

## Political and Policy Context for the FY 2004 Budget

*Paul W. Turner, AAAS*

The first two chapters of this book are intended to provide a framework for understanding the detailed budgetary data and analysis that follow. This chapter builds on the previous one to describe the political and policy context within which the FY 2004 budget process will take place. It begins with a brief account of the past year's experience and then moves to a discussion of the proposed FY 2004 budget. The chapter then turns to a more specific treatment of continuing and emerging R&D policy issues that are likely to shape the R&D policy landscape in the current budget cycle and in those to come. The chapter concludes with some speculations about what may be in store for R&D in the remainder of the budget year and beyond.

### **R&D IN THE PAST YEAR'S BUDGET PROCESS**

The FY 2003 budget process was notable for many things; punctuality was not one of them. On April 15, 2002, the statutory deadline for completion of a joint budget resolution came and went without action. The Republican-led House had produced its version in March, but the Senate balked when Majority Leader Tom Daschle (D-SD) declined to bring the Budget Committee's version to the floor for a vote. Thus, congressional appropriators were forced to move ahead without an agreed-upon framework on budget totals and functional allocations to guide them in their work over the ensuing months. As of August 1, the day before the August recess, none of the thirteen appropriations bills that fund the federal government had gone to conference. While the Senate appropriations subcommittees had produced versions of each of the thirteen spending bills that fund federal government operations, House appropriators had fashioned only six. As of October 1, the first day of FY 2003 – the time by which all appropriations bills are supposed to be completed – all thirteen spending bills remained stalled in Congress; none of the bills had gone to conference; none had been sent

*Paul W. Turner*

to the president for his signature. Two of the bills, however, defense and military construction, were completed on October 10 and signed into law shortly thereafter. As of January 7, 2003, the first day of the new 108<sup>th</sup> Congress, the eleven remaining appropriations bills remained stalled in Congress; none of the bills had gone to conference; none had been sent to the president for his signature. On February 13, more than one week after President Bush had released his FY 2004 budget, the House and the Senate approved a 3,000-page, \$397.4 billion omnibus appropriations bill that folded all of the outstanding spending bills into one package. On February 20, 2003, President Bush signed the bill into law. Thus, the FY 2003 budget process was ended.

The above account, while accurate, is admittedly devoid of the politics that made the FY 2003 budget process the longest since 1996. Razor-thin majorities in both chambers of Congress in a midterm election year proved to be a lethal mix from the standpoint of legislative promptness. The Democrats, buoyed by their return to control in the Senate as a result of Jim Jeffords' (I-VT) May 2001 departure from the Republican Party, entertained visions of retaining control of the Senate and returning to power in the House for the first time since 1994. In fact, Senator Daschle's failure to bring the Senate Budget Committee's budget resolution to the floor was seen by some as an election-year ploy to draw out the budgetary debate and promote Democratic positions on fiscal issues while condemning those of the Republicans. The Republicans, on the other hand, energized by the anticipated coattail effects of President Bush's wartime popularity, campaigned furiously to retain the House and take back the Senate. So confident were the Republicans that some speculated that the slothfulness of their House appropriators was a deliberate effort to postpone the appropriations process until after the November elections when a new Congress could be seated with Republicans in charge of both chambers. As it turned out, it was the Republicans' scenario that was realized. When the omnibus appropriations bill was finally approved some four and a half months into the new fiscal year, it was done with Republican majorities in both the House and Senate.

The final total for discretionary FY 2003 spending, including the defense and military construction bills that had been completed earlier, was \$763 billion. This represented a 4.0 percent increase in discretionary spending above the FY 2002 level. Federal R&D spending climbed at a much steeper rate, rising 13.8 percent to \$117.3 billion (see Table I-1). And, as

## POLITICAL AND POLICY CONTEXT FOR THE FY 2004 BUDGET

has been the pattern in recent years, the lion's share of these increases went to the Department of Defense (DOD) and the Department of Health and Human Services, more specifically, the National Institutes of Health (NIH). The 17.6 percent DOD increase was directed primarily to continued weapons development, the mainstay of DOD R&D, while the 15.5 percent increase for NIH effectively completed the much-lauded plan begun by Congress in 1998 to double the NIH budget over a five-year period. Nearly all other federal R&D funding agencies received modest increases despite the proposed cuts contained in President Bush's original FY 2003 budget request.

