

## **Congress Agrees on \$2.1 Billion Boost for NIH, But Withholds \$7.5 Billion Until Next September**

(The complete series of AAAS R&D Funding Updates, including continually updated analyses of R&D by agency in FY 2000 appropriations, is available on the AAAS R&D Web Site (<http://www.aaas.org/spp/R&D>) in the "FY 2000 R&D" or the "What's New" sections.)

On October 27, Congress finally reached agreement on a House-Senate conference report for the FY 2000 Labor-HHS appropriations bill providing funding for the Departments of Labor, Health and Human Services, and Education. In order to keep FY 2000 spending from dipping into a projected Social Security surplus, the bill **imposes a 0.97 percent across-the-board cut on all FY 2000 discretionary spending**, and employs numerous accounting tricks to shift spending to FY 2001. Despite tight restrictions on total spending, the Labor-HHS bill demonstrates strong congressional support for biomedical research by providing **\$17.7 billion in FY 2000 for the National Institutes of Health (NIH), an increase of \$2.1 billion or 13.6 percent over FY 1999** (after adjusting for the across-the-board cut; see Table 1). However, **\$7.5 billion is withheld until September 29, 2000**, a day before the end of FY 2000, in order to shift spending to FY 2001.

The FY 2000 budget process is still underway although FY 2000 is already a month old, and a major reason for the delay is the Labor-HHS bill. The House and Senate drafted separate versions of the bill in late September, the last of the 13 appropriations bill to be drafted, but the House never approved its version. The House leadership chose to take the bill directly to conference, and attached the conference report to the DC appropriations bill, which had gone through the usual process. Much of the delay was because Congress has publicly committed itself to spending no more than \$592 billion (in outlays) in discretionary spending in FY 2000 in order to avoid dipping into the projected Social Security surplus for FY 2000. Although this target is less restrictive than the previously abandoned goal of keeping spending within discretionary caps, this pledge still required Congress to cut discretionary spending well below FY 1999 levels. The result was a protracted scramble to find politically acceptable cuts in discretionary programs, find accounting tricks to disguise spending, or find suitable offsets to pay for additional spending.

In order to meet the pledge, the appropriations bills have been padded with numerous accounting tricks. The Labor-HHS bill contains billions of dollars in **advance appropriations**. While advance funding (in this case, providing FY 2001 appropriations a year early) has traditionally been used for several programs, notably education programs, advance funding has rarely exceeded \$4 billion a year in the past. Last year, however, faced with tight budget caps, Congress provided \$9 billion in advance appropriations in the Labor-HHS bill, pushing that funding to FY 2000. Because of the even-tighter caps in FY 2000 with \$9 billion already spent, this year's Congress in a chain reaction has shifted FY 2000 funds to FY 2001 but upped the ante. The final Labor-HHS bill claims an unprecedented \$19 billion in FY 2001 funds for the Labor-HHS bill's programs.

Still facing a shortfall, Congress resorted to other creative but controversial tactics, including the proposed **across-the-board cut of 0.97 percent cut for all FY 2000 appropriations**, including agencies (such as the National Science Foundation (NSF) and the Department of Defense) whose appropriations have already been signed into law. The bill also proposes offsets through improved student loan collections, and delays the release of billions of dollars in FY 2000 funds until September 29, 2000, two days before the start of FY 2001, in order to minimize FY 2000 outlays.

The House and the Senate both proposed substantial increases for R&D funding in the National Institutes of Health (NIH). The House proposed \$16.9 billion for NIH in FY 2000, \$1.3 billion or 8.5

percent above the FY 1999 funding level (see the September 30 R&D Funding Update for details of House and Senate proposed appropriations for NIH). The Senate would have been even more generous with an appropriation of \$17.6 billion, exactly \$2 billion above the FY 1999 level for an increase of 12.8 percent. Both these appropriations were well above the President's request of \$15.9 billion, which would have represented an increase of 2.1 percent. The Senate-proposed increase would have kept pace with a \$2 billion increase awarded in FY 1999, and would have kept NIH nearly on track to double its NIH budget in five years.

