

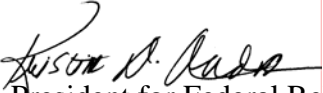


**Federal Relations**

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TO: Kevin Reilly, President  
UW System Board of Regents  
Cabinet  
Chancellors  
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FROM: Kris Andrews   
Assistant Vice President for Federal Relations

RE: Fiscal Year 2007 Bush Budget

**Overview**

The President's FY07 budget contains increases in defense and homeland security, and features cuts in a number of programs, including education. Of the 141 programs proposed for major reduction or elimination, 42 slated for elimination are in the U.S. Department of Education.

The FY07 budget also proposes reductions in various entitlement programs. For example, the Administration is proposing changes in Medicare, and legislative changes and cuts to Medicaid – all of which will substantially shift costs to states and further burden state budgets.

The Concord Coalition, a non-partisan, grassroots organization dedicated to balanced federal budgets and generationally-responsible fiscal policy said: “The numbers in this budget are not realistic and the policy proposals fail to make the necessary tradeoffs to put us back on a more fiscally responsible path.”

**Earmarks**

In the wake of recent lobbying scandals and news headlines about earmarked (non-competitive, directed awards) funding, numerous proposals to modify the congressional earmarking process have been proposed, and may make securing earmarks more difficult. The projects for academic institutions and other recipients got a record \$2.4 billion in earmarked funds in FY06, up 13 percent from 2005.

## New Initiatives Announced

- **American Competitiveness Initiative:** The centerpiece of the Administration's FY07 research budget is the *American Competitiveness Initiative* (ACI), which the budget characterizes as "a strong commitment to invest in basic research areas that advance knowledge and technologies used by scientists in nearly every field." The ACI proposes to double, over 10 years, investment in innovation-enabling research at three federal agencies: the National Science Foundation; the Department of Energy, Office of Science; and the Department of Commerce's National Institute of Standards and Technology Laboratories. The plan proposes to spend \$10.7 billion total for the three agencies in FY07, an overall increase of \$910 million, or 9.3 percent, over FY06. At the Department of Energy, funding would allow the agency to support 2,600 more scientists in its national laboratories and in college and universities. At the Department of Education, funding would allow for the training of teachers to lead advanced placement math and science classes in high school and to prepare math and science professionals to teach. A 27-page booklet on the Initiative is available at: <http://www.ostp.gov/html/ACIBooklet.pdf>.
  
- **Advanced Energy Initiative:** The Advanced Energy Initiative is intended to reduce America's dependence on imported energy sources. The FY07 Department of Energy (DOE) budget requests \$2.1 billion to meet these goals, an increase of \$381 million over FY06. Funding will help develop clean, affordable sources of energy that will help reduce the use of fossil fuels and lead to changes in the way homes, businesses, and cars are powered. The FY07 budget request emphasizes investment in alternative fuel technologies. Numerous DOE offices will benefit from the Advanced Energy Initiative.
  - The Office of Science (\$539 million) budget incorporates funding for nuclear fusion, including the ITER project, an experimental reactor that puts the U.S. on the pathway to furthering the potential of nuclear fusion as a source of environmentally safe energy; solar, biomass and hydrogen research programs;
  - The Office of Energy Efficiency and Renewable Energy (\$771 million) budget includes considerable funding increases for hydrogen technology, fuel cell technology, vehicle technology, biomass, solar, and wind research programs;
  - The Office of Fossil Energy (\$444 million) supports the Coal Research Initiative and other power generation/stationary fuel cell research programs;
  - The Office of Nuclear Energy, Science and Technology (\$392 million) includes \$250 million for the Global Nuclear Energy Partnership (GNEP), and also supports Generation IV, Nuclear Power 2010, and the Nuclear Hydrogen Initiative – aimed at increasing U.S. and global energy security, encouraging clean development around the world, reducing the risk of nuclear proliferation, and improving the environment.
  
- **National Security Language Initiative:** The President has announced a National Security Language Initiative, for which \$114 million is requested for FY07. The Departments of Education, Defense, and State, and the Office of the Director of National Intelligence will direct a national plan that will expand individuals mastering critical-need languages; increase the number of advanced-level speakers of foreign language, with an emphasis on critical-need languages; and increase the number of critical-need language teachers and the resources available to them.

