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AAAS R&D Funding Update July 1, 2003 (updated July 10) -

Senate Proposes $1 Billion Increase for NIH, House Matches Requested Boost of $726 Million

Highlights

- The National Institutes of Health (NIH) would have a budget of $28.2 billion in FY 2004 under the Senate proposal, an increase of $1.0 billion or 3.8 percent over FY 2003. The House would follow the Administration's request exactly with a budget of $27.9 billion, just 2.7 percent above this year.

- After a completed five-year doubling campaign involving 15 percent increases for each of the past five years, **growth in the National Institutes of Health (NIH) budget would slow sharply in the House, Senate, and Bush Administration plans**.

- Biodefense research would continue to be a high priority in FY 2004. The House, Senate, and the Administration would all provide $4.3 billion for the National Institute of Allergy and Infectious Diseases (NIAID), the lead NIH institute for biodefense research, a boost of 17.0 percent over FY 2003 after a 47 percent boost last year.

- **NIH research (basic and applied) would increase 7.8 percent** to $27.0 billion in the Senate plan, greater than the 3.8 percent increase for the overall NIH budget, because the Senate would go along with NIH's plan to discontinue most of its FY 2003 facilities funding and shift the money to research in FY 2004, with most of the increase going to biodefense. NIH R&D, including facilities funding, would rise 3.8 percent to $27.3 billion in the Senate plan, ahead of the 1.9 percent projected inflation rate. The House plan would match the President's proposal to boost the NIH research portfolio by 7.0 percent, again with most of the increase going to biodefense.

- **Most NIH institutes would receive increases between 2 and 4 percent** within the tight overall funding environment in both the House and the Senate.

House and Senate Action on the FY 2004 NIH Budget

Before leaving Washington for a week-long Fourth of July recess, the House and Senate Appropriations Committees approved separate drafts of the FY 2004 appropriations bill that provides funding for the Departments of Labor, Health and Human Services, and Education (hereafter referred to as the Labor/HHS bill). The **Senate Labor/HHS bill (S. 1356) would provide $28.2 billion in FY 2004 for the National Institutes of Health (NIH), an increase of 3.8 percent or $1.0 billion over FY 2003 (see Table 1) that would add $319 million to the President's request. The House's Labor/HHS bill (HR 2660) would match exactly the Bush Administration's request with a total of $27.9 billion (up 2.7 percent from FY 2003).** (Note: the figures in Table 1 include mandatory funding and NIH appropriations in other appropriations bills. See the footnotes below Table 1).

NIH R&D, which makes up 97 percent of the NIH budget, would total $27.3 billion in the Senate bill (up 3.8 percent) and $27.0 billion in the House. NIH is the second-largest supporter of R&D in the federal government after the Department of Defense (DOD). It is by far the largest supporter of basic research, applied research, and R&D at colleges and universities, and has a disproportionate impact on support for the life and medical sciences and other fields. The remaining 3 percent of the NIH budget would go to research training and overhead costs. (For details of NIH's proposed allocation of its budget and its role in

federal funding of R&D, please see the AAAS R&D Funding Update on NIH R&D in the FY 2004 President's Budget, or Chapter 8 in *AAAS Report XXVIII: R&D FY 2004*).

After a completed five-year doubling campaign involving 15 percent increases for each of the past five years, growth in the National Institutes of Health (NIH) budget would slow sharply in FY 2004 under the House, Senate, and Bush Administration plans. Although the Bush Administration and Congress promised to double the NIH budget between FY 1998 and FY 2003 and kept the promise, there were no promises for continuing growth in FY 2004 and beyond. With the prospect of record budget deficits for the next few years, and higher priorities for big-ticket budget items such as tax cuts and prescription drug benefits for Medicare, Congress and President Bush are struggling to restrain growth in domestic spending, the largest chunk of which comes from the Labor/HHS bill. The $138 billion FY 2004 discretionary spending total for both the House and Senate versions would be just 2.7 percent (House) or 2.4 percent (Senate) above this year's total for this politically popular collection of labor, health, and education programs, leaving little room for either chamber to boost NIH funding further.

The modest growth in the NIH budget would be distributed relatively evenly in FY 2004, unlike the large differentials in the FY 2003 budget awarding larger increases for bioterrorism, facilities construction, and cancer. Although biodefense research remains a high priority in FY 2004 and would receive a disproportionate increase, **both the House and Senate plans would give increases between 2 and 4 percent to most NIH institutes, with the Senate being particularly even-handed in awarding increases in a narrow range between 3.7 percent and 4.0 percent to 20 of the 26 institutes**, divisions, and centers (ICDs; see Table 1).