The final Labor-HHS bill follows the higher Senate appropriation but adds even more money, for a total of **\$17.7 billion for NIH's budget** (after factoring in the across-the-board cut), **\$2.1 billion or 13.6 percent more than FY 1999** (see Table 1). Excluding research training and overhead costs, **NIH's R&D** totals \$17.0 billion, 13.7 percent more than FY 1999. The generous appropriation, however, comes with a bizarre catch. The final bill **delays the release of \$7.5 billion of NIH's FY 2000 budget until September 29, 2000**, one day before the end of FY 2000. The bill does not specify how this total should be distributed among the institutes, but it amounts to 42 percent of the total appropriation. This budgeting trick allows Congress to appropriate a generous increase to NIH, but ensures that much of it will not actually be spent in FY 2000, helping to hold down federal spending in FY 2000 and thus keep the government from dipping into the Social Security surplus. The money will become available on September 29, but NIH will not be allowed to obligate it until that date; that is, NIH will not be able to award any grants or make commitments on how to spend the money until the end of the year. Because it will take NIH weeks to months to then disperse these funds, this money will not be spent until FY 2001.

For all practical purposes, then, the Labor-HHS bill forces NIH to operate for nearly all of FY 2000 on just two-thirds of its FY 1999 budget. The \$2.1 billion increase would be canceled out by the withheld \$7.5 billion in funds, **leaving just \$10.2 billion for the first 364 days of FY 2000 compared to \$15.9 billion for FY 1999.**

**Every institute** (except the Office of the Director) **receives an increase greater than 12 percent** in the final bill (including the withheld funds), and five receive increases greater than 20 percent. The bill provides \$89 million for the National Institute of Nursing Research (NINR), an increase of 27.6 percent; the Fogarty International Center (FIC), the unit of NIH with the smallest budget, receives \$43 million, up 22.2 percent; the National Center for Research Resources (NCRR) receives \$674 million, an increase of 21.4 percent, including \$75 million for extramural facilities construction; and a 26.1 percent increase to the National Human Genome Research Institute (NHGRI) for a total of \$334 million. NHGRI is on schedule to publish a "working draft" sequence of the human genome in spring 2000 and the complete sequence by 2003. The largest percentage increase goes to the newest institute, the National Center for Complementary and Alternative Medicine (NCCAM), which receives \$68 million for its second year of existence, a substantial increase of \$18 million or 36.2 percent. These appropriations are similar to the Senate-proposed levels, and all are well above the request.

The National Cancer Institute (NCI) once again has the largest budget with \$3.3 billion, an increase of 12.7 percent or \$373 million. By comparison, the entire NSF R&D budget is less than \$3 billion. The National Heart, Lung, and Blood Institute (NHLBI) exceeds \$2 billion for the first time with an appropriation of \$2.0 billion, 12.6 percent more than FY 1999.

In addition to the regular NIH appropriation, there are additional funds from an account in the Office of the HHS (Health and Human Services) Secretary (see Table 2). The bill approves a transfer of \$20 million from the Public Health and Social Services Fund to NIH. The \$20 million funds a new program providing matching funds for cooperative R&D between NIH and the biotechnology, pharmaceutical, and medical device industries. The funds are planned to go toward R&D activities

in biomedical research and biotechnology with commercial potential or promising therapies, and would become available if industry matched the federal funds.

Both the House and the Senate appropriated NIH **HIV/AIDS research** funds within individual institute budgets, instead of in a consolidated account as the Administration proposed, and the final bill retains this structure. Total NIH AIDS research is expected to be well over \$2 billion.

Although the Senate bill originally contained a provision that would have allowed federal financing of research using **stem cells**, the provision was removed before the bill reached the Senate floor, and was left out of the final bill also. The provision would have reflected recent recommendations from the National Bioethics Advisory Commission, which recommended that NIH should finance research on stem cells derived from embryos if these embryos are left-over embryos created during fertility treatments that would otherwise have been destroyed. The final Labor-HHS bill retains a ban on NIH using its funds to create **human embryos for research purposes** or to perform any research in which human embryos are destroyed.

