

AAAS R&D Funding Update
May 23, 1997:
House Approves FY 1998 Budget Resolution;
Continued Erosion in Federal R&D Likely

{Updated June 13, 1997; updates **ibold** within brackets[] }

This document updates AAAS Report XXII: *Research and Development FY 1998* (April 1997). A summary of the report, this document, ordering information for AAAS Report XXII and updated information on federal R&D in the FY 1998 budget are available on the WWW at: <http://www.aaas.org/spp/dspp/rd/rdwwwpg.htm>

FY 1998 BUDGET RESOLUTION

Discretionary spending continues to bear much of the burden of deficit reduction under the latest congressional budget plan. The absence of detailed information in the plan makes it impossible to project future R&D spending in a manner comparable to prior years. Reductions in budget categories containing R&D, however, leave little room for the kind of growth promised by various legislative proposals, including the Gramm bill (S. 58), and suggest that most R&D programs would likely lose ground to inflation over the next five years.

The House of Representatives approved its FY 1998 budget resolution (H. Con. Res. 84) early in the morning of May 21. As of Friday morning (May 23), the Senate was still debating its version (S. Con. Res. 27), which is nearly identical to the House version. Although Congress hoped to pass the budget resolution before its week-long Memorial Day recess, it appears that a final budget resolution will not be approved until June because the House has recessed until June 2. After the Senate approves its version, a compromise resolution must be drafted and approved by both houses. **[The Senate approved its version on May 23. Both houses approved a compromise version, nearly identical to the House version, on June 5.]** The budget resolution, a blueprint for balancing the federal budget in FY 2002, is based on the agreement reached by the President and the congressional leadership a few weeks ago. The budget resolution serves as a guide for Congress in drawing up the appropriations, tax, and entitlements bills that will actually implement a balanced budget, and is important for science and technology because it sets spending limits for discretionary accounts for the coming fiscal year and a trajectory for future years.

The federal deficit is expected by the Congressional Budget Office to total only \$67 billion in FY 1997, meaning that the job of balancing the budget is almost complete. (On May 21, the Department of the Treasury announced higher-than-expected April tax revenues, meaning that the deficit could be even lower, in the \$60 billion range). As recently as FY 1994, the deficit was \$203 billion. The budget resolution, however, calls for the deficit to

rise over the next three years before falling to \$53 billion in FY 2001 and then to balance in FY 2002. This is because spending increases and tax cuts would kick in immediately, while most of the spending cuts will have to be enacted by the 107th Congress and the next President.

The bad news for science and technology and other domestic programs is that the budget deal would, as past budget plans have done, achieve more than half of its net deficit reduction from cuts in discretionary spending. Discretionary spending, which funds defense and all non-entitlement domestic programs (including all federal support for R&D), currently accounts for a third of the federal budget. It would dip below 30 percent by FY 2002 under the budget plan because of continued, unchecked growth in most entitlement programs.

In the past two years, AAAS has performed detailed analyses of the implications of the budget resolution for federal R&D because detailed account-by-account projections were made available. The AAAS analysis of the FY 1996 budget resolution projected a one-third cut in nondefense R&D over seven years, while last year's budget resolution called for a 23 percent cut over the same time period. This year's budget resolution, however, is far less detailed than in previous years, so a comparable analysis is not possible. AAAS recently released a study of the projected effects of the President's FY 1998 budget plan (which projected a 14 percent cut in R&D over the next five years. See *AAAS Report XXII: R&D FY 1998*, April 1997). The President's plan served as the starting point for negotiations on the budget, and the budget resolution follows its broad outlines.

DETAILS OF FUNCTIONAL CATEGORIES IN BUDGET RESOLUTION

The budget resolution divides discretionary spending into broad functional categories (function numbers are in parentheses) and allocates funds for FY 1998 and targets up to FY 2002 by function. The following paragraphs analyze the key points in the budget resolution for science and technology by functional category, with comparisons to the President's FY 1998 request (all figures are in budget authority based on the House-approved budget resolution and the draft Senate resolution. **[There were no changes to these figures in the final budget resolution]**)

DEFENSE (050) - The budget resolution's plan for defense spending is essentially the same as the President's FY 1998 request. The total defense budget would increase at slightly less than the rate of inflation over the next five years. The AAAS analysis of the President's budget projects an 18 percent decline in **defense R&D** (R&D in the Department of Defense and the defense activities of the Department of Energy (DOE)) over the next five years. It is unclear whether the budget resolution would assign a different priority to defense R&D than the President's budget, but there appears to be a bipartisan consensus to emphasize procurement and readiness spending over R&D.

