

Congress Acts on 2008 and 2009 Budgets

AAAS R&D Funding Update on the 2008 Supplemental and the 2009 Budget Resolution

(This analysis is an update on progress of the FY 2009 budget through Congress, and also an update of 2008 appropriations. This analysis updates the recently released *AAAS Report XXXIII: Research and Development FY 2009*, a comprehensive look at the President's budget for R&D in FY 2009. More tables and continually updated supplemental materials on R&D in the FY 2009 budget can be found on the AAAS R&D Web site at <http://www.aaas.org/spp/rd>. **This analysis will be revised in June after final 2008 supplemental and 2009 budget resolution action.**)

Highlights

- Congress is poised to add as much as \$2.5 billion for Department of Defense (DOD) weapons development in 2008 and 2009 as part of a war-related supplemental bill, but at the moment only the Senate version of the bill contains \$900 million in domestic science funding.
- Congress is ready to give final approval to its FY 2009 budget resolution, which sets broad spending targets for later appropriations action. The congressional budget resolution would add \$21 billion to the President's request for 2009 appropriations for a total of \$1.01 trillion.

R&D in the FY 2008 Supplemental Appropriations Bill

Congress is currently debating a \$180+ billion 2008 and 2009 supplemental appropriations bill, primarily to pay for ongoing war costs. The House and Senate are currently considering separate versions, in the hopes of negotiating a compromise version in early June for final congressional approval. The supplemental is required because of the ongoing practice of paying for the wars in Iraq and Afghanistan outside the regular appropriations process; the current supplemental would try to get slightly ahead of the game by allocating nearly \$70 billion in FY 2009 war funding to pay for at least a few months of next year's war costs in advance, in addition to the \$100 billion in FY 2008 war funding to pay for this year's costs.

Although supplementals normally pay for emergencies and other short-term expenses, **there is considerable R&D funding in both the House and Senate versions of the supplemental bill. The House would give the Department of Defense (DOD) \$2.4 billion in R&D funding in FY 2008 and 2009**, almost entirely for development funding with a small portion for research. **The House would not give domestic agencies any supplemental R&D funding.**

The Senate would give domestic science programs \$900 million in 2008 funding, most of which would fund R&D. The Senate would give the National Institutes of Health (NIH) \$400 million, the Department of Energy (DOE) Office of Science \$100 million, the National Aeronautics and Space Administration (NASA) \$200 million, and the National Science Foundation (NSF) \$200 million. On the defense side, **the Senate supplemental would give DOD \$2.5 billion in R&D funding in FY 2008 and 2009**, as with the House almost entirely for development with a small portion for research.

The Senate's inclusion of \$900 million in domestic science funding represents a partial payoff on long months of campaigning by the biomedical and physical sciences communities. NIH would receive \$400 million in the Office of the Director (OD), which would then distribute the funds to all the NIH institutes proportional to the institutes' 2008 allocations. A Senate press release indicated that the extra funds could

result in 700 additional research grant awards this year. DOE's Office of Science would receive \$100 million, \$55 million for Fusion Energy Sciences and \$45 million for High Energy Physics. The Fusion funding would enable DOE to rejoin the multi-national International Thermonuclear Experimental Reactor (ITER) fusion project; December's 2008 omnibus appropriations bill had originally zeroed out the U.S. contribution for 2008. The High Energy Physics funding could help to reverse some of the abrupt program cuts, project terminations, and national lab layoffs that resulted from the 2008 omnibus bill's funding cuts. NSF's Research and Related Activities (R&RA) account would receive \$150 million, to be distributed among all the research directorates to help boost current-year funding of research grants, with \$10 million set aside for the National Academic Research Fleet to help pay for rising fuel costs. NSF's Education and Human Resources (EHR) programs would receive \$50 million to supplement 2008 funding that fell short of authorized levels in the Robert Noyce Scholarship program (\$20 million), Graduate Research Fellowships (\$24 million), Graduate Teaching Fellowships (\$5 million), and the Federal Scholarship for Service (\$1 million). NASA would receive \$200 million to replenish science accounts that have been drained over the past several years to help pay for return to flight of the Space Shuttle after the *Columbia* disaster. In addition to the science funding above, DOE would also receive \$248 million for environmental cleanup activities and \$52 million for uranium enrichment, while the CDC would receive \$26 million for the prevention of and response to medical errors, a portion of which could fund research.

