

AAAS November Update on R&D -

FY 2000 Budgets Unfinished; Across-the-Board Cuts Considered, But Federal R&D Wins Increases

(This analysis is a progress report on FY 2000 appropriations as of November 1, and summarizes the AAAS R&D Funding Updates released so far. 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 "R&D in FY 2000" or the "What's New" sections.)

The October 1 start of fiscal year (FY) 2000 has come and gone, but Congress and President Clinton are still a long way from completing FY 2000 appropriations for the federal government's discretionary programs, including federal support of R&D. Two temporary extensions have expired, and President Clinton signed yet another week-long extension on Friday, giving lawmakers through November 5 to complete their work. Final funding levels for R&D programs are far from settled, especially since Congress has proposed across-the-board cuts in discretionary spending to meet budget targets, but after a summer of worries about potential cuts **most R&D programs are due to receive increases**. This update represents a progress report on where appropriations for R&D stand at this point in the budget process.

FY 2000 R&D in House-Senate Conference Reports

Just last week, the House and the Senate finally concluded House-Senate conferences to produce compromise versions of all 13 appropriations bills, although some of them will have to be rewritten because of presidential vetoes. Normally, House-Senate conference funding levels become final funding levels when the bills are signed into law, but this year's story is different. Because Congress has proposed a **0.97 percent across-the-board cut** to all discretionary programs, even for programs whose budgets have already been signed into law, final funding levels have yet to be determined, even for agencies funded by the 8 out of the 13 appropriations bills that have been signed into law (see Table A). Because the across-the-board cut may be rejected by the President, or the percentage may be adjusted, final funding levels for R&D programs are still uncertain.

All figures in this analysis represent House-Senate conference funding levels, and are adjusted to reflect a proposed 0.97 percent across-the-board cut. These funding levels will change if the percentage cut changes, or if vetoed appropriations bills are rewritten with new funding levels. (Note: All percentage changes below refer to current dollars and do not take account of inflation, projected at 2 percent for the coming year.)

- **Despite the across-the-board cut, Congress is ready to award large increases for federal R&D in FY 2000.** The FY 2000 appropriations bills, the majority of which have been signed into law, provide **increases in R&D funding for most agencies**. Total R&D would total \$82.7 billion under current congressional plans, an increase of \$3.4 billion or 4.3 percent over FY 1999 (see Table 1), due mostly to large increases for R&D in the National Institutes of Health (NIH) and the Department of Defense (DOD).

- **Nondefense R&D would total \$40.5 billion, an increase of 6.2 percent** over FY 1999, the first time the civilian investment would exceed \$40 billion. Nearly all of the substantial increase would be due to a proposed \$2.1 billion or 13.7 percent boost in the NIH budget, which has yet to be signed into law. **Excluding NIH, however, nondefense R&D would increase only 1.3 percent or \$307 million to \$23.5 billion.** Because of the proposed across-the-board cut, many agencies with enacted budgets could see their increases trimmed or eliminated. R&D in the National Aeronautics and Space Administration (NASA) would stay even with FY 1999 at \$9.7 billion; R&D in the Department of Energy (DOE) would barely stay even with inflation at \$7.1 billion, up 2.2 percent. The National Science Foundation (NSF) could see its enacted 5.5 percent increase in R&D reduced to a 4.5 percent increase to \$2.8 billion. Figure 1 shows how agencies' R&D budgets would fare compared to FY 1999 and the request.

