

Political and Policy Context for the FY 2014 Budget

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INTRODUCTION

The aftermath of the Budget Control Act of 2011 (BCA) continued to be felt throughout the 2012 calendar year, and its effects laid the groundwork for the ongoing battle between the executive and legislative branches of government as it deliberated over the final FY 2013 budget. As expected, the January 1, 2013 deadline for sequestration—the automatic cuts to defense and non-defense discretionary spending over the next ten years—loomed large. The urgency of avoiding the sequestration was augmented by a host of Bush-era tax cuts also set to expire at the end of 2012 and the specter of another pending vote to raise the debt ceiling. But the true influencing factor was the November Presidential election, which combined to set the stage for a perfect storm of political one-upmanship as each branch of government adhered to their philosophical vision on how to produce a long-term plan to decrease the federal deficit.

The result of this raging storm of party politics and competing platforms on how best to tackle mandatory spending, discretionary spending, and expiring taxes: a five-month delay for finalizing the appropriations for FY 2013, and a delayed and reduced, but still severe, round of sequestration. Floating within this maelstrom is the federal research and development portfolio.

In the aftermath of these events, President Obama released his budget request for FY 2014 in April, two months later than usual, in the hope that sufficient pressure would induce Congress to avoid or postpone the sequester. The President's FY 2014 total discretionary budget request of \$1.057 billion was met immediately with criticism among Republican

leaders for not seriously reflecting a deficit reduction plan or the \$966 billion discretionary cap outlined in the BCA.

With President Obama winning a second term in office, he maintained his prior arguments that investing in priority areas such as R&D was critical for tackling economic recovery. The FY 2014 R&D budget proposal is no exception and continues to benefit from that philosophy, although not without some sacrifices. The FY 2014 federal R&D budget would receive a very slight increase compared to FY 2012 and a major increase over post-sequestration levels, with continued emphasis placed on those agencies designated as priorities in the America COMPETES Act, namely the National Science Foundation, National Institute of Standards and Technology, and Department of Energy Office of Science. Combined, those agencies would receive an 18 percent increase above FY 2012 in the President's request. Although singled out, those agencies still would not achieve the doubling levels originally outlined in the America COMPETES Act of 2007.

Other notable features in the request include a more concerted focus on nondefense research coupled with a decrease in focus on development. With the cuts to defense R&D, the Department of Defense would comprise less than 50 percent of the total federal R&D budget pie for the first time in recent memory.

R&D IN THE PAST YEAR'S BUDGET PROCESS

The appropriations process for FY 2013 initially began in fairly smooth fashion, with the House once again taking the lead and Appropriations Chairman Harold Rogers (R-KY) moving in quick fashion to mark up and report out of committee eleven of its twelve appropriation bills by July; seven of those bills were passed by the full House. As in previous years, the chairman's strategy was to manage subcommittee and full committee markups with a minimum number of amendments to speed the process along and to allow the use of Open Rule on the House floor—which allows for all germane amendments to be offered—for difficult debates.

The Senate Appropriations Committee also managed to mark up and report out of committee eleven of its twelve bills by August; however, none made it to the floor for a vote.

While the initial phase of the appropriations process gave the appearance that all was in order, the prospect of the automatic sequester cuts continued to loom large throughout those months and the subject of reining in the deficit continued to be front and center. Disagreements over how to honor the Budget Control Act quickly began to form between the House and Senate.

The discretionary cap of \$1.047 trillion for FY 2013 originally laid out in the Budget Control Act was targeted by fiscally conservative members of the House as being insufficient. Shortly after the FY 2013 budget was introduced in February, many of the freshman members began to argue that Congress needed to reduce the spending limit to \$931 billion, a reduction of 11 percent – an amount that also conveniently reflected cuts under sequestration.