NONDEFENSE (ALL OTHER FUNCTIONS) - Total nondefense discretionary spending is currently \$244 billion for FY 1997. The President's budget would have increased nondefense discretionary to \$271 billion in FY 2002. The budget resolution would set nondefense discretionary at \$261 billion in FY 2002, a nearly 6 percent cut from this year's level after adjusting for expected inflation. Adding to the pressure on domestic programs is the need to set aside most of the additional money for renewals of expiring housing assistance contracts over the next several years. While spending on transportation, education, and housing would rise, spending on other functional categories would fall, even before adjusting for inflation. For FY 1998, there would be \$13 billion less than the President's request. Some key nondefense functions:

GENERAL SCIENCE, SPACE, AND TECHNOLOGY (250) - This budget function comprises the **National Science Foundation (NSF)**, **most of the National Aeronautics and Space Administration (NASA)**, and **the physics programs in DOE**. Most of this function, except for the Space Shuttle and NSF's education activities, is classified as R&D. The AAAS analysis of the President's budget projected cuts in R&D in NASA (down 11.9 percent), NSF (down 7.5 percent), and DOE Physics (down 11.2 percent) by FY 2002 after adjusting for inflation. The cuts would be even steeper under the budget resolution targets because the resolution allocates \$2 billion less over five years than the President's budget for this function. Of more immediate concern is the FY 1998 allocation of \$16.2 billion, which is \$240 million less than the President's request. This allocation leaves little room for the 7 percent increase to NSF that House authorizers and many in the scientific community have called for.

COMMERCE AND HOUSING CREDIT (370) - The Department of Commerce's **National Institute of Standards and Technology (NIST)** is the only R&D program singled out as a "protected domestic discretionary priority" in the budget agreement, and funded at the President's requested level. The AAAS analysis of the President's budget projects a 5.4 percent cut in the NIST laboratory program by FY 2002, and a 63 percent increase for NIST's Advanced Technology Program. It is unclear whether the report language intends to include ATP with NIST's other programs as a protected priority.

HEALTH (550) - The **National Institutes of Health (NIH)** is funded in this function. The budget resolution would spend \$2.8 billion less over five years than the President's budget, resulting in a 15 percent cut in real terms by FY 2002. Because the NIH budget accounts for more than half of the discretionary spending (\$13 billion out of \$25 billion in FY 1997) in this function, the resolution leaves no room for any additions to the NIH budget unless there are unprecedented cuts in the non-NIH programs in this function (Centers for Disease Control, Ryan White and other HIV programs, and food and worker safety programs). The FY 1998 allocation for this function is \$150 million below the FY 1997 level, leaving no room for even the President's requested 2.7 percent increase for NIH, much less the 7 percent or greater increases called for by key Members of Congress. (The President's budget would lead to a projected 8.2 percent cut in NIH's R&D over the next five years).

Although the Senate approved (98-0) an amendment expressing the “Sense of the Senate” that the federal investment in biomedical research should double over the next five years, the amendment allocated no additional funds. **[The final budget resolution contains this Sense of the Senate amendment, with no additional funds.]**

Although it is impossible to project total federal R&D based on the budget resolution, the items noted above suggest that, if the budget resolution were followed, there would be cuts significantly greater than the 14 percent cut to federal R&D by FY 2002 projected from the President’s latest budget.

The budget resolution, though important as a guide, will be modified substantially in its implementation. Its functional allocations serve as a guide for appropriations committees in dividing up the total pool of discretionary spending, and are binding only for FY 1998. The allocations for the outyears will be revisited each year to adjust for changing economic conditions and changing priorities. Even for FY 1998, appropriators will have some freedom to shift funds between functions if programs serving different functions are in the same appropriations bill. (For example, health (NIH), education, and labor training programs are funded in the same appropriations bill).

Nevertheless, by once again focusing on discretionary programs to achieve the majority of the savings necessary to balance the budget, Congress and the President would further shrink the pool of money available for federal R&D, and would increase the competition for ever-scarcer resources, especially among defense programs.

NEXT STEPS

After approval of the final budget resolution in June, the Appropriations Committees of the House and the Senate will use the functional allocations in the budget resolution to make their 602(b) allocations, which divide the total amount of discretionary spending for FY 1998 among the 13 appropriations bills. **[These allocations are expected to be available the week of June 16.]** The House, and then the Senate, will then allocate funds among individual programs in each of the 13 appropriations bills. AAAS will monitor the progress of appropriations for R&D programs as they move through the appropriations process.

FY 1997 SUPPLEMENTAL(REVISED)

[On June 12, the President signed a supplemental appropriations bill for FY 1997 to pay for disaster relief in several states and defense operations in Bosnia and Asia. Only a few days earlier, he had vetoed an earlier version. To offset these supplemental appropriations, the bill makes rescissions (cancellations of previously appropriated funds). The approved bill contains a net \$453 million in rescissions (\$468 million in rescissions offset by a \$15 million supplemental) to R&D programs,

nearly all in the Department of Defense, and a \$365 million cancellation of NASA funds due to become available next year, for a now-abandoned wind tunnel project. The only supplemental R&D appropriation is a \$15 million award to the Office of the Secretary in the Department of Health and Human Services, for “high priority health research.” The report accompanying the bill suggests funding for research on the environmental factors associated with breast cancer.]

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