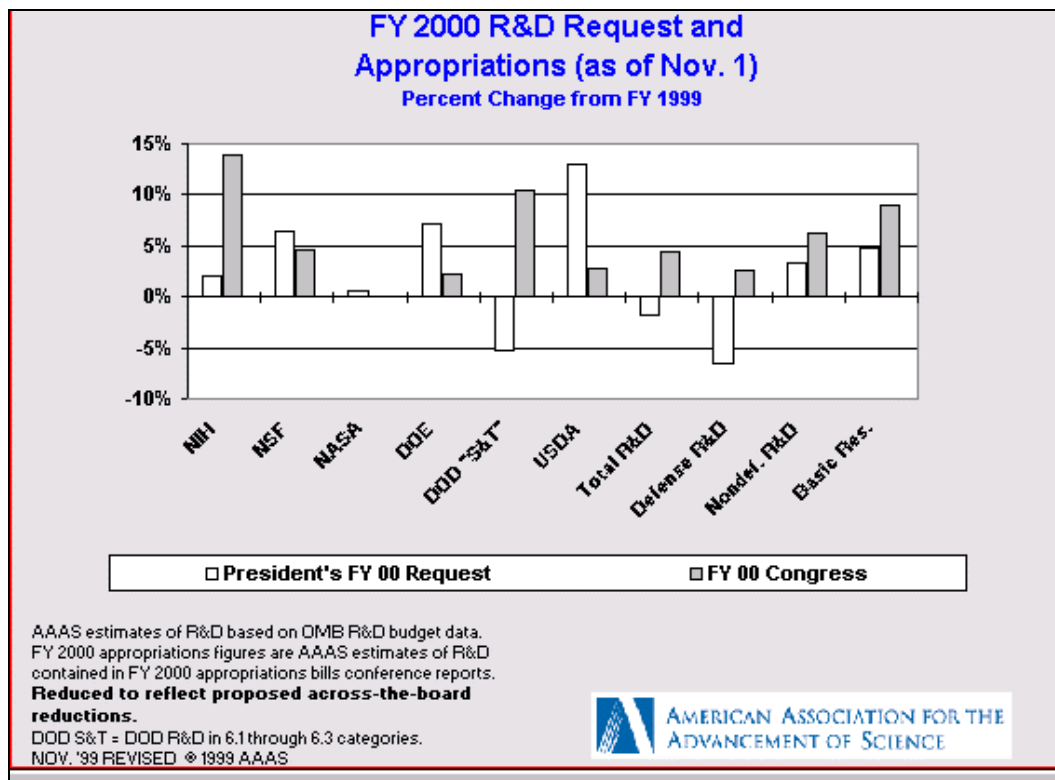


Figure 1. (FY 00 Congress - data as of November 1, including across-the-board cut)

- Appropriations for defense programs have been signed into law, but increases for defense R&D could be reduced by the across-the-board cut. After a decade of cuts or modest increases, defense R&D would rise 2.5 percent to \$42.2 billion in FY 2000 because of large increases in DOD and DOE defense spending. DOD R&D would increase by nearly \$1 billion to reach \$38.9 billion, \$3.8 billion above the request. The **“Science and Technology” portion of DOD’s budget** (encompassing basic and applied research plus exploratory technology development) would increase by 10.4 percent to \$8.6 billion in the final Defense bill, including \$275 million for congressionally designated medical research. DOD requested a cut for S&T. The FY 2000 increase would begin to reverse years of decline in DOD S&T, which provides significant portions of total federal support for engineering and physical sciences research.
- **Basic research would rise significantly in congressional action so far**, but the increases would go mostly to life sciences and medical research funded by NIH. Total basic research funding in appropriations action so far would total \$19.0 billion, an increase of \$1.7 billion or

10.0 percent over FY 1999 (see Table 1), but \$1.2 billion of the increase would be due to a 13.6 percent increase in NIH basic research. If final FY 2000 appropriations are close to the currently proposed levels, NIH will account for a majority of federal basic research support for the first time. Although the overall increase goes disproportionately to life sciences and medical basic research, the congressional bills would also boost funding for non-life sciences basic research, including a 5.4 percent increase for basic research at NSF and a 4.8 percent increase for DOD.

R&D Appropriations for Key Agencies

Full information on House-Senate conference funding levels for individual agencies can be found in the AAAS R&D Funding Updates on the AAAS R&D Web site. The individual agency updates, except for the NIH Update, do not reflect the proposed 0.97 percent across-the-board cut.

Outlook For November

As Congress and President Clinton continue to struggle over final funding levels for R&D programs and other federal discretionary spending, the final status of FY 2000 R&D funding remains largely unsettled. All unsigned appropriations bills are covered by a **continuing resolution** (CR) providing temporary funding for all programs at FY 1999 levels through **November 5**, but it now appears that yet another extension or two will be needed before Congress can adjourn for the year.

As shown in Table A, Congress has now completed initial work on 12 of the 13 appropriations bills, and is scheduled to send the last bill (the Labor-HHS bill, attached to a revised DC bill) to the President this week. President Clinton has threatened, however, to veto this bill as well as the Interior bill, bringing the total number of vetoed bills to five. After the vetoes, there is no clear strategy in Congress on how to rewrite the bills to win the President's signature.