But the Senate's domestic science funding may not survive the next few weeks. The House supplemental does not include domestic science funding, and the President has in any case threatened to veto any supplemental bill that includes significant non-war funding. Both the House and the President would have to agree with the Senate in the next few weeks for the science appropriations to become law.

The defense R&D supplementals, meanwhile, are almost certain to become law. Most of these funds are part of the Pentagon's and Bush Administration's supplemental requests for 2008 and 2009 and are thus not subject to a veto threat. The Senate bill would give DOD's RDT&E programs \$1.7 billion in 2008 R&D funding (\$163 million, Army; \$366 million, Navy; \$400 million, Air Force; \$817 million, Defense Wide) almost entirely for development ("6.3" and higher) activities plus \$365 million in 2008 applied research funding within Defense Health Programs for battle casualty and psychological health research, traumatic brain injury research, regenerative medicine, and disability evaluation research. The House bill would be almost identical to the Senate at \$1.6 billion, with the only difference \$120 million less for the Air Force. Both the House and the Senate would give DOD an identical \$388 million for 2009 classified development funding (\$113 million, Army; \$72 million, Navy; \$203 million, Defense Wide), nearly identical to the Pentagon request. The close matches between the House, the Senate, and DOD over these R&D supplementals should ensure that these funds will get enacted nearly intact in whatever form the final supplemental bill takes, and will bring total DOD R&D funding in 2008 close to \$80 billion, a new record.

In a strange legislative maneuver, the congressional leadership has chosen to consider this supplemental as three separate amendments to the 2008 Military Construction appropriations bill (HR 2642), a bill that never made it to the President's desk but was instead rolled into the 2008 omnibus bill. One amendment contains war-related funding; a second contains war-related policy language; and a third contains non-war funding. The Senate is expected to approve all three amendments while stripping out the original language, but the House failed to approve the war funding amendment last week. Over the Memorial Day recess, congressional negotiators will try to iron out compromises on the war funding and non-war funding amendments to get a final bill, and may or may not include the policy language amendment. Sometime in June, Congress hopes to give final approval to the supplemental and send it to President Bush for his hoped-for signature, but may have to jettison policy language and/or non-war funding along the way.

R&D in the FY 2009 Budget Resolution

On May 20, the Congress reached agreement on a final FY 2009 budget resolution (S. Con. Res. 70) and hopes to gain final approval from both the House and the Senate this week, a move that will allow the Appropriations Committees to begin work on the FY 2009 appropriations bills. The budget resolution is an annual congressional document that represents the congressional response to the President's February budget request, and provides a big-picture budget framework for all later congressional budget decisions.

The budget contains broad spending and revenue targets broken down into smaller budget targets for various committees; its importance is in the overall guidance it gives to the fragmented congressional process, and it remains the only time Congress gets to consider the entire \$3 trillion federal budget as a whole. For the federal R&D investment, nearly all of which is allocated through appropriations for discretionary spending, the budget resolution sets a total amount for all discretionary appropriations; working from that total, the Appropriations Committees spend the rest of the year dividing up that total among the 12 annual appropriations bills, and further dividing those totals into program-by-program funding levels for federal R&D and other discretionary programs.

The FY 2009 budget resolution allocates \$1,013 billion for regular (non-emergency) FY 2009 appropriations, \$21 billion more than the President's request. The budget assumes the requested amount for defense discretionary programs, so the additional \$21 billion would go to shore up funding for nondefense programs. The additional money would allow nondefense programs overall to increase slightly ahead of inflation, instead of declining as in the President's request. Considering that historically federal R&D investments have been roughly 1 out of every 7 discretionary dollars, the budget resolution could mean \$3 billion or so more than the request for federal R&D programs on the domestic side.