The request includes \$24 million for a new Advancing America Through Foreign Language Partnerships program. This proposal would award competitive grants to establish fully articulated language programs of study in languages critical to U.S. national security through grants to institutions of higher education for partnerships with school districts for language learning from kindergarten through high school and into advanced language learning at the postsecondary level. The FY07 request would support 24 new awards focusing on critical languages such as Arabic, Urdu, Farsi, Russian, Chinese, Japanese, and Korean.

There is a slight increase of \$1 million for Title VI: International Education and Foreign Language Studies. The \$1 million increase is requested as part of the National Security Language Initiative to establish a nationwide distance education E-learning Language Clearinghouse to deliver foreign language education resources to teachers and students across the United States.

### **U.S. Department of Education Funding:**

#### Education

- 2007 request: \$63.4 billion (-28.5%)
- Discretionary: \$54.4 billion (-6.4%)

The Department of Education receives a proposed 5.2 percent cut of \$3.5 billion. The impact of these cuts will be felt strongly this year because they come on the heels of almost \$12 billion in cuts in student loan programs passed during the FY06 budget reconciliation process.

The final budget reconciliation agreement did offer some good news, however, in that several new academic grants were established for low-income students. The grant programs, to be administered through the Department of Education, are intended to encourage students to major in science, technology, engineering and mathematics (STEM) fields. First and second year undergraduate students who meet the necessary qualifications would be eligible for Academic Competitiveness Grants. Third and fourth year undergraduates who, in addition to meeting the qualifications, are pursuing a major in a STEM field or certain foreign languages, would be eligible for National Science and Mathematics Access to Retain Talent (SMART) Grants. The legislation also creates an Academic Competitiveness Council to help identify, review, coordinate, and improve federal STEM education programs, and continues an increase in the amount of student loan forgiveness available to science and math teachers. President Bush has requested the total amount authorized in FY07 of \$850 million.

In his FY07 budget request, the President does not propose an increase in the maximum Pell Grant award. The maximum would remain at \$4,050 as it has for the past three years. The single most important thing that Congress could do is to restore the promise and purchasing power that Pell Grants once represented for low-income students. Eligibility would be limited to 18 semesters, saving about \$100 million according to the Education Department.

Also, a challenge going forward will be to protect Upward Bound and Talent Search, and other TRIO programs that have been companions to federal student aid policy since the Higher Education Act was first enacted in 1965. As in FY06, the President proposes to eliminate Upward Bound and Talent Search, and GEAR-UP (Gaining Early Awareness and Readiness for Undergraduate Programs), and shift funding to a new High School Initiative. While it could be argued that these programs have ultimately grown over the years, unfortunately they serve only a

fraction of the eligible student population. Rather, the country should be stepping up its investment in TRIO and GEAR-UP.

The FY07 President's budget would also eliminate the following programs that benefit UW institutions and students:

- Perkins Loan Cancellations, which provide loan forgiveness to certain Perkins Loan borrowers in exchange for undertaking certain public service employment, such as teaching in Head Start programs, full-time law enforcement, or nursing;
- Leveraging Education Assistance Program, a program which awards incentive grants to states to encourage the continuation and expansion of existing state grant and work-study programs, and establishes community service programs to help financially needy students pay for postsecondary education. For each \$1 of LEAP allocations it receives, a participating state must provide at least \$1 of matching funds. Wisconsin's "Talent Incentive Program (TIP)," which provides need-based grants to low-income and disadvantaged students, is funded with both Federal LEAP and State GPR funds;
- Byrd Scholarships, which provide grants to states to support scholarship assistance of up to four years to high-performing high school students entering an undergraduate course of study;
- Teacher Quality Enhancement grants, which supports collaboration between schools of education and local school districts to recruit and train teachers to serve in high-need schools and grants to states to reform teacher preparation and accreditation systems;
- Star Schools, a program that supports utilizing technology to deliver educational content electronically.

The President's budget would significantly reduce the Teaching American History Grant program. UW-River Falls, UW-Stout, UW-Eau Claire, UW-Milwaukee, UW-Oshkosh, UW-Green Bay, UW-La Crosse have all been recipients of Teaching American History grants.