The Labor-HHS bill provides increases for R&D programs in other agencies within the **Department of Health and Human Services** (HHS; see Table 2). R&D in the Centers for Disease Control and Prevention increases by 6.2 percent to \$473 million, with an additional \$49 million provided by transfer from the Office of the Secretary for bioterrorism-related R&D activities. Congress boosts R&D in the Health Care Financing Administration (HCFA) by \$9 million to \$59 million. HCFA finances R&D on health-care outcomes and alternative health-care delivery systems in Medicare and Medicaid. R&D in the Health Resources and Services Administration (HRSA) increases dramatically to \$50 million because of a large increase in funding for rural health research. Total HHS R&D rises 14.0 percent to \$17.9 billion.

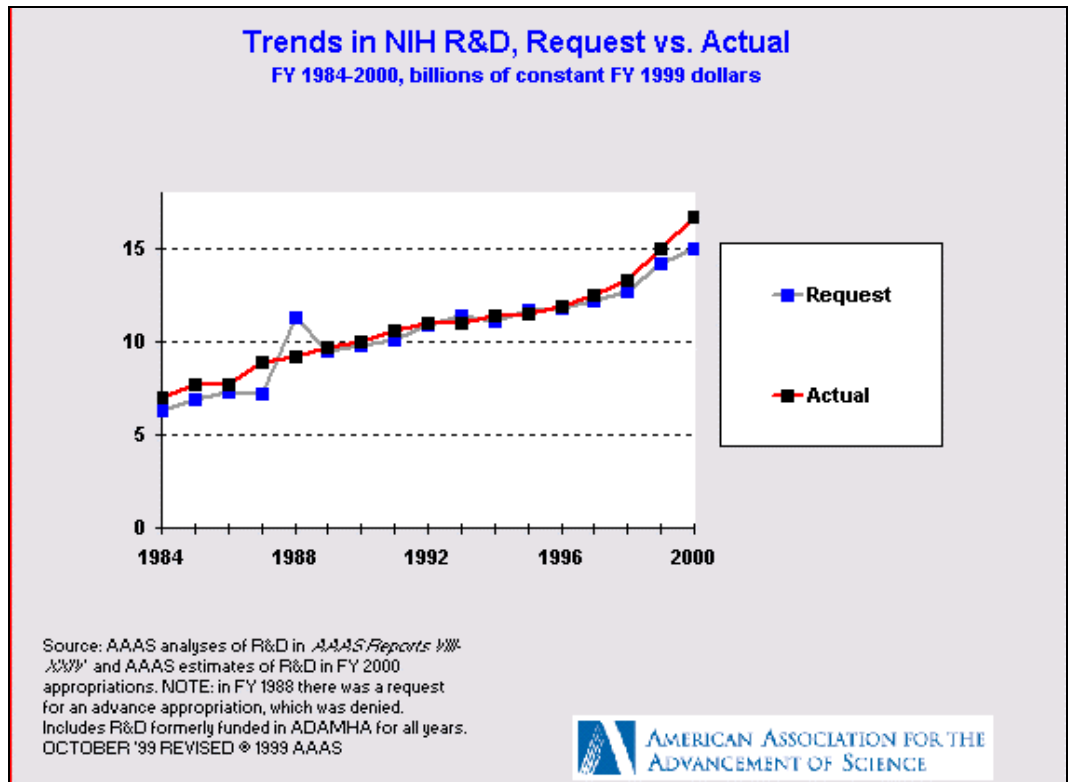


Figure 1.

Although other R&D funding agencies have struggled to maintain their budgets in the past several years, NIH has enjoyed extraordinary success on Capitol Hill and its budget growth is accelerating even as discretionary budgets get tighter. As shown in Figure 1, NIH has enjoyed steady growth in its R&D budget over the past two decades, and in many years Congress has awarded more than the request. NIH's budget growth has accelerated in the last few years, and in the most recent two years NIH has won increases of \$2 billion, far more than the Clinton Administration had requested. These increases are intended as the first and second installments of a plan to double the budget in five years.

