

USDA Boosts Competitive Grants, Cuts Earmarks and Formula Funds

AAAS R&D Funding Update on R&D in the FY 2006 USDA Budget

(This analysis is a preview of the USDA chapter in the forthcoming *AAAS Report XXX: Research and Development FY 2006*, a comprehensive look at the President's budget for R&D in FY 2006. This analysis contains revised AAAS estimates of USDA R&D, different from figures presented in the AAAS Preliminary Analysis of February 10. More tables and continually updated supplemental materials on R&D in the FY 2006 budget can be found on the AAAS R&D Web site at <http://www.aaas.org/spp/rd>.)

Highlights

- **The U.S. Department of Agriculture (USDA), enjoying a record R&D portfolio this year, would see its R&D funding fall 14.6 percent down to \$2.1 billion in 2006 (see Table II-13).** Most of the decline is due to the proposed elimination of congressional earmarks.

- USDA would dramatically restructure its extramural research portfolio: the National Research Initiative (NRI) of competitively awarded research grants would increase \$70 million to a record \$250 million, while earmarked Special Research Grants would plummet from \$120 million down to \$3 million. Hatch Act formula funding for land-grant colleges would be cut in half to \$89 million, but USDA would create a new \$75 million competitive research grants program for these institutions.

- **USDA intramural research would decline 9.6 percent, but the proposed elimination of earmarks would make room for increases in homeland security-related research.**

- There would be \$59 million in 2006 to complete the renovation of the National Centers for Animal Health in Ames, Iowa.

USDA R&D in the FY 2006 Budget: Cuts in Earmarks and Formula Funds to Boost Competitive \$

After a large increase in the FY 2005 budget that brings USDA's R&D portfolio to record funding levels, the FY 2006 budget would cut \$352 million or 14.6 percent to bring USDA R&D down to \$2.1 billion (see Table II-13). But with the proposed elimination of \$356 million in 2005 congressional research earmarks and reduced facilities construction needs in 2006, the budget would actually allow for increases in many R&D program areas. On the extramural side, the elimination of earmarks would allow for a reshuffling of research funding streams and a big increase in competitively awarded research grants.

USDA's extramural research grants, nearly entirely to colleges and universities, are administered by the Cooperative State Research, Education and Extension Service (CSREES). Total CSREES R&D would fall \$130 million or 20.0 percent in FY 2006 to \$520 million, but after subtracting \$180 million in 2005 congressional earmarks there would be increases for the remaining extramural R&D portfolio. Most of these earmarks are in the nearly entirely earmarked Special Research Grants program, which would fall from \$120 million this year down to just \$3 million in 2006. The remaining earmarks are in other parts of the CSREES budget, and would be terminated in the 2006 request.

The National Research Initiative (NRI) of competitively awarded, extramural research grants would receive a new record of \$250 million, up \$70 million from the record \$180 million funding level for this year. Part of the increase, however, would be due to the transfer of some competitive grants currently

funded in Integrated Grants to NRI; the truly new money in 2006 would be roughly \$50 million. USDA would also attempt to make competitive grants more attractive to potential applicants by proposing to repeal a longstanding limit on indirect cost reimbursements for USDA grants, currently capped at 20 percent.

USDA also provides formula funds for agricultural R&D to qualifying institutions in programs such as the Hatch Act, but USDA proposes to dramatically restructure this funding stream in 2006. Hatch Act formula funding for land-grant colleges would be cut in half to \$89 million, along with similar cuts to other formula research grants (in “All Other” in Table II-13), but **USDA would also create a new \$75 million State Agricultural Experiment Competitive Grants Program** of competitive grants just for these institutions (see Table II-13). The new program would only partially offset the proposed formula cuts, but land-grant institutions would continue to be the primary recipients of the expanded NRI grants program.

