

Political and Policy Context for the FY 2006 Budget

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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 2006 budget process will take place. It begins with an overview of the past year's experience and then moves to a brief discussion of the proposed FY 2006 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. 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 2005 budget process was overshadowed by the heated presidential election, the growing costs of the war in Iraq, and the burgeoning deficit which grew to \$412 billion in 2004. Despite the fiscal outlook, media and voter attention focused on issues such as gay marriage and the fight against terrorism rather than the nation's economy, leaving the second half of the 108th Congress with little incentive to make the necessary decisions to pass the FY 2005 appropriations bills.

As in 2003, the House and Senate failed to pass a budget resolution that could have provided a guideline for reining in discretionary spending. By the August recess, both chambers had only completed appropriations for the Department of Defense (DOD). By the time they recessed in October to finish campaigning, the House and Senate managed to add the District of Columbia, Military Construction, and Homeland Security appropriations bills to the portfolio ready for the President's signature.

Joanne P. Carney

When the post-election Congress returned with Republicans retaining control of both chambers, the House and Senate moved quickly to pass an omnibus bill that would adhere to the Administration's plan to freeze discretionary spending. On December 8, 2004, the President signed the omnibus bill into law (P.L. 108-199)—bundling together the remaining 9 of the 13 appropriations bills—and thus completed the federal budget process for FY 2005.

The final discretionary total for R&D in FY 2005 brought federal investments to a new record of \$132.2 billion, a \$5.9 billion or 4.6 percent increase over FY 2004 but only \$231 million more than the President's request (see Table I-1). As has been the pattern in recent years, 80 percent of the increase went to defense-related R&D. Nearly all of the increase went to DOD R&D which grew \$5.0 billion for a total R&D budget of \$70.9 billion.

On the other hand, the National Institutes of Health (NIH) budget growth slowed down considerably, with its R&D portfolio increasing a modest 2.0 percent for a total of \$27.8 billion. The National Science Foundation's (NSF) budget actually declined in FY 2005 to \$5.5 billion.

There were some winners, however, in the nondefense portion of the discretionary budget. The U.S. Department of Agriculture (USDA) exceeded expectations growing 8.1 percent to \$2.4 billion. The National Aeronautics and Space Administration's (NASA) total budget fared well, with last minute support for the new moon/Mars initiative bringing the budget to \$16.2 billion. The R&D portion, however, grew modestly at 1.7 percent to \$11.0 billion. That figure could change, as the FY 2005 omnibus bill included language to allow the exploration agency unlimited flexibility to transfer funds between accounts.

THE PROPOSED BUDGET FOR FY 2006

The FY 2006 budget request would continue the President's proposal to freeze most discretionary spending at FY 2004 levels. Cuts to nondefense, non-homeland security, and to some extent defense R&D mean growth in the federal R&D portfolio would fail to keep pace with inflation for the first time in a decade, and most programs would suffer cuts in real terms, declining for the first time since 1996.

POLITICAL AND POLICY CONTEXT FOR THE FY 2006 BUDGET

The proposed federal R&D portfolio in FY 2006 is \$132.3 billion, just barely an increase of 0.1 percent and far short of the 2.0 percent increase needed to keep pace with expected inflation. (Refer to individual agency chapters for details.)

There will be tough budgetary choices even in agencies with increasing budgets. NASA's budget boost requires steep cuts in aeronautics and earth sciences research and the controversial cancellation of a Hubble servicing mission. Although the Department of Energy's (DOE) energy R&D budget includes increased investments in hydrogen, nuclear energy, fuel cells, and coal, the agency proposes to eliminate research on gas and oil technologies. The Department of Commerce proposes increasing intramural laboratory R&D, but at the same time eliminates the congressionally-favored Advanced Technology Program (ATP) and halves the budget of the Hollings Manufacturing Extension Partnership (MEP).

NSF, after a cut in its budget in 2005, would see a modest increase, mostly due to the transfer from the Department of Homeland Security (DHS) of operating and maintaining three U.S. Coast Guard Icebreakers used by the agency to reach the polar research centers. NSF has already warned that the tight budgetary outlook will necessitate a reduction in the number of grants it is able to award to an estimated 20 percent of all applications received.

CONTINUING AND EMERGING R&D POLICY ISSUES

The 2004 election ushered in a Republican-controlled Congress that made vital gains in both chambers, more profoundly in the Senate. The GOP netted 5 seats in the House to reflect a new structure of 233:206:1, and 4 seats in the Senate inching closer to a filibuster-proof composition of 55:44:1.

The election also resulted in an elaborate changing of the guards among key party and committee leadership positions as Senators, and some Representatives, lost elections or reached their term limits for serving as chairs. Senate Minority Leader Tom Daschle lost to incoming Sen. John Thune (R-SD), leaving Sen. Harry Reid (D-NV) to assume his vacated post. Due to term limits, Sen. John McCain (R-AZ) stepped down as chairman of the Commerce, Science, and Transportation Committee to

Joanne P. Carney

allow former appropriations chairman Sen. Ted Stevens (R-AK) to take over.