The President's budget would fund at approximately FY06 levels the following programs:

- Federal Supplemental Educational Opportunity Grant (SEOG) and Federal Work Study (FWS). These are campus-based aid program that help financially disadvantaged students pay for college;
- Title III Aid for Institutional Development;
- Title V Developing Hispanic-Serving Institutions;
- Fund for the Improvement of Postsecondary Education (\$22 million);
- Javits Fellowships; and
- Graduate Assistance in Areas of National Need (GAANN).

### **Analysis of Other Departmental Funding:**

#### **Agriculture**

- 2007 request: \$96.4 billion (+0.2%)
- Discretionary: \$19.7 billion (-10.0%)

The Cooperative State Research, Education, and Extension Service (CREES) provides funding for projects conducted in partnership with the State Agricultural Experiment Stations, State Cooperative Extension Systems, land grant universities, colleges, and other research and education institutions.

Within CREES, the President's FY07 budget funds the following programs important to UW-Extension at approximately FY06 levels: Smith-Lever (\$273 million), Hatch Act (\$177 million); McIntire-Stennis Cooperative Forestry (\$22 million), and Expanded Food and Nutrition Program (\$62 million).

There have been signals that the Administration wants to redirect these research-formula funded programs to competitive grant funds, an effort strongly opposed by NASULGC and UW, as it will damage the basic infrastructure of funding for research, teaching and Extension programs upon which UW relies.

For example, in Wisconsin, the Agricultural Experiment Station uses Hatch Act funds to support more than 150 graduate students who work with faculty on applied research projects. Once the station receives important base funding from USDA of about \$5 million, funding is then awarded on a competitive basis to support important and timely research projects such as dairy production and profitability, water and environmental quality, and nutrition and health issues.

The National Research Initiative Competitive Grants is funded at \$248 million, an increase of \$66.3 million above FY06. UW System supports the increased funding for the initiative and other competitive grants programs.

The 2007 budget proposes \$5 million for a Higher Education Agrosecurity Program. Funds will provide capacity building grants to universities for interdisciplinary degree programs targeted toward supplying educational and professional development for food defense personnel.

Funding for Animal Health and Disease is eliminated.

#### Commerce

- 2007 Request: \$6.3 billion (-2.2%)
- Discretionary: \$6.1 billion (-4.5%)

The President's FY07 budget requests an appropriation of \$481 million for the National Institutes of Standards and Technology (NIST). The request includes an increase of \$104 million for NIST Laboratories, National Research Facilities, and Construction & Major Renovations to implement the 10-year American Competitiveness Initiative (outlined above) and to advance measurement of science, standards and technology for disciplines such as nanotechnology, quantum information science, and neutron research.

The Advanced Technology Program, a program inside the National Institute of Standards and Technology, which provides grants to businesses researching technology with commercial potential would be terminated. In FY06, Congress appropriated \$80 million.

Funding would be cut for NIST's Manufacturing Extension Partnership to \$46.3 million in FY07, a 50 percent reduction from FY06 grant levels. The program links small and medium-size manufacturers with nonprofit organizations that provide technical services. UW institutions work closely with the MEP and seeks to maintain this funding.

## Energy

- 2007 request: \$20.7 billion (-1.8%)
- Discretionary: \$23.6 billion (+0.1%)

The President's FY07 budget for the Department of Energy increases spending on solar power and biofuels, yet reduces funding for some other alternative energy sources. The President is asking Congress to substantially increase appropriations for science and technology research. As part of the American Competitiveness Initiative, DOE's Office of Science requests \$4.1 billion, an additional half-billion more than FY06, to support funding for basic scientific research. Funding will pursue new technologies in the scientific fields of nanotechnology, material science, biotechnology, and high-speed computing. (See New Initiatives Announced for further detail.)

The President also proposes to spend an additional \$381 million to develop energy sources other than petroleum as part of an "Advanced Energy Initiative." The package includes more money for renewal technologies such as biofuels, solar and hydrogen, along with "clean coal" and nuclear power. (See New Initiatives Announced for further detail.)

Funding increases, however, will come at the expense of other department programs. For example, the President terminates funding for the University Nuclear Energy Program.

## Health and Human Services

- 2007 request: \$697.7 billion (+3.1%)
- Discretionary: \$69.9 billion (-3.7%)

The centerpiece of Bush's HHS budget is an effort to slow the growth of Medicare by incorporating several proposals that would increase cost-sharing for high-income seniors and reduce payments for some providers, including home health care agencies, hospitals and oxygen suppliers. If enacted, these proposals will further stress state budgets.