Last year, NIH proposed to become the lead research agency in the burgeoning federal effort to combat bioterrorism. NIH identified $1.7 billion for bioterrorism-related R&D and infrastructure in FY 2003, up substantially from only $275 million in FY 2002. **In FY 2004, NIH biodefense R&D would drop slightly to $1.6 billion** in both the House and Senate plans, but **funding of biodefense research grants (excluding facilities) would more than double** in FY 2004 because of a shift in funding away from the construction of biodefense research facilities in FY 2003. **Most of the new biodefense funds would go to the National Institute of Allergy and Infectious Diseases (NIAID),** whose budget would increase 17.0 percent to $4.3 billion in FY 2004 in the House, Senate, and Administration plans. Although the Bush Administration proposed last year to transfer the NIH biodefense portfolio to the Department of Homeland Security (DHS), in the final DHS authorizing legislation biodefense research remained in NIAID. DHS will focus instead on procurement, stockpiling, and distribution of biodefense countermeasures. (For more information on the Department of Homeland Security's biodefense programs, please see the June 25 AAAS R&D Funding Update on House appropriations for DHS.)

NIH Buildings and Facilities funding would fall from $629 million in FY 2003 down to $80 million in the House plan and $90 million in the Senate; in FY 2004, NIH would discontinue most FY 2003 one-time funding for facilities construction, including funding for extramural and intramural biodefense research laboratories and NIH facilities improvements. The House would go along with the NIH proposal to discontinue an $120 million program for extramural construction in the National Center for Research Resources (NCRR) in FY 2004, leaving NCRR the only NIH institute to see its budget decline (down 7.5 percent to $1.1 billion). But the Senate would provide $119 million for this competitively awarded construction grants program, leaving NCRR with a 3.8 percent increase in its overall budget.

The Senate would provide $215 million in FY 2004 for another NCRR program, the Institutional Development Award (IDeA) program, up from $210 million in FY 2003 and the FY 2004 request. The House would provide $210 million. IDeA provides support to enhance the research capacities of states that have been underrepresented in winning NIH funds in the past.

HIV/AIDS research is another priority in FY 2004. The NIH HIV/AIDS R&D portfolio would expand 4.0 percent in FY 2004 to reach $2.9 billion under the House, Senate, and Administration plans. Most of this research would be funded by NIAID, the lead institute for AIDS research; also included in the House and NIH proposals for FY 2004 is $100 million (the same as in FY 2003) to be transferred to the **Global**

Fund to Fight HIV/AIDS, Malaria, and Tuberculosis – an international public-private partnership to provide grants for the prevention, treatment, and cure of these diseases. The Senate would provide even more, $150 million. (The Agency for International Development (AID) also contributes to the Global Fund; neither the House nor the Senate has yet acted on the AID budget).

The Labor/HHS bill appears to be free so far of the controversies over research policy that have delayed consideration in past years. The only major discord on NIH research policy is in Senate report language accompanying the bill **decrying NIH's plans for funding human embryonic stem cell (HES) research as inadequate**. Although the Senate bill stops short of modifying President Bush's August 2001 policy restricting federal funding of HES research only to a limited number of cell lines derived before August 2001, the Senate report criticizes as inadequate NIH's recent estimate that it would spend only $17 million on HES research in FY 2003, far short of earlier estimates that it might spend as much as $100 million.

The House Labor/HHS bill contains only minor quibbles with NIH's policies. The House report language would deny NIH's request to fully fund the multi-year costs of selected grants entirely in the FY 2004 budget; instead, NIH would continue to fund all grants year by year except for a few small grants that have traditionally been multi-year funded.

The House Appropriations Committee calls for a major effort to promote research at the interface between the life sciences and the physical sciences. The House report language notes that advances in the life sciences often depend on support from advances in the physical sciences, and that the boundaries between these disciplines are increasingly blurred. The House Labor/HHS bill calls on NIH, traditional funding source for the life sciences, to work with other agencies traditionally associated with the physical sciences (such as the National Science Foundation, NASA, Department of Energy, and the Department of Defense) on a conference to discuss ways to promote advancements in the physical sciences and on research at the interface of the physical and life sciences.