NIH's growth has been good for the life sciences, for which NIH is by far the largest federal supporter. Federal support for life sciences has expanded dramatically over the past few decades, while support for other disciplines, which rely on agencies other than NIH, has stayed constant or declined. NIH now accounts for nearly two-thirds of all federal support for R&D in colleges and universities, and in FY 2000 NIH, for the first time, will fund more than half of all federal support for basic research.

The combined DC/Labor-HHS conference report is expected to win final approval from both the House and Senate this week, but President Clinton has threatened to veto it because its education spending falls short of his request in several priority programs, and because of his unhappiness with the across-the-board cut. If it is vetoed, the Labor-HHS bill may need to be rolled into a last-minute omnibus appropriations bill covering all unfinished appropriations bills, as it has for the past four years. Congress has approved another continuing resolution providing temporary funding at FY 1999 funding levels until November 5 for programs in unsigned appropriations bills, to give Congress and the President another week to reach final agreement on FY 2000 appropriations. If additional funding for the President's priorities is to be found, other programs may need to be cut back, or the across-the-board cut may need to be increased.

- October 28, 1999

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**Table 1. National Institutes of Health  
House-Senate Conference on R&D in the FY 2000 Budget  
(budget authority in millions of dollars)**

	FY 1999 Estimate	FY 2000 Request	House-Senate Conference				
			FY 2000 CONF.	Chg. from Request Amount	Chg. from Request Percent	Chg. from FY 1999 Amount	Chg. from FY 1999 Percent
Cancer	2,927	2,973	<b>3,300</b>	327	11.0%	373	12.7%
Heart, Lung and Blood	1,794	1,826	<b>2,021</b>	195	10.7%	227	12.6%
Dental Research	234	244	<b>268</b>	24	9.6%	33	14.2%
Diabetes, Digestive and Kidney	994	1,021	<b>1,136</b>	115	11.3%	142	14.3%
Neurological Disorders and Stroke	903	921	<b>1,025</b>	104	11.3%	122	13.5%
Allergy and Infectious Diseases	1,570	1,614	<b>1,786</b>	171	10.6%	215	13.7%
General Medical Sciences	1,198	1,227	<b>1,348</b>	122	9.9%	151	12.6%
Child Health & Human Development	751	772	<b>855</b>	83	10.7%	104	13.8%
Eye	396	407	<b>448</b>	42	10.3%	52	13.3%
Environmental Health Sciences	376	398	<b>441</b>	43	10.7%	65	17.2%
Aging	597	615	<b>683</b>	69	11.2%	87	14.6%
Arthritis & Musculoskeletal & Skin	308	315	<b>348</b>	34	10.7%	40	13.1%
Deafness and Comm. Disorders	230	237	<b>263</b>	25	10.7%	33	14.2%
Mental Health	861	876	<b>969</b>	93	10.6%	108	12.5%
Drug Abuse	603	623	<b>683</b>	60	9.6%	79	13.2%
Alcoholism and Alcohol Abuse	260	265	<b>291</b>	26	9.6%	31	12.1%
Nursing Research	70	72	<b>89</b>	17	24.3%	19	27.6%
Research Resources	555	568	<b>674</b>	105	18.6%	119	21.4%
Human Genome Research	265	276	<b>334</b>	58	21.2%	69	26.1%
Fogarty International Center	35	36	<b>43</b>	7	19.4%	8	22.2%
National Library of Medicine	181	186	<b>213</b>	27	14.8%	32	17.5%
Office of the Director	257	263	<b>281</b>	18	6.9%	24	9.4%
Office of AIDS Research <sup>1</sup>	0	[1,834]	<b>0</b>	--	--	--	--
Buildings and Facilities <sup>2</sup>	198	148	<b>174</b>	25	17.1%	-24	-12.1%
Complementary & Alternative Med. <sup>3</sup>	50	51	<b>68</b>	17	33.0%	18	36.2%
<b>Total NIH Budget</b>	<b>15,612</b>	<b>15,933</b>	<b>17,740</b>	<b>1,807</b>	<b>11.3%</b>	<b>2,127</b>	<b>13.6%</b>
<i>Estimated Research Training</i>	<i>511</i>	<i>512</i>	<i><b>570</b></i>	<i>58</i>	<i>11.3%</i>	<i>59</i>	<i>11.6%</i>
<i>Other Non-R&amp;D</i>	<i>130</i>	<i>132</i>	<i><b>146</b></i>	<i>15</i>	<i>11.3%</i>	<i>16</i>	<i>12.5%</i>
<b>Total NIH R&amp;D</b>	<b>14,971</b>	<b>15,289</b>	<b>17,023</b>	<b>1,734</b>	<b>11.3%</b>	<b>2,052</b>	<b>13.7%</b>