Most of USDA’s intramural research is performed in the Agricultural Research Service (ARS). **ARS R&D would fall 17.4 percent or \$227 million to \$1.1 billion because of the proposed elimination of \$175 million in research earmarks, the proposed elimination of roughly \$60 million in facilities earmarks, and reduced construction needs for the National Centers for Animal Health in Ames, Iowa.** Congress provided \$122 million for the Ames facility in the FY 2005 budget, and the FY 2006 request of \$59 million would be sufficient to finish the major renovation project. The renovated National Centers for Animal Health will serve as the nation’s premier animal research and diagnostic laboratory and will enhance the nation’s ability to respond to attacks on the food supply as a biosafety level 3 (BSL-3) facility.

ARS research programs would receive \$996 million, down 9.6 percent from this year, but cuts in earmarks should allow for modest increases to most ARS research in areas ranging from livestock production, crop production and protection, human nutrition, environmental stewardship, to the National Agricultural Library. The largest increase for ARS would be for homeland security-related research, surging from \$27 million this year to \$69 million in 2006 split roughly equally between food supply defense and agriculture defense.

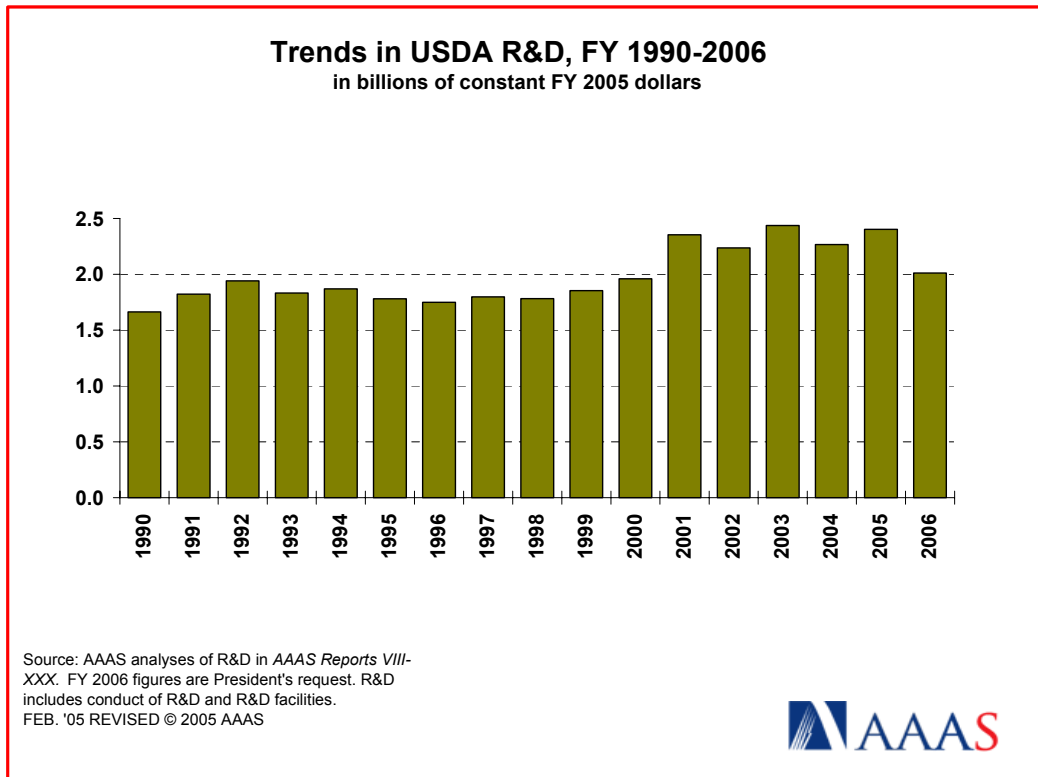


Figure 1. (click on the image for PDF)

The other major USDA R&D agency is the Forest Service; the FY 2006 request for its R&D is \$318 million, up \$4 million from this year. 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, although there is also an extramural fire science grants program that would receive \$17 million in 2006.