The Administration will seek more funding for its priority programs in the vetoed bills in order to get funding levels high enough to win the President's signature, but Congress will be hard-pressed to provide the additional funding. The final negotiations will be complicated by Congress' insistence on sticking to budget totals established in the FY 2000 budget resolution, which in turn were based on **discretionary spending caps** enacted in 1997. Under the caps, total FY 2000 discretionary spending must be cut more than \$30 billion below the amount appropriated for FY 1999 to \$538 billion. This goal proved unworkable, so then Congress switched to a dual game of sticking to the caps technically while spending \$14 billion, the projected amount of the **non-Social Security surplus**, above the cap. In the past few months, even this has proved impossible. In a further retreat, Congress now plans to technically stay within the cap, designate up to \$14 billion in spending above the caps as emergency spending (which is exempt from the caps), push as much spending as possible to FY 2001, and spend even more money to bring appropriations bills to acceptable funding levels by finding **offsets** for any spending exceeding \$562 billion (\$538 billion cap plus the \$14 billion non-Social Security surplus). All these budgetary maneuvers should enable Congress to exceed FY 1999 discretionary spending of \$556 billion, preserve funding for domestic programs, award large increases for defense programs, and still keep its vehemently stated promise not to dip into the Social Security surplus.

Congress, however, is running into serious problems implementing this strategy. Although the federal government has used Social Security surplus money every year for the past 40 years to finance government programs (including FY 1999) and although such actions do not in any way reduce the Social Security Trust Fund's assets, both the President and Congress have vowed to stop this practice once and for all in FY 2000. In desperation, Congress has proposed its 0.97

percent cut to all discretionary spending, which it has calculated will reduce spending enough to keep the federal government from tapping the Social Security surplus in FY 2000.

As final negotiations on the FY 2000 budget commence, Congress may have to increase the percentage of the across-the-board cut in order to add more funding for the President's priorities in the vetoed bills, or find other offsets to keep total spending under its targets. Although R&D funding has fared well so far, larger across-the-board cuts or more targeted cuts in R&D programs to pay for increases in other areas remain a possibility.

(Further AAAS R&D Funding Updates on the AAAS R&D Web site will provide up-to-date information on R&D in FY 2000 appropriations, including final funding levels as they emerge from House-Senate conference.)

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Table 1. R&D by Agency in FY 2000 Appropriations

Table 1. Total R&D by Agency
House-Senate Conference on R&D in the FY 2000 Budget (as of Nov. 1, 1999)
(budget authority in millions of dollars)

	FY 1999 Est.	FY 2000 Request	FY 2000 CONF.	House-Senate Conference			
				Chg. from Amount	Request Percent	Chg. from Amount	FY 1999 Percent
Defense (military)	37,975	35,065	38,877	3,812	10.9%	903	2.4%
("S&T" 6.1,6.2,6.3 + Medical)	7,791	7,386	8,600	1,214	16.4%	809	10.4%
(All Other DOD R&D)	30,184	27,679	30,277	2,598	9.4%	93	0.3%
National Aeronautics & Space Admin.	9,715	9,770	9,720	-50	-0.5%	5	0.0%
Energy	6,974	7,467	7,127	-340	-4.6%	153	2.2%
Health and Human Services	15,750	16,047	17,950	1,903	11.9%	2,200	14.0%
(National Institutes of Health)	14,971	15,289	17,023	1,734	11.3%	2,052	13.7%
National Science Foundation	2,714	2,890	2,837	-53	-1.8%	123	4.5%
Agriculture	1,638	1,850	1,683	-167	-9.0%	45	2.8%
Interior	567	584	564	-21	-3.5%	-4	-0.6%
Transportation	603	836	639	-197	-23.5%	36	6.0%
Environmental Protection Agency	669	645	642	-3	-0.5%	-27	-4.0%
Commerce	1,075	1,172	1,090	-83	-7.0%	15	1.4%
(NOAA)	600	600	613	13	2.1%	13	2.1%
(NIST)	468	565	470	-95	-16.8%	2	0.4%
Education	224	276	233	-43	-15.6%	9	4.0%
Agency for Int'l Development	143	94	142	48	51.0%	-1	-0.7%
Department of Veterans Affairs	674	663	662	-1	-0.2%	-12	-1.9%
Nuclear Regulatory Commission	49	47	47	0	-1.1%	-2	-5.1%
Smithsonian	138	146	142	-4	-2.8%	4	2.8%
All Other	443	353	392	39	11.1%	-51	-11.5%
Total R&D	79,350	77,904	82,745	4,841	6.2%	3,395	4.3%
Defense R&D	41,208	38,483	42,245	3,762	9.8%	1,036	2.5%
Nondefense R&D	38,142	39,422	40,501	1,079	2.7%	2,359	6.2%
Nondefense R&D minus NIH	23,171	24,133	23,477	-655	-2.7%	307	1.3%
Basic Research	17,276	18,101	18,998	897	5.0%	1,722	10.0%
Applied Research	16,640	16,642	17,383	741	4.5%	743	4.5%
Total Research	33,916	34,742	36,380	1,638	4.7%	2,465	7.3%
"21st Century Research Fund"	36,943	38,111	39,549	1,438	3.8%	2,605	7.1%
"FS&T"	48,326	49,404	51,250	1,846	3.7%	2,923	6.0%