R&D in other HHS Agencies

Although 97 percent of total R&D funding at the Department of Health and Human Services comes from the NIH, there is also significant research conducted by several other agencies (see Table 2). Funding at the **Centers for Disease Control and Prevention (CDC)** is primarily aimed at non-R&D activities such as public health and health promotion activities, and more recently in biodefense for programs such as increasing state and local preparedness and improving security. The Senate would provide $586 million for R&D activities, up 2.2 percent from FY 2003 and a significant boost over the $521 million request. The House would provide $562 million. CDC would receive additional research funds from the Office of the Secretary (see Table 2) for a variety of biodefense-related research activities, including $18 million for anthrax vaccine research. CDC would also receive $233 million in the Senate and $244 million in the House for non-R&D global HIV/AIDS programs that would complement Global Fund dollars provided to NIAID (above).

The **Agency for Healthcare Research and Quality (AHRQ)** would see its R&D remain level at $304 million in both the House and Senate plans. AHRQ's programs evaluate the quality and delivery of health care services, fund research on health care outcomes, and explore ethnic and racial health care disparities. The Senate would focus $84 million on medical errors research, a nearly $30 million boost over FY 2003, including funds to promote the development and adoption of information technology in health care to improve patient safety.

The Senate Labor/HHS bill (but not the House bill) includes a provision that prevents the Office of the Secretary in HHS from carrying out its human resources consolidation plan. The HHS, and especially HHS Secretary Thompson, has come under fire over the past year from congressional critics over its plan to consolidate many legislative, personnel, procurement, and review functions into centralized, HHS-wide units, thereby restricting the autonomy that many NIH institutes and HHS agencies have traditionally had to recruit civil servants, manage public relations, communicate with Congress and the public, and organize

procurement and grant review. The Senate provision would prohibit HHS from centralizing its human resources functions.

Both the House and Senate versions of the Labor/HHS bill await floor debate and approval by each chamber after the Fourth of July recess.

> (This analysis is one of a series of AAAS R&D Funding Updates on the FY 2004 congressional appropriations process. The complete series of AAAS R&D Funding Updates, including continually updated analyses of R&D in FY 2004 appropriations, is available on the AAAS R&D Web Site (http://www.aaas.org/spp/rd) in the "FY 2004 R&D" or the "What's New" sections.)

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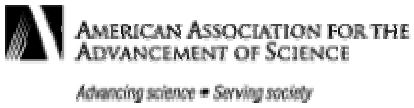

Table 1. National Institutes of Health
House and Senate Appropriations Committee Action on R&D in the FY 2004 Budget
(budget authority in millions of dollars)

				Action by **Senate**				
	FY 2003	FY 2004	**FY 2004**	**FY 2004**	Chg. from Request		Chg. from FY 2003	
	Estimate	Request	**House**	**Senate**	Amount	Percent	Amount	Percent
Cancer	4,592	4,771	**4,771**	**4,771**	0	0.0%	178	3.9%
Heart, Lung and Blood	2,794	2,868	**2,868**	**2,898**	30	1.0%	104	3.7%
Dental and Cranofacial Research	372	382	**382**	**386**	4	1.0%	15	4.0%
Diabetes, Digestive and Kidney [1]	1,723	1,820	**1,820**	**1,833**	13	0.7%	110	6.4%
Neurological Disorders and Stroke	1,456	1,469	**1,469**	**1,511**	42	2.9%	54	3.7%
Allergy and Infectious Diseases [2]	3,707	4,335	**4,335**	**4,335**	0	0.0%	629	17.0%
General Medical Sciences	1,847	1,923	**1,923**	**1,917**	-6	-0.3%	70	3.8%
Child Health & Human Developmen	1,206	1,245	**1,245**	**1,251**	6	0.5%	45	3.8%
Eye	633	648	**648**	**657**	9	1.4%	24	3.8%
Environmental Health Sciences [3]	698	710	**710**	**716**	6	0.9%	18	2.6%
Aging	994	994	**994**	**1,031**	37	3.7%	38	3.8%
Arthritis & Musculoskeletal & Skin	486	503	**503**	**505**	2	0.4%	19	3.9%
Deafness and Comm. Disorders	370	380	**380**	**385**	4	1.1%	14	3.8%
Mental Health	1,341	1,382	**1,382**	**1,391**	9	0.7%	50	3.7%
Drug Abuse	962	996	**996**	**998**	2	0.2%	36	3.7%
Alcoholism and Alcohol Abuse	416	430	**430**	**432**	1	0.3%	15	3.7%
Nursing Research	131	135	**135**	**136**	1	0.7%	5	3.8%
Research Resources	1,139	1,054	**1,054**	**1,186**	133	12.6%	48	4.2%
Human Genome Research	465	478	**478**	**482**	4	0.9%	17	3.7%
Fogarty International Center	63	64	**64**	**66**	2	2.5%	2	3.8%
National Library of Medicine	300	316	**316**	**312**	-4	-1.3%	12	3.9%
Office of the Director	266	318	**318**	**323**	6	1.7%	57	21.5%
Buildings and Facilities	629	80	**80**	**90**	10	11.9%	-539	-85.8%
Complementary & Alternative Med.	113	116	**116**	**118**	2	1.5%	4	4.0%
Biomed. Imaging/Bioengineering	278	282	**282**	**289**	7	2.5%	11	4.0%
Minority Health & Health Disparities	186	193	**193**	**193**	0	0.1%	7	3.8%
Total NIH Budget	27,167	27,893	**27,893**	**28,211**	319	1.1%	1,045	3.8%
subtract:								
- Estimated Research Training	*689*	*716*	***716***	***724***	*8*	*1.1%*	*35*	*5.1%*
- Other Non-R&D	*233*	*231*	***231***	***234***	*3*	*1.1%*	*1*	*0.6%*
Total NIH R&D	26,245	26,946	**26,946**	**27,254**	308	1.1%	1,008	3.8%