### **THE PROPOSED BUDGET FOR FY 2004**

On February 3, the Bush Administration presented its FY 2004 budget request, which calls for \$782 billion in overall discretionary spending—an increase of \$19 billion or 2.5 percent above final FY 2003 levels. This modest increase stands in notable contrast to the 7.4 percent average increase in discretionary spending that was seen over the period FY 1998-FY 2003. Indeed, in the ample documentation that accompanies the budget request, the Bush Administration emphasizes the message of “meeting priorities while restraining the growth in spending.” Adroitly minimizing the role of tax cuts in bringing about budget deficits, the document condemns excessive federal spending as a more serious threat to fiscal balance and offers the growth rate in the income of the American family as a “common sense yardstick” by which to gauge growth in federal spending. Thus, citing estimates in growth rates of family income of four percent, the Bush Administration calls upon Congress to impose caps on discretionary spending of four percent for FY 2004 and FY 2005. Whether members of Congress will look upon this proposal as a reasonable approach to fiscal management in difficult times or encroachment upon their constitutionally sanctioned territory remains to be seen.

The FY 2004 budget request also outlines President Bush's plans to consolidate and extend his June 2001 tax-reduction package. Specifically, the budget request calls for tax reductions originally scheduled for several years in the future to take effect in 2003. This move would hasten reductions resulting from an increase in the ten-percent tax bracket, reductions associated with “marriage penalty” relief, reductions accruing from an increase in the child tax credit, and reductions arising from changes in the alternative minimum tax.

*Paul W. Turner*

Additionally, and more controversially, the request calls for an elimination of income taxes on dividend income. These, and other changes proposed under the rubric of an economic growth package would, according to the Administration's own projections, cost \$359 billion over the period FY 2004-FY 2008 and \$615 billion over the period FY 2004-FY 2013. And, while other estimates of the growth package's cost are slightly higher (the nonpartisan congressional Joint Committee on Taxation issued an estimate in March that put the FY 2004-FY 2013 cost at \$726 billion), budget prognosticators are in general agreement on the deficit track that would result from enacting the package. The Bush Administration forecasts a cumulative \$1.1 trillion deficit over the period FY 2004-FY 2008. The Congressional Budget Office (CBO), in its March analysis of the president's budgetary proposals for FY 2004, puts the price tag at a slightly higher \$1.2 trillion over the same period. Even under current laws and policies, however, the CBO projects a cumulative \$360 billion deficit over the FY 2004-FY 2008 period. Thus, deficit spending and deficit politics are likely to be prominent features of the political landscape over the next several years.

From an agency perspective, the Department of Defense (DOD) would do relatively well relative in the new tight budget environment that would result from President Bush's renewed emphasis on controlling discretionary spending. The DOD budget would grow by \$15.3 billion—a 4 percent increase—from \$364.6 billion to \$379.9 billion. The proposed spending package would fund the F/A-22 stealth fighter and many other new weapons systems in development. Other sizeable programmatic increases include missile defense, which would be funded at \$9.1 billion (\$1.5 billion or 19.7 percent above FY 2003) and the Special Operations Command at \$4.5 billion (\$1.5 billion or a dramatic 50 percent increase above FY 2003). DOD R&D, however, fares even better in the FY 2004 request (see Table II-1). With a heavy emphasis on development and demonstration (see Table II-2), DOD R&D would climb to \$62.8 billion, an increase of \$4.2 billion or 7.1 percent (for more on DOD R&D, see Chapter 6). The newly formed Department of Homeland Security would also do well under the President's proposed FY 2004 budget, seeing its portfolio of R&D programs, now consolidated under one roof, rise by \$332 million to \$1.0 billion, an increase of nearly 50 percent (see Table II-20; see Chapter 13 for more on the new department).

