

USDA Proposes to Remove Earmarks, Boost Competitive Grants

AAAS R&D Funding Update on R&D in the FY 2007 USDA Budget

(This analysis is a preview of the USDA chapter in the forthcoming *AAAS Report XXXI: Research and Development FY 2007*, a comprehensive look at the President's budget for R&D in FY 2007. More tables and continually updated supplemental materials on R&D in the FY 2007 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's (USDA) R&D portfolio would fall 16.5 percent or \$399 million down to \$2.0 billion in FY 2007**, in a repeat of the annual tug-of-war over congressional earmarks (see Table II-13). Most of the steep cut would come from eliminating 2006 earmarks.
- Despite a falling R&D budget, **the National Research Initiative (NRI) of competitively awarded research grants would increase \$67 million to a record \$248 million**. Similar proposed increases in past years have not made it through Congress. USDA would also try to shift formula funding to competitive grants; Hatch Act funding would remain at \$177 million, but a growing share of program funding would go to competitive grants rather than formula distributions to land-grant universities.
- The completion of the National Centers for Animal Health in Ames, Iowa, and the proposed elimination of earmarked facilities projects would allow intramural facilities funding to plummet from \$139 million down to \$8 million. Intramural research would fall 11.5 percent down to \$1.0 billion, mostly from the elimination of earmarks.

USDA R&D in the FY 2007 Budget

In a reprise of past budget requests, the Bush Administration once again proposes to reduce the USDA R&D budget in the latest FY 2007 request, mostly by not renewing a bumper crop of earmarks inserted by Congress into the 2006 budget. **Total USDA R&D would fall \$399 million or 16.5 percent to \$2.0 billion in FY 2007** (see Table II-13). A recent AAAS analysis of the final FY 2006 budget counted \$331 million in USDA R&D earmarks in FY 2006, suggesting that **most but not all of the cuts would come from removing earmarked funding. The remaining cuts would be due to the completion of major facilities and the presence of one-time emergency funds in 2006.**

In USDA's external portfolio, a sharp reduction in earmarks would allow for a boost to competitively awarded research funds. 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 \$127 million or 19.0 percent to \$540 million in FY 2007. By eliminating an estimated \$165 million in R&D earmarks inserted into the 2006 budget, the 2007 budget would allow CSREES funding of competitively awarded funds to rise even as the overall budget falls steeply. **The National Research Initiative, USDA's main competitive research grants program, would jump 37 percent or \$67 million to an all-time high of \$248 million in FY 2007 after several years of being stalled at the \$180 million level.** But more than half the proposed increase would be due to the transfer of competitive funds from a separate Integrated Activities budget account to the NRI. Still, the remaining increase would be sufficient to expand competitive grant opportunities for agricultural scientists.

Funding for formula programs would remain flat in the USDA proposal, but there would be changes under the surface. The Hatch Act, the largest funding source for formula-distributed research funds to the nation's land-grant universities, would stay level at \$177 million. This portfolio has remained at this level for most of the decade, resulting in a steady erosion of purchasing power from inflation. But the FY 2007 request is notable in that it proposes to change a small portion of the Hatch Act to competitively awarded grants as the first of a multi-year push to expand competitive awards within the program, starting with roughly 9 percent. In a flat budget, this would mean that formula research funds would actually fall. The USDA proposes a similar move for the Cooperative Forestry program (level funded at \$22 million), converting a majority of funding from formula to competitive.

