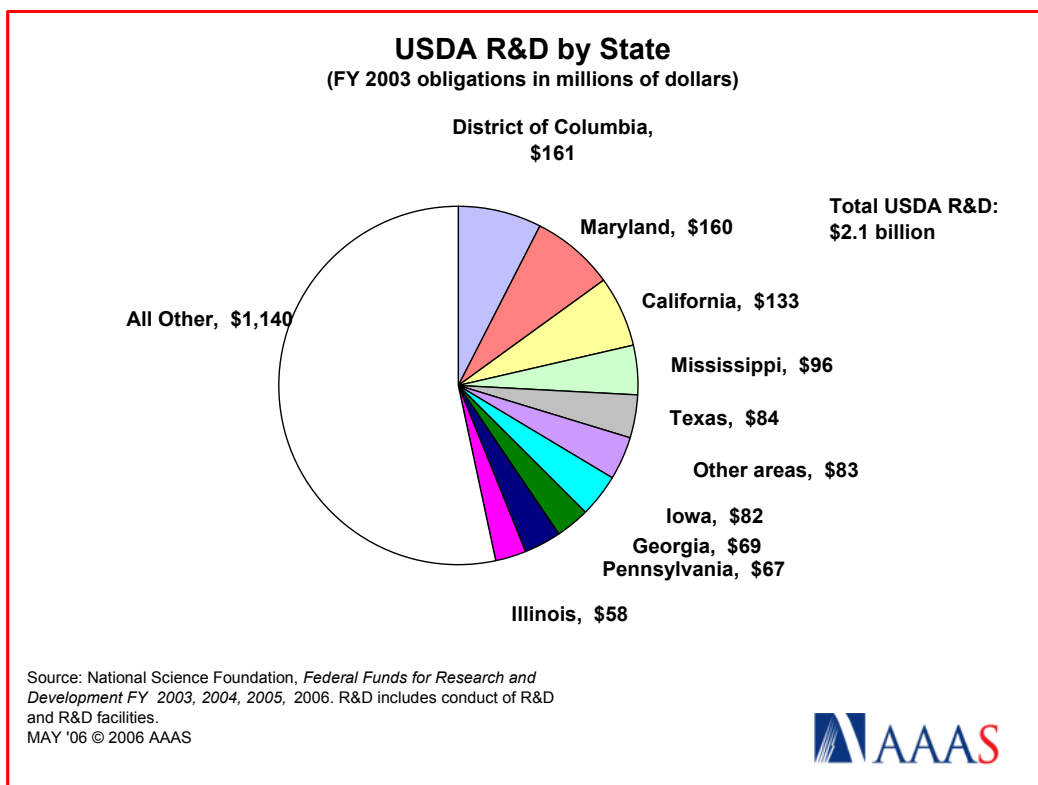


Figure 3. (click on the image for PDF)

USDA's R&D portfolio is the most evenly distributed geographically among federal R&D funding agencies. 70 percent of USDA's R&D goes to its own laboratories in a nationwide network of agricultural experiment stations located in all 50 states. Another 28 percent of the portfolio goes to colleges and universities, again to all 50 states because of the nationwide network of land-grant colleges and minority serving institutions that often receive USDA funds through formula distributions and geographically dispersed R&D earmarks. The top 10 state recipients of USDA R&D funds account for less than half the USDA total (see Figure 3), in contrast to the overall federal R&D portfolio in which just 6 states receive half of all federal R&D.

Outlook and Next Steps

The full House will debate the Agriculture and Interior bills this week, and will most likely approve both bills with large margins. The Senate versions of the bill, however, may not be drafted until July or later. Although there has been much debate over the past year on the practice of congressional earmarking, and there are several pending legislative proposals to try to curb the practice, if these first few FY 2007 appropriations bills are any indication then congressional appropriators are not ready to give up or scale back their power to designate money for research performers in their states or districts. For USDA, which has always been one of the most heavily earmarked R&D agencies, it means that the traditional struggle between formula funding, competitive funding, and earmarked funding for R&D will continue to be fought in the appropriations process.

(This analysis is the first of a series of AAAS R&D Funding Updates on FY 2007 congressional appropriations. The complete series of AAAS R&D Funding Updates, including continually

updated analyses of R&D in FY 2007 appropriations, is available on the AAAS R&D Web Site (<http://www.aaas.org/spp/rd>) in the “FY 2007 R&D” or the “What’s New” sections.)

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Table. USDA R&D in FY 2007 House Appropriations

**Table. U.S. Department of Agriculture
House Appropriations Committee Action on R&D in the FY 2007 Budget
(budget authority in millions of dollars)**

	FY 2006 Estimate	FY 2007 Request	Action by House				
			FY 2007 HOUSE	Chg. from Request Amount	Percent	Chg. from FY 2006 Amount	Percent
Agricultural Research Service (ARS)							
Salaries and Expenses	1,131	1,002	1,058	56	5.6%	-73	-6.5%
Trust Funds	18	18	18	0	0.0%	0	0.0%
Buildings and Facilities	139	8	140	132	1650.0%	1	0.7%
Total ARS R&D	1,288	1,028	1,216	188	18.3%	-72	-5.6%
Cooperative State Research, Education and Extension Service (CSREES)							
National Research Initiative	181	248	190	-58	-23.2%	9	4.9%
Special Research Grants	127	3	103	100	--	-23	-18.5%
Hatch Act	177	177	183	6	3.6%	6	3.6%
Integrated Grants	26	8	23	15	188.9%	-3	-11.1%
All Other CSREES R&D	156	104	135	31	29.8%	-21	-13.2%
Total CSREES R&D	667	540	635	95	17.6%	-32	-4.8%
<i>(CSREES Non-R&D Programs)</i>	<i>528</i>	<i>495</i>	<i>547</i>	<i>52</i>	<i>10.6%</i>	<i>20</i>	<i>3.8%</i>
<i>(Total CSREES Budget)</i>	<i>1,195</i>	<i>1,035</i>	<i>1,183</i>	<i>148</i>	<i>14.3%</i>	<i>-12</i>	<i>-1.0%</i>
Forest Service	313	302	321	19	6.3%	8	2.6%
Economic Research Service	75	83	81	-2	-2.5%	6	8.0%
Agricultural Marketing Service	14	4	4	0	0.0%	-10	-71.4%
Foreign Agricultural Service	2	2	2	0	0.0%	0	0.0%
Nat'l Agricultural Statistics Service	5	5	5	0	0.0%	0	0.0%
Grain Inspection	7	8	8	0	0.0%	1	14.3%
Natural Resources Conservation	15	14	14	0	0.0%	-1	-6.7%
Animal & Plant Inspection Service	25	27	26	-1	-5.1%	1	2.5%
Total USDA R&D	2,411	2,013	2,312	299	14.8%	-100	-4.1%

AAAS estimates based on FY 2007 appropriations bills. Includes conduct of R&D and R&D facilities.

FY 2006 and FY 2007 request figures based on OMB R&D data and supplemental agency budget data, and have been revised slightly since the April release of AAAS Report XXXI: R&D FY 2007.

Figures are rounded to the nearest million. Changes calculated from unrounded figures.

May 16, 2006 - AAAS estimates of House Appropriations Committee action.

These figures may be modified or rejected by the full House.