## POLITICAL AND POLICY CONTEXT FOR THE FY 2004 BUDGET

A final noteworthy feature of the Bush Administration's FY 2004 budget request is the continued emphasis on "governing for results." Initially highlighted in the President's Management Agenda, a document released in August 2001, the Administration continues to assert that a greater and more systematic effort needs to be made to assess not the quantity but the quality of government programs. To this end, the Administration unveiled the Executive Branch Scorecard in its FY 2003 budget request, which assesses executive branch agencies in five areas of performance: strategic management of human capital; competitive sourcing; improved financial performance; expanded electronic government; and budget and performance integration. For each of these areas, agencies are given either a green light for meeting all standards of success, a yellow light for achieving some, but not all, of the criteria, or a red light for serious flaws in performance. And, while the Administration makes no explicit linkage between the Scorecard and budget decisions, it does state that "corrective action" will be taken where shortfalls are apparent. Interestingly, like last year, the National Science Foundation (NSF) was the only agency to earn a green light in the FY 2004 budget, receiving one for both financial performance and electronic government.

### **CONTINUING AND EMERGING R&D POLICY ISSUES**

Apart from the broadly pitched debates over tax cuts, deficit spending, and bureaucratic performance, there are a number of continuing and emerging policy debates that pertain more specifically to the R&D community. First, as mentioned above, recently concluded action on the FY 2003 appropriations process effectively completed the plan to double the NIH budget over a five-year period. Initially conceived in Congress as an effort to support the burgeoning promise of biomedical research, the plan also soon became good politics, as baby-boomers and the elderly – both groups with a strong propensity to vote – have become increasingly concerned about their health. Thus, the NIH budget enjoyed 15 percent annual increases over the period FY 1998-FY 2003 in order to achieve the doubling goal. As the end of the cycle neared, however, scientists and policymakers alike began to wonder if this trajectory had created an imbalance in the federal R&D portfolio. That is, were the biomedical sciences being unduly favored at the expense of mathematics and the physical sciences? Increasingly, the answer to this question in Congress has become "yes." In fact, the sentiment to redress this perceived imbalance in Congress has become so strong that the most recent National Science Foundation (NSF) authorization bill includes a

*Paul W. Turner*

provision to double NSF's budget by FY 2007. NSF is a large funding source for mathematics and physical sciences research among federal agencies that finance R&D (see Chapter 7). However, the NSF doubling plan hit its first obstacle in February when President Bush failed to request funds sufficient to place NSF on its doubling path. This does not mean, though, that Congress will not eventually appropriate the requisite funds to sustain a doubling track. It does mean, however, that in the tighter fiscal environment depicted by President Bush in his FY 2004 budget release, the likelihood of achieving the NSF doubling plan is significantly less than was the case with NIH.

One means of freeing up funds for worthy scientific causes such as the NSF doubling plan, the Administration restates in its FY 2004 request, would be through the elimination of research earmarks. As with last year's budget release, the Bush Administration takes aim at research earmarks, arguing that "the use of earmarks signals to potential investigators that there is an alternative to creating quality research proposals for merit-based consideration, including the use of political influence or by appealing to parochial interest." Moreover, according to the Administration's position, research earmarks reduce monies available for research that has survived the process of peer-review. The Administration's persistence on the harms of earmarking notwithstanding, the practice continues apace. AAAS analysis of final FY 2003 appropriations shows that research earmarks totaled \$1.4 billion, slightly down from FY 2002. Yet, despite the Administration's protests over the practice, research earmarks apparently do not amount to a problem large enough to summon the presidential veto pen. As long as this is the case, research earmarks will persist and remain a contentious issue within the scientific community.