By far the most profound change to the 109th Congress was the shake-up of the 13 “cardinals” that govern the appropriations subcommittees. Majority Leader Tom DeLay (R-TX), used the opportunity of term limits to float a blueprint for reducing the number of appropriations subcommittees and consolidating related agencies and departments. The blueprint, with minor adjustments, soon became a reality.

Under the new leadership of appropriations chairman Jerry Lewis (R-CA), the House reduced its structure to 10 new subcommittees, while the Senate, led by incoming chairman Thad Cochran (R-MS), chose 12 subcommittees with jurisdictions similar to, but not identical to, their counterparts across the Capitol. (See Table I-8 for more information on the new appropriations subcommittee structure.)

As before, four appropriations bills would fund 95 percent of all federal R&D. NASA and NSF would move together from the defunct VA-HUD-IA subcommittee to a Senate Commerce, Justice, and Science subcommittee to join the Commerce R&D portfolio (called the Science, State, Commerce, and Justice in the House). The Environmental Protection Agency (EPA), meanwhile, would leave the VA-HUD-IA subcommittee to join Department of the Interior programs in the newly formed Interior, Environment and Related Agencies subcommittee.

From an organizational perspective, the immediate impact of these changes to the federal R&D portfolio may appear minor, but though the stated objective is to facilitate the appropriations process and reduce the likelihood of future omnibus bills, the end result could be quite the opposite.

At a minimum, however, the changing of the guard among party leaders and committee chairs, and the addition of a host of freshman Members of Congress, means that the scientific community must forge new relationships with authorizers and appropriators that have oversight of the research enterprise.

Aside from the politics of the election and of the newly reorganized Congress, Members must shift attention to the very real and more difficult question of how to fund R&D in a tight budgetary environment.

POLITICAL AND POLICY CONTEXT FOR THE FY 2006 BUDGET

For NIH, it is the challenge of how to manage its portfolio of 27 research institutes under the prospect of an authorization bill (the first in years) that is expected to take steps to consolidate portions of its activities.

For NASA, it is juggling a human exploration vision with a growing body of scientific knowledge of our solar system streaming from spacecraft in real time. Though many Members are angry at the cancellation of the Hubble servicing mission and wary of the financial expenditures required for human exploration, representatives from key states hold leadership positions on committees with NASA oversight. Thus, the battle between human exploration and space science may reach new heights in 2005.

For NSF, it is managing an increasing number of grant applications with insufficient employees to review them and insufficient funds to support the number of high-quality basic research concepts it receives. Congressional leaders from both sides of the aisle have expressed anger over the Administration's proposals to transfer the icebreakers to the agency, while also reducing its support for education and basic research.

For all nondefense agencies, it is how to struggle for relevance separate and apart from defense and homeland security R&D which continues to hold prominence in the ongoing fight against terrorism. On this final point, the science and technology community has already begun to lay the groundwork for why federal R&D is critical to U.S. competitiveness.

The "Task Force on the Future of American Innovation," a cohort of industry, academic, and non-profit organizations, launched a campaign to advocate for increased spending for basic research in order to spur "American innovation, economic growth, and job creation." A separate Council on Competitiveness (CoC) report, resulting from a series of workshops involving similar stakeholders, builds upon the innovation theme along with concrete recommendations.

Both efforts have begun to have an impact as far as rhetoric on Capitol Hill goes. As an example, the accompanying report to the Senate budget resolution included language under Function 250 (General Science, Space, and Technology) that concluded: "[S]ustained investment in science and technology at [DOE's] Office of Science and the [NSF] must be at the core of America's strategy to compete." The bottom line

Joanne P. Carney

question, of course, is whether this will result in an actual increase to nondefense appropriations.

FORECAST FOR THE FY 2006 BUDGET AND BEYOND

President Bush, in his first post-election press conference stated he had earned “political capital,” and to some extent, the reorganized 109th Congress is already proving how quickly it can pass measures that are priorities of the White House. The Senate, for example, succeeded in passing language to support drilling in the Arctic National Wildlife Refuge, a key goal of the Administration’s energy plan.

This does not mean that the White House and Congress will see eye to eye on all policies, as witnessed by the reception that the NSF budget request has received so far.

Surprisingly, both chambers have already made some headway in framing their respective budget resolutions. The Senate approved a total discretionary budget of \$848 billion, including an additional \$5.4 billion in discretionary spending for education and \$1.5 billion to NIH. The House Budget Committee, historically more fiscally conservative, passed a resolution at \$843 billion. The two versions are different enough that drafting a conference report that can get through both houses may be impossible, given the narrow House and Senate margins.

The tight constraints placed on domestic discretionary programs by the Administration and Budget Committees means that the difficult choices will need to be debated and argued among the appropriators. Compound this with an Administration that continues to budget for the war in Iraq through an emergency supplemental, and newly formed appropriations subcommittees under new leadership, each chaired by an individual interested in making a mark upon agencies under their jurisdiction, and the prospect of compromise seems unlikely.

As has been stated in the past, Washington policy makers have shown little appetite for making the hard choices necessary to get the budget back into balance. It is only in the area of domestic discretionary spending that they show some fiscal restraint. Thus, the future does not bode well for federal R&D.