\*Authors' estimates. Includes conduct of R&D and R&D facilities.

<sup>1</sup> The Office of AIDS Research (OAR) provides pass-through funding to the other institutes for AIDS research. Congress in FY 1999 allocated OAR funds directly to the institutes. The FY 2000 request consolidated all AIDS research funded by the institutes under the OAR line. The final Labor-HHS bill allocates AIDS research funds directly to the institutes. The FY 2000 request figures distribute the OAR request among the institutes for comparability.

<sup>2</sup> FY 2000 figures include \$40 million in advance appropriations.

<sup>3</sup> New center created in FY 1999.

Totals do not include amounts transferred from Departmental Administration for matching funds (see Table 2).

**Based on House-Senate conference funding levels. These figures are reduced to reflect a proposed 0.97 percent cut to all discretionary programs, distributed proportionally among the institutes.**

**Note: The Labor-HHS bill delays the release of \$7.5 billion in the FY 2000 NIH budget until September 29, 2000, one day before the end of FY 2000. The bill does not specify the distribution of the total among institutes.**

**Table 2. Department of Health and Human Services  
House-Senate Conference on R&D in the FY 2000 Budget  
(budget authority in millions of dollars)**

	FY 1999 Estimate	FY 2000 Request	House-Senate Conference				
			<b>FY 2000 CONF.</b>	Chg. from Request		Chg. from FY 1999	
				Amount	Percent	Amount	Percent
National Institutes of Health <sup>1</sup>	14,971	15,289	<b>17,023</b>	1,734	11.3%	2,052	13.7%
Centers for Disease Control <sup>1</sup>	438	478	<b>465</b>	-13	-2.7%	27	6.2%
Food and Drug Administration	104	111	<b>104</b>	-7	-6.4%	0	-0.1%
Health Care Financing Administration	50	55	<b>59</b>	4	8.0%	9	18.8%
Health Resources and Services Admin.	25	25	<b>50</b>	25	98.1%	25	98.1%
Health Care Policy and Research	100	27	<b>108</b>	81	299.5%	8	7.9%
Administration for Children & Families	27	28	<b>28</b>	0	-1.0%	1	2.7%
Office of Aging	18	18	<b>28</b>	10	56.8%	10	56.8%
Departmental Administration <sup>1</sup>	17	16	<b>85</b>	69	432.3%	68	401.0%
<b>Total HHS R&amp;D</b>	<b>15,750</b>	<b>16,047</b>	<b>17,950</b>	<b>1,903</b>	<b>11.9%</b>	<b>2,200</b>	<b>14.0%</b>

AAAS estimates. Includes conduct of R&D and R&D facilities.

<sup>1</sup> The Labor-HHS bill provides \$20 million in the Office of the Secretary's Public Health and Social Services Fund for transfer to NIH for partnerships with pharmaceutical and biotechnology companies to accelerate new antibiotics development.

There is also \$49 million for CDC for bioterrorism-related R&D. These funds are listed under Departmental Administration.

**Based on House-Senate conference funding levels. These figures are reduced to reflect a proposed 0.97 percent cut to all discretionary programs.**

**Note: The Labor-HHS bill delays the release of \$7.5 billion in the FY 2000 NIH budget until September 29, 2000, one day before the end of FY 2000. The bill does not specify the distribution of the total among institutes. The bill also delays \$965 million in CDC funds and \$1.1 billion in HRSA funds until September 29, 2000.**