Security concerns arising from the ongoing war on terrorism constitute another challenge to the R&D community, both in terms of the content of research and the flow of researchers. Last year, the Bush Administration targeted the availability of information that could potentially serve the cause of terrorists seeking to do harm, including scientific research data. Thus, government agencies purged their Web sites of sensitive information on hazardous chemicals, weapons of mass destruction and aviation accident reports, among others. This concern has persisted and has now involved the scientific community as a whole. In January, the National Academies and the Center for Strategic and International Studies co-hosted a meeting to discuss whether current publication

## POLITICAL AND POLICY CONTEXT FOR THE FY 2004 BUDGET

policies and practices in the life sciences could lead to the inadvertent disclosure of “sensitive” information to those who might misuse it. In February, at the annual meeting of the American Association for the Advancement of Science (AAAS), thirty-two of the world’s leading science-journal editors and scientific authors followed up on the January meeting and issued a joint statement that emphasized personal responsibility and self-governance whenever potentially “dangerous” research is presented for publication. Language even hinting at potential government review of manuscript submissions was notably absent. Security concerns have also had an impact on the flow of scientists. As a result of increased scrutiny of scientists applying for visas to attend meetings in the United States, the visa process has been lengthened, and has led in some cases to the cancellation of scientific meetings altogether. Of greatest interest appear to be scientists from the former Soviet Union and China involved in weapons research or other research areas deemed sensitive to national security. As long as the heightened security environment spawned by the terrorist attacks of September 2001 persists, restrictions on the flow of people and goods will persist. Achieving the proper balance between scientific openness and national security, therefore, is likely to be an ever-present test for members of the R&D community in the coming years. (For more on these issues, please see Chapter 12 on the Department of Homeland Security.)

Finally, an issue that has emerged more recently centers on the role of scientific advisory committees designed to provide counsel to the federal agencies that they serve. Last October, allegations were made that Department of Health and Human Services (HHS) Secretary Tommy Thompson had rid select HHS advisory bodies of members whose views on certain issues were purported to be counter to those of the Bush Administration. For example, Secretary Thompson disbanded the National Human Research Protections Advisory Committee and the Advisory Committee on Genetic Testing, reportedly because their views on genetic technology clashed with the philosophical values of the Administration. Additionally, fifteen of the eighteen members of the Advisory Committee to the Director of the National Center for Environmental Health were replaced with scientists alleged to have strong and long-standing ties to the chemical and petroleum industries. While no one is challenging the Administration’s prerogative to appoint members of its choosing to these bodies and others like them, the concern is raised that by stacking or eliminating these bodies altogether the Administration is also eliminating scientific dissent that is often

*Paul W. Turner*

crucial in constructing a complete and well-rounded picture of the issue under study. Given the ever-increasing value placed upon scientific advice in the policy process, the potential politicization of scientific advice remains a constant concern for those interested in science and in policy, and in the intersection of the two.

#### **FORECAST FOR THE FY 2004 BUDGET AND BEYOND**

In its March analysis of the FY 2004 budget request, the Congressional Budget Office (CBO) projected that the federal government would remain in deficit until 2013 (and well beyond, if its scenarios are extended further) if President Bush's tax-reduction proposals are enacted. This scenario does not take into consideration any costs associated with a potential war with Iraq. Thus, whether one chooses to blame the recession that began in the waning days of the Clinton Administration, President Bush's June 2001 tax cuts, the terrorist attacks of September 11, or a combination of all of the above, budget surpluses are not likely to return anytime soon. Even if President Bush's tax plan is not enacted, the CBO projects that deficits will remain until FY 2008. Yet, President Bush has stayed the course and has continued to argue that his tax-cut plan is the key to reviving the economy from its current woes and, in turn, reducing budget deficits. Only through a robust economy, the President has argued, will federal revenues swell and, thereby, bring the budget back into balance.

Yet, doubts about the wisdom of further tax cuts in the face of growing deficits and a potential military confrontation with Iraq have surfaced even among the President's most ardent congressional supporters. Some congressional Republicans have asserted that now is not the right time for additional tax cuts while others have clamored to keep the tax cuts but to restrain discretionary spending even further. Regardless of the particular path chosen, the bottom line for the beneficiaries of federal spending—including the R&D community—seems clear. Absent a miraculous return to the surging economic conditions of the 1990s, discretionary federal dollars will flow in an increasingly short supply and agencies will do well to keep up with the Jones's annual four percent increase.