To add to this mix, House Budget Committee Chairman Paul Ryan introduced in March a budget resolution that cut the baseline discretionary spending level by \$352 billion and carved out protections for defense discretionary spending, laying the full burden of the reduction at the doorstep of nondefense discretionary spending accounts. The Office of Management and Budget calculated that the House budget blueprint would ultimately lead to \$1 trillion less in nondefense spending over the next decade. Such an outcome would inevitably have severe consequences for federal support for nonmilitary R&D.

House Democrats, not surprisingly, countered with a number of competing plans that adhered to the higher discretionary cap as outlined in the BCA and filed them as amendments to the GOP budget. But none garnered the necessary votes to pass.

On the Senate side, Majority Leader Harry Reid (D-NV) firmly stated that his chamber would abide by the original \$1.047 trillion cap laid out in the Budget Control Act. In the Democrats' view, the BCA served as a default budget resolution, so no steps were taken to craft an FY 2013 resolution. And so a divided Congress continued forth.

With neither chamber agreeing to the same total discretionary spending level, the prospects of moving the appropriations bills any further dimmed. So before the August recess even began, both the Congress and the White House began talks towards crafting a continuing resolution (CR) to fund

the government starting October 1.

As the fiscal year wound down, the September deal, crafted by Senate Majority Leader Harry Reid (D-NV) and House Speaker John Boehner (R-OH) and endorsed by the White House, temporarily settled the dispute over total discretionary spending levels and allowed the government to be funded via a continuing resolution through March 27, 2013. Normally, continuing resolutions are funded for 1-2 week periods to maintain pressure on Congress to reach a consensus over a final budget for operating the federal government. The added length of a five-month reprieve allowed both branches of government to wait until the Presidential elections were completed.

The continuing resolution was signed into law on September 27 and each party held their respective political breaths in the hopes that the election would hand them a mandate from the voting public as to how to tackle the expiring taxes, the discretionary budget, and the debt ceiling.

Separately, another agreement had been crafted by both chambers and signed into law before the August recess: the Sequestration Transparency Act of 2012. This act stipulated that the White House, through the Office of Management and Budget (OMB), must issue a report to Congress within 30 days with details as to how the Administration would implement sequestration for FY 2013. The final OMB report was released September 14.

The AAAS R&D Budget and Policy Program's own analysis at that time estimated that the initial impact of sequestration to the FY 2013 budget would be upwards of \$12 billion, a cut of almost 9 percent. Over the next five years, AAAS calculated that R&D would be reduced \$57.5 billion.

For the science and technology community, the Sequestration Transparency Act, combined with the prospects of a continuing resolution that would fund the government through March 2013, signaled that sequestration would become an inevitable fiscal reality.

The S&T community ramped up its advocacy to articulate the critical importance of federally funded research and development.

Letters were crafted; briefings were held; web sites created; and reports issued on the importance of basic research and the negative impact that

sequestration would have to the future of the U.S. competitive stance. In particular, the threat of sequestration combined with the House budget proposal to place the full burden on nondefense discretionary spending brought together a unique partnership within the nondefense community. Organizations representing health, labor, and education joined forces with the S&T community to fight against the across-the-board cuts.

Another notable shift in advocacy of the research community was the message. Historically, the S&T community would focus solely on the importance of federally funded research and the benefits to national security, public health, innovation, job creation and the economy. The “ask” was always “support federally funded research.”

But the threat of sequestration, and the inability of a divided Congress and the White House to reach a consensus on a deficit reduction plan, forced the normally “we are just about the science” community to take the additional step of calling on both branches of government to address the nation’s fiscal challenges through a balanced approach that includes tax and entitlement reform. The message: the burden should not fall exclusively on cuts to discretionary spending.

With the FY 2013 CR in place, the Congress went on recess to focus on the Presidential and general elections. The 2012 November election was unusual in some respects. Redistricting forced incumbents to run against one another in heated primaries and created new districts that allowed other candidates to try again for a seat in Congress. While the final outcome of the election ushered in President Obama back for a second term and the same divided Congress, redistricting did result in the loss of a number of key S&T champions from both parties.