The additional \$21 billion could go a long way toward turning some requested cuts into flat funding or increases. For the R&D investment, as reported in *AAAS Report XXXIII: R&D FY 2009*, the comprehensive analysis of the FY 2009 R&D request, the budget request proposes large increases for three signature Bush Administration priorities: research funding in the three physical sciences agencies of the American Competitiveness Initiative (ACI; NSF, DOE Office of Science, and the NIST laboratories), development funding in NASA for new human spacecraft, and development funding for new weapons systems in DOD. But within the overall declining nondefense budget, many other R&D programs would see their funding remain flat or fall in FY 2009, including most agricultural and environmental research programs, NIH biomedical research, and even non-priority funding within priority agencies such as NASA's research portfolio and NIST's extramural programs. The budget resolution's \$1.0 trillion total could allow appropriators to sustain requested increases for ACI and other programs, but also boost funding for NIH and other agencies.

Unfortunately, this scenario is exactly the same scenario as last year's 2008 process, when Congress went into the 2008 appropriations season with \$21 billion more than the President and proceeded to write 2008 appropriations bills shoring up funding for domestic programs proposed for steep cuts in the request while sustaining large R&D increases in the ACI agencies. But after actual and threatened presidential vetoes for appropriations bills that exceeded his request, Congress eventually gave up the extra \$21 billion and produced a December 2008 omnibus appropriations bill that stuck to the President's total and trimmed the ACI increases in order to increase funding for other areas. President Bush has once again threatened to veto any 2009 appropriations bills that exceed his request, so the conditions are ripe for another appropriations stalemate in the fall, with the only change a Congress already signaling its willingness to wait until a new President takes office in January to finalize 2009 appropriations, in the hope that he or she will be more willing to accept the additional \$21 billion in domestic appropriations than President Bush.

Budget Functions: More for NSF, NASA, DOE, and NIH Possible

Although the budget resolution does not contain program-by-program funding levels, it does contain 'budget function' totals that serve as guides for appropriators and expressions of congressional priorities. The budget divides the \$1,013 billion total for all 2009 discretionary spending by budget functions, or national missions, giving a preliminary indication of how Congress would like to allocate the additional \$21 billion it has given appropriators. Below is a short summary of selected budget functions and the potential impacts of the new budget resolution (the parentheses refer to function numbers).

Defense (050) – The congressional allocation of \$537.8 billion for defense (excluding the nearly \$70 billion for 2009 war costs in the supplemental) nearly matches the President's request, but Congress is likely to shift money around. Every year, Congress has added billions of dollars to DOD R&D on top of the request, primarily through the addition of performer-specific earmarks. One item of interest is whether

Congress will agree to DOD's 4 percent requested increase in its "6.1" (basic research) portfolio, a 16 percent increase if 2008 earmarks are excluded.

General Science, Space and Technology (250) – This function covers NSF, DOE Office of Science, and NASA funding. The budget assumes \$30.5 billion in appropriations for these programs, more than the \$29.4 billion request and therefore more than enough to provide the full ACI increases for NSF and the DOE Office of Science, with room to give NASA \$1 billion more than request to fund both NASA spacecraft development and NASA's support of research.

Health (550) – This function covers discretionary health programs in HHS, more than half of which goes to NIH. The \$59.7 billion allocation is \$7 billion more than the request, which gives appropriators ample room to turn a flat NIH request into an increase while adding funds to steep requested cuts in other health programs.

These additional allocations depend, of course, on the President's willingness to sign appropriations bills containing these additional funds into law.

Next Steps and Possible Impacts

The Appropriations Committees will begin drafting and approving appropriations bills in coming weeks, but none, or at most one or two, of the 12 2009 appropriations bills will be signed into law by the October 1 start of FY 2009. It is increasingly likely that the 2009 appropriations process will drag on into calendar year 2009 and the next presidential administration. A continually updated table on the current status of FY 2009 appropriations will be available on the AAAS R&D web site, and AAAS R&D Funding Updates on House and Senate R&D appropriations for the major R&D funding agencies will also be available at each stage of the FY 2009 appropriations process.

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(More materials on R&D in the FY 2009 budget, historical data and charts, and more information on *AAAS Report XXXIII: Research and Development FY 2009*, can be found on the AAAS R&D Web site at <http://www.aaas.org/spp/rd>.)

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