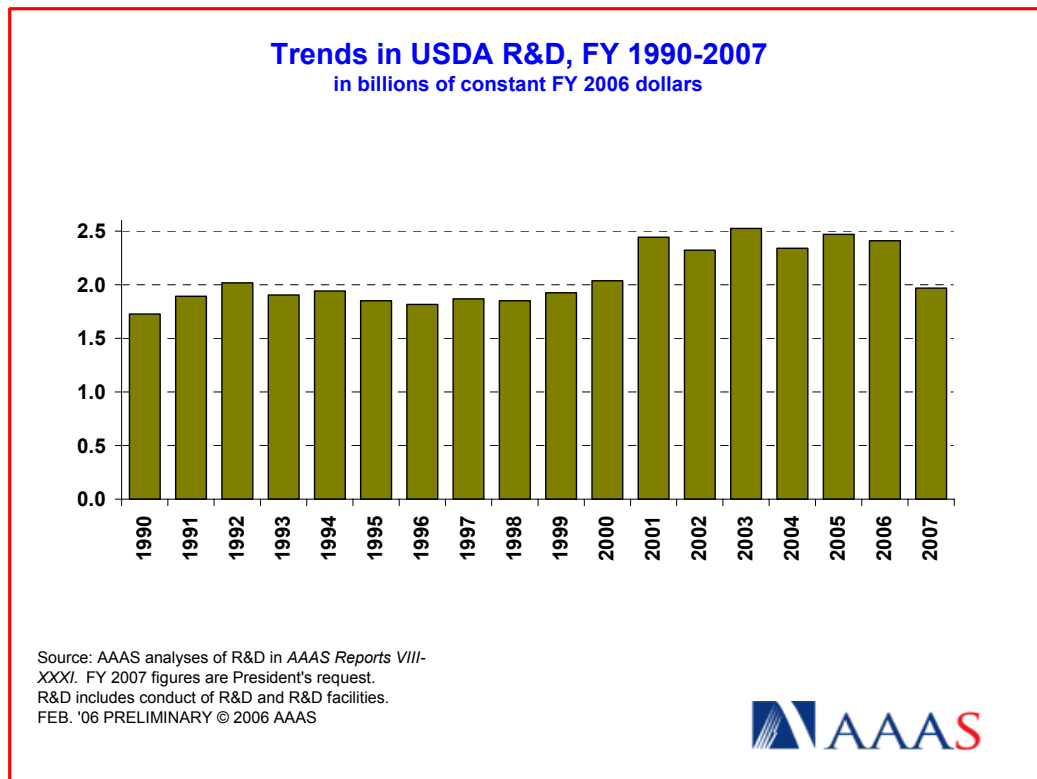


Figure 1. (click on the image for PDF)

Most of USDA's intramural research is performed in the Agricultural Research Service (ARS). **ARS R&D would fall 20 percent or \$261 million to \$1.0 billion.** Taking out an estimated \$158 million in 2006 earmarks accounts for a majority of the proposed cut. The Buildings and Facilities account, which funds intramural R&D facilities, would fall from \$139 million down to just \$8 million in 2007 to fund improvements at the National Arboretum in Washington, DC. The 2006 budget contains numerous earmarked projects at USDA laboratories around the country and \$59 million for the National Centers for Animal Health in Ames, Iowa. 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. Funding is complete for this project and would not be required in 2007. On the research side, ARS support of intramural research would fall \$130 million to \$1.0 billion, primarily from the elimination of earmarks but also from one-time emergency funds for avian flu response in 2006 that would not continue next year, and some program cuts in 2007.

The other major USDA R&D agency is the Forest Service, whose R&D budget would fall \$11 million or 3.5 percent down to \$302 million. 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.

The falling FY 2007 USDA R&D portfolio would be a dramatic reduction from recent years in which the department's R&D funding has been near record highs in inflation-adjusted dollars (see Figure 1). 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 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 accompanying these increases have been a steady increase in congressionally earmarked projects; by proposing to eliminate these projects, the FY 2007 budget would bring USDA R&D down dramatically.

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).

Looking to the future, the Bush Administration's outyear budget projections show that in the push to reduce the budget deficit in half over the next few years USDA R&D will be one of the programs to sacrifice. Although key physical sciences research agencies would see their R&D budgets increase in 2008 and beyond, funding for USDA's investments in the agricultural sciences and other disciplines is projected to fall in 2008, 2009, and 2010 before rebounding slightly in 2011. **After adjusting for inflation, USDA R&D would fall a projected 27 percent over the next five years, with the biggest cuts happening in 2007.** While Congress will try its best to boost the 2007 request when it begins the FY 2007 appropriations process in late spring, it is likely to do so by earmarking research projects and chiseling away at competitively awarded funds. It is also possible that Congress will add several million dollars in emergency funds for avian flu research if a possible pandemic becomes more likely over the coming months.

(More materials on R&D in the FY 2007 budget, historical data and charts, and more information on *AAAS Report XXXI: Research and Development FY 2007*, can be found on the AAAS R&D Web site at <http://www.aaas.org/spp/rd>.)

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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 2005 Actual	FY 2006 Estimate	FY 2007 Budget	Change FY 06-07	
				Amount	Percent
Agricultural Research Service (ARS)					
Salaries and Expenses	1,109	1,131	1,001	-130	-11.5%
Trust Funds	15	18	18	0	0.0%
Buildings and Facilities	186	139	8	-131	-94.2%
Total ARS R&D	1,310	1,288	1,027	-261	-20.3%
Cooperative State Research, Education, and Extension Service (CSREES)					
National Research Initiative	180	181	248	67	37.0%
Hatch Act (Ag. Experiment)	179	177	177	0	0.0%
All Other CSREES R&D	295	309	115	-194	-62.8%
Total CSREES R&D	654	667	540	-127	-19.0%
Forest Service	316	313	302	-11	-3.5%
Economic Research Service	74	75	83	8	10.7%
Agricultural Marketing Service	7	14	4	-10	-71.4%
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	15	14	-1	-6.7%
Animal & Plant Inspection Service	21	25	27	2	8.0%
Total USDA R&D	2,410	2,411	2,012	-399	-16.5%

Source: OMB data for R&D for FY 2007, 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.