AAAS estimates. Includes conduct of R&D and R&D facilities. Includes rescissions and emergency appropriations.

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

FY 2000 Conference figures are AAAS estimates of R&D funding contained in FY 2000 appropriations bills conference reports. These figures are reduced to reflect a proposed 0.97 percent cut to all discretionary programs.

Nov. 1, 1999- these figures will be revised

Table A. Current Status of FY 2000 Appropriations Bills (updated November 1) AAAS R&D Budget and Policy Program

(This table is continually updated on the AAAS R&D Web site. See the "R&D in FY 2000" section).

* - reported out of Appropriations Committee; O - approved; X - rejected				Conference report			
Name of bill (Bill number)	Major R&D agencies	House Action	Senate Action	Conference done	House	Senate	President signed (Public Law #)
1. Defense (HR 2561, S 1122)	DOD	O 7/22	O 6/8	O 10/8	O 10/13	O 10/14	O 10/25 (P.L. 106-79)
2. VA-HUD (HR 2684, S 1596)	NASA, NSF, EPA	O 9/9	O 9/24	O 10/13	O 10/14	O 10/15	O 10/20 (P.L. 106-74)
3. Labor-HHS * (HR 3037, S. 1650)	NIH, Education	* 9/30	O 10/7	O 10/27	O 10/28		
4. Energy-Water (HR 2605, S 1186)	Most of DOE	O 7/27	O 6/16	O 9/27	O 9/27	O 9/28	O 9/30 (P.L. 106-60)
5. Commerce-Justice (HR 2670, S 1217)	Commerce	O 8/5	O 7/22	O 10/18	O 10/20	O 10/20	X 10/25
6. Interior (HR 2466, S 1292)	Interior, some DOE	O 7/15	O 9/23	O 10/20	O 10/21	O 10/21	
7. Agriculture (HR 1905, S 1233)	USDA	O 6/8	O 8/4	O 9/30	O 10/1	O 10/13	O 10/22 (P.L. 106-78)
8. Transportation (HR 2084, S 1143)	DOT	O 6/23	O 9/16	O 9/29	O 10/1	O 10/4	O 10/9 (P.L. 106-69)
9. Foreign Operations (HR 2606, S 1234)	AID	O 8/3	O 6/30	O 9/27	O 10/5	O 10/6	X 10/18
10. Military Construction (HR 2465, S 1205)	--	O 7/13	O 6/16	O 7/28	O 7/29	O 8/3	O 8/17 (P.L. 106-52)
11. Treasury-Postal (HR 2490, S 1282)	--	O 7/16	O 7/1	O 9/9	O 9/15	O 9/16	O 9/29 (P.L. 106-58)
12. Legislative Branch (HR 1906, S 1206)	--	O 6/10	O 6/16	O 8/4	O 8/5	O 8/5	O 9/29 (P.L. 106-57)
13. DC ** (HR 3064)	--	O 10/14	O 10/15	O 10/27	O 10/28		

* The Labor-HHS bill has bypassed the House floor and gone directly to conference. The Labor-HHS conference report has been attached to the revised DC appropriations bill (HR 3064).

** - President Clinton vetoed the original DC appropriations bill (HR 2587) on September 28. HR 3064 is a newly drafted version of the bill.

Note: On October 29, President Clinton signed a third continuing resolution (H.J. Res. 73 - Public Law 106-85) providing temporary funding **through November 5** at FY 1999 funding levels for all unsigned appropriations bills

Note: In addition to the FY 2000 appropriations, President Clinton signed into law an FY 1999 emergency and supplemental appropriations bill (HR 1141 - Public Law 106-31) on May 31. This bill contains some FY 2000 appropriations in defense.

-AAAS R&D Budget and Policy Program