AAAS estimates based on FY 2003 and FY 2004 appropriations bills. Includes conduct of R&D and R&D facilities.
FY 2003 and FY 2004 request figures based on OMB R&D data and supplemental agency budget data.
Figures are rounded to the nearest million. Changes calculated from unrounded figures.

[1] Includes $100 million in FY 2003 and $150 million in FY 2004 in mandatory funding for juvenile diabetes.

[2] Includes $100 million in FY 2003, FY 2004 Request and FY 2004 House, and $150 million in FY 2004 Senate to be transferred to the Global Fund for HIV/AIDS.

[3] Funding for all years includes Superfund-related transfers and appropriations from the VA-HUD bill. FY 2004 House and Senate figures assume Superfund appropriation at the requested level.

July 1, 2003 - House and Senate Appropriations Committee-approved funding levels.
These figures may be amended or rejected by the full House or Senate.

Table 2. Department of Health and Human Services
House and Senate Appropriations Committee Action on R&D in the FY 2004 Budget
(budget authority in millions of dollars)

				Action by **Senate**				
	FY 2003 Estimate	FY 2004 Request	**FY 2004 House**	**FY 2004 Senate**	Chg. from Request Amount	Chg. from Request Percent	Chg. from FY 2003 Amount	Chg. from FY 2003 Percent
National Institutes of Health	26,245	26,946	**26,946**	**27,254**	308	1.1%	1,008	3.8%
Centers for Disease Control	573	521	**562**	**586**	65	12.4%	13	2.2%
Food and Drug Administration [1]	143	162	**162**	**162**	0	0.0%	19	13.1%
Centers for Medicare & Medicaid Srvcs.	74	64	**28**	**67**	3	5.3%	-6	-8.6%
Health Resources and Services Admin.	64	18	**20**	**21**	3	16.7%	-43	-67.3%
Healthcare Research and Quality	304	304	**304**	**304**	0	-0.1%	0	-0.1%
Administration for Children & Families	35	54	**54**	**54**	0	0.0%	19	54.6%
Office of Aging	0	0	**0**	**0**	0	- -	0	- -
Departmental Administration	128	134	**127**	**129**	-5	-4.1%	1	0.7%
Total HHS R&D	27,566	28,203	**28,203**	**28,576**	373	1.3%	1,010	3.7%

AAAS estimates based on FY 2003 and FY 2004 appropriations bills. Includes conduct of R&D and R&D facilities.

FY 2003 and FY 2004 request figures based on OMB R&D data and supplemental agency budget data.

Figures are rounded to the nearest million. Changes calculated from unrounded figures.

[1] Funded through the Agriculture appropriations bill. FY 2004 House and Senate figures assume President's request funding level.

July 1, 2003 - House and Senate Appropriations Committee-approved funding levels.
These figures may be amended or rejected by the full House or Senate.