

Friday, February 15, 2008

Update on the President's Budget Request for FY2009

On Monday February 4, President Bush Budget unveiled a \$3.1 trillion fiscal 2009 budget proposal (yes, *trillion*). His proposal calls for only a 0.3 percent increase in discretionary spending outside of the national security area is certain to trigger a fight this year on Capitol Hill. Non-defense discretionary budgets include programs very important to higher education including student aid and other programs at the Department of Education and funding for research agencies such as NIH, NSF, NASA and DOE's Office of Science. More than half of the discretionary total — \$515.4 billion — would go to the Pentagon. That is a 7.5 percent increase, excluding war funding, from the FY 2008 allocation.

The White House is projecting a deficit of \$410 billion in fiscal 2008 and \$407 billion in fiscal 2009. That follows three straight years of declining deficits.

At the US Department of Education:

- The Bush budget calls for an increase of \$69 from the FY 2008 Maximum Pell Grant Award of \$4241. Due to a \$69 cut in discretionary funding in FY 2008, this brings discretionary funding of the Pell Grant back to FY 2007 levels of \$4310. This discretionary level combined with mandatory increases enacted through legislation signed into law last fall means that the Maximum Pell Grant award would be \$4,800 for fiscal year 2009. *Note: Pell grant funding has become somewhat complicated due to passage of last year's College Cost Reduction and Access Act (CCRAA). Please just let me or Angie Anderson know if you would like further clarification.*

It should be noted, however, that the total cost of the Pell Grant program is increasing due to increases in the total number of eligible Pell Grant recipients and the changes to "need analysis" that were signed into law back in the fall (the CCRAA). To illustrate: in FY 2009, the cost of a \$4310 Maximum Pell Grant Award will require \$3 billion more than the estimated cost of a FY 2007 \$4310 Maximum Pell Grant award.

- Once again the Bush budget would eliminate the Supplemental Educational Opportunity Grant (SEOG), the Leveraging Educational Assistance Partnership (LEAP), and Perkins loan cancellation programs. This kind of proposal has not been popular with Congress in the past, and it's not expected to be popular this year.
- The 2009 budget also shows that as a result of the the College Cost Reduction Act (signed into law last fall), the cost difference between the Federal Family Education Loans (FFEL) Program and the Direct Loan (DL) Program is narrowing

because of cuts to FFEL lender subsidies. Also, the cost of the DL Consolidation Program is higher because of a high volume of FFEL student borrowers that consolidate in DL after defaulting. Lenders are not interested in holding this risky paper.

- The President level funds TRIO and GEAR UP.
- For the first time, the President proposes to eliminate the politically popular Perkins Career and Technical Education program. His proposal will likely be met with stiff resistance on Capitol Hill.

According to AAAS, regarding federal research accounts:

Within a flat domestic budget, the 2009 budget continues to propose large increases for the three physical sciences agencies in the American Competitiveness Initiative (ACI)—NSF, DOE and NIST, increases for human spacecraft development, flat funding for biomedical research in the National Institutes of Health (NIH), and mostly increases in other parts of the federal research and development (R&D) portfolio. Defense R&D would continue to increase, and next year defense basic research in the physical sciences would share in the gains. Despite tough budget conditions, the overall federal investment in R&D would do remarkably well with a \$4.6 billion or 3.3 percent increase to \$145.4 billion, driven primarily by increases in development funding. The federal investment in basic and applied research would fall 0.5 percent to \$57.1 billion in 2009 as proposed gains in the ACI agencies would be offset by cuts in other agencies' research funding, primarily cuts in congressional earmarks. In real terms, the federal investment would fall 9 percent in inflation-adjusted dollars between 2004 and 2009.

As in past years, it seems highly unlikely that Congress would grant large increases for some R&D programs while agreeing to eliminate or slash funding for popular domestic programs as the President proposes. So Congress once again faces tough dilemmas as it considers the President's budget.

The AAAS Preliminary Analysis of R&D in the FY 2009 Budget is now available on the AAAS R&D web site (www.aaas.org/spp/rd), with highlights of R&D in the President's proposed FY 2009 budget, budget proposals for the major R&D funding agencies, historical trends, impacts on key scientific areas, and the outlook for these proposals in the upcoming appropriations process.

Election-year politics are surely going to affect timing and action by Congress on the FY 2009 budget. Rumors abound here "inside the beltway" as to how Congress may, or may not, act on appropriations legislation depending on the outcomes of the November elections. While we are still many months away from the start of the new fiscal year on October 1, 2008, many political observers are not counting on early passage of any FY 2009 appropriations bills.

Liz Clark, Director of Federal Relations
State University of New York (SUNY)
Washington, DC Office
444 North Capitol Street, NW; Suite 617
Washington, DC 20001
Office: (202) 220-1315 / Cell: (202) 384-4171