As far as the fiscal debate was concerned it cemented the same party leaders with the same priorities and entrenched ideals. And between mid-November and the end of December, these players would still need to address the tax credits due to expire at the end of year, another vote on the debt ceiling, and hopefully a plan for avoiding the sequestration.

Ultimately, negotiations between President Obama and House Speaker Boehner resulted in the American Taxpayer Relief Act of 2012. The legislation made substantial changes to the tax code and raised approximately \$620 billion in new revenues. At the same time, it made

additional reductions to base discretionary levels of \$4 billion in FY 2013 and \$8 billion in FY 2014. In addition, it would reduce the impact of sequestration by lowering the original cut of \$109 billion to \$85 billion. Furthermore, it delayed the onset of sequestration to March 1 and extended the vote on the debt ceiling to May 17. It was passed by Congress on January 1, 2013 and signed into law by the President on January 2, 2013.

While the tax portion of the fiscal cliff was averted, the spending portion, namely the FY 2013 budget and sequestration, largely remained. Once the 113th Congress organized, both chambers began work to finalize the budget for FY 2013, already months into the fiscal year. By early March the House of Representatives had an outline for a “hybrid” version of a funding bill that incorporated a continuing resolution for the majority of federal agencies and an appropriations bill for critical agencies such as the Department of Defense. The strategy was to utilize the appropriations as a vehicle for allowing some flexibility for implementing sequestration, and its ultimate impact to R&D agencies varied.

The Senate took up the House bill and expanded on the “hybrid” legislation to include key S&T agencies such as NSF, NASA, NOAA, NIST and Department of Homeland Security. Overall, the current estimate for R&D in FY 2013 finally stood at \$133.2 billion, a decrease of \$9.3 billion from FY 2012. For some agencies such as NIST and DHS, their budgets benefited from the “hybrid” bill and were increased enough by Congress that they would see increases above FY 2012 levels even after sequestration was applied.

Meanwhile, NSF received an increase in its budget, though sequestration still would result in a cut of about 4.0 percent below FY 2012, smaller than originally expected but still significant. To add insult to injury, an amendment was introduced during the Senate debate that would cut the NSF political science research budget and transfer the majority of the funds to cancer research. Ultimately, Congress passed a modified amendment that restricts the NSF political science research portfolio to grants that could be certified as contributing to national security and economic benefits (see Chapter 19). While the funding for political science may have been saved, the long-term ripple-effect is ongoing.

For many, the NSF amendment reflected an interest by some members of Congress to focus scarce federal resources on priority areas such as

the physical sciences. For the R&D community, the inclusion of the amendment in the final bill signaled the potential for upcoming legislative battles that would attempt to create tradeoffs between one field of science and another.

FORECAST FOR THE FY 2014 BUDGET AND BEYOND

In past years, this chapter has addressed a range of science and technology policy issues such as climate change, science education, stem cell research, and energy policy. Although these subjects will continue to be addressed in Congress through hearings and legislation, their importance within the public discourse will still be eclipsed by the most prominent debate before the U.S. Congress: how to reduce the federal deficit.

As debates continue forth, federal spending will likely face cuts, either by default of sequestration or by Congressional appropriations. Whether R&D can be spared the worst of the cuts remains to be seen. The fallout of the NSF political science amendment in the final FY 2013 budget has not ebbed, and the community is expecting continued arguments over the appropriate role of the government to fund the social, behavioral and political sciences. The debates will play out not only in the appropriations bill, but in authorizing legislation such as the America COMPETES Act which is due for reauthorization.

The continued insistence by the Administration that science, technology and education are critical investments for our nation's future bodes well for federal R&D as illustrated in his FY 2014 request. In addition, as the FY 2013 "hybrid" bill demonstrates, there are congressional champions for science. However, overall discretionary spending must still adhere to the caps as laid out in the Budget Control Act and sequestration still remains a statutory reality. Hence, increases in some priority areas, if they are able to make it through a Congress focused on cutting spending, may be a reality but must be offset by cuts in other research areas.