Impacts of the USDA R&D Portfolio

The FY 2006 cuts to USDA R&D bring the portfolio down dramatically from peaks in inflation-adjusted dollars in 2003 and 2005 (see Figure 1). USDA R&D has been at historical highs for the past few years. 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, and then since FY 2002 because heightened concern about agricultural terrorism and the security of USDA laboratories resulted in millions for security upgrades and other homeland security-related investments. But with homeland security-related construction needs waning at locations such as Ames and a push to eliminate earmarks, the FY 2006 budget would bring USDA R&D down to the \$2 billion level.

Although NRI hits a new high in 2005 and would go even higher in the 2006 proposal, the history of competitive agricultural research grants has been mixed in recent years as Congress and USDA have blocked mandatory competitive programs, directed the bulk of recent increases to facilities rather than research, siphoned off NRI dollars to fund earmarks, and repeatedly fallen short of the original vision of NRI as a \$500 million-a-year program. Late last year, there was a push to create a National Institute for Food and Agriculture (NIFA) employing an extramural, peer-reviewed basic research model for agricultural research like the National Institutes of Health (NIH); advocates hope that a NIFA existing as a semi-independent agency within USDA would offer a higher profile for basic agricultural research and perhaps higher dollars. The NIFA proposal did not make it into the FY 2006 USDA request, but dramatic proposed increases for competitive grants did.

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 funds more than 90 percent of all federal support for the agricultural sciences, with the remainder supported by the Agency for International Development (for international agriculture R&D) and the National Oceanic and Atmospheric Administration (for aquaculture and other marine-related R&D). 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).

- March 3, 2005

(More materials on R&D in the FY 2006 budget, historical data and charts, and more information on *AAAS Report XXX: Research and Development FY 2006*, can be found on the AAAS R&D Web site at <http://www.aaas.org/spp/rd>.)

AAAS R&D Budget and Policy Program
1200 New York Avenue, NW
Washington, DC 20005
(202) 326-6607
AAAS R&D Web site: <http://www.aaas.org/spp/rd>



Table II-13. U.S. Department of Agriculture R&D

Table II-13. R&D in the U.S. Department of Agriculture
(budget authority in millions of dollars)

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Budget	Change FY 05-06	
				Amount	Percent
Agricultural Research Service (ARS)					
Salaries and Expenses	1,088	1,102	996	-106	-9.6%
Trust Funds	14	18	18	0	0.0%
Buildings and Facilities	63	186	65	-121	-65.1%
Total ARS R&D	1,165	1,306	1,079	-227	-17.4%
Cooperative State Research, Education, and Extension Service (CSREES)					
National Research Initiative	164	180	250	70	38.9%
Hatch Act (Ag. Experiment)	179	179	89	-90	-50.3%
Ag. Experiment Compet. Grants	0	0	75	75	--
Special Research Grants	111	120	3	-117	-97.5%
Integrated Grants	24	25	9	-16	-64.0%
All Other	138	146	94	-52	-35.6%
Total CSREES R&D	616	650	520	-130	-20.0%
Forest Service	312	314	318	4	1.3%
Economic Research Service	71	74	81	7	9.5%
Agricultural Marketing Service	6	6	4	-2	-33.3%
Foreign Agricultural Service	2	2	2	0	0.0%
Nat'l Agricultural Statistics Service	5	5	5	0	0.0%
Federal Grain Inspection	7	7	8	1	14.3%
Natural Resources Conservation	14	14	12	-2	-14.3%
Animal & Plant Inspection Service	24	25	22	-3	-12.0%
Total USDA R&D	2,222	2,403	2,051	-352	-14.6%

Source: OMB data for R&D for FY 2006, USDA budget documents, and USDA budget office.
All figures are rounded to the nearest million. Changes calculated from unrounded figures.

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Please see Chapter 11 for information on USDA R&D.