The National Institutes of Health budget would remain flat, which is disappointing for medical researchers who saw their budget doubled in the late 1990s and early 2000s. Bioterror preparedness would see a 5 percent increase, accompanied by a request for \$2.3 billion in emergency funding for countering an outbreak of pandemic flu.

The President called for investments in nursing education, although he has proposed deep cuts to the Health Resources and Services Administration Health Professions, programs that prepare health professionals, and to rural health activities. There is also concern that the Nurse Faculty Loan Program may not be adequately funded.

The FY07 budget request for the National Institute of Nursing Research, a component of the National Institutes of Health, and the Agency for Healthcare Research and Quality was proposed at FY06 levels. The new budget proposal also calls for level funding for the National Health Services Corps, which provides scholarships for health care providers who agree to work in underserved rural and urban areas.

## Homeland Security:

- 2007 request: \$31.0 billion (+9.8%)
- Discretionary: \$30.9 billion (+1.0%)

The Department of Homeland Security is one of the few departments slated to receive any funding increase at all. Total discretionary funding would grow to \$35.6 billion in FY07 from \$33.2 billion in FY06. But, much of the increase is predicated on the collection of fees that Congress is unlikely to embrace. Assuming that's true, the budget would rise slightly more than 1 percent.

Key border agencies within the Department would receive substantial increases, while state and local homeland security grants that benefit police, firefighters and other first-responders would be cut. In short, the budget shifts funds that provide local communities with the security resources to strengthen border control. Funding for the University and Fellowship program is also reduced.

#### Justice

- 2007 request: \$22.5 billion (-0.6%)
- Discretionary: \$19.5 billion (-8.3%)

The Administration's request is a 10 percent increase over FY06, in large part because of the court security proposal for the federal judiciary. Byrne Discretionary and Justice Assistance Grants are terminated. These grants help states and local law enforcement control violent and drug-related crime. COPS Law Enforcement Technology grants are also eliminated, which provides state and local law enforcement with technology and equipment to assist crime fighting. The President is also proposing to cut by 9.2 percent below FY06 levels the Violence Against Women programs.

#### Labor

- 2007 request: \$54.1 billion (+5.5%)
- Discretionary: \$10.9 billion (-4.9%)

The Department of Labor's budget eliminates Work Incentive Grants, which provide competitive grants to states and local communities to improve services to job seekers with disabilities.

Funding for the Employment and Training Administration would decrease by \$648 million to \$9.4 billion. Funding for the Workforce Investment Act would be reduced by 40 percent from the FY06 level. Some of those funds would be allocated to states as a single funding stream to be used to provide Career Advancement Accounts to individuals in need of employment assistance. Career Advancement Accounts would be self-managed accounts that workers would be able to use directly to pay for expenses directly related to education and training. They are intended to complement Pell Grants.

The budget includes a request for \$20 million as part of an effort to help prisoners re-enter society and find jobs after their release.

#### National Aeronautics and Space Administration

- 2007 request: \$16.8 billion (+1.0%)
- Discretionary: \$16.8 billion (+1.0%)

NASA's aeronautics programs would be cut, and NASA's science directorate, which encompasses biological, earth and space sciences, would receive slightly more than a 1 percent increase, not enough to keep up with inflation. The proposed funding has met with great concern

on Capitol Hill. The President's request for the Aeronautics Mission Research Directorate was \$160 million less than FY06.

### National Science Foundation

- 2007 request: \$6.1 billion (+7.7%)
- Discretionary: \$6.0 billion (+7.9%)

Under the category of good news, the National Science Foundation receives \$6.02 billion in total funding for FY07, an increase of \$439 million, or 7.9 percent over FY06. This increase reflects Congressional commitment to double resources devoted to science research, and reflects the President's emphasis on the "American Competitiveness Initiative." Much of the spending would go to grants, subsidies and contributions for research, and has strong Congressional support.

The budget calls for \$816 million in overall spending on education and human resources, which is \$19 million more than Congress appropriated in 2006.

But, the budget recommends reductions in several individual programs, including the math and science partnership, which would be cut 27.2 percent, as funding shifts to the Education Department.

Computer technology programs would receive an injection of resources, including a 11.5 percent increase for the Networking and Information Technology Research and Development program, which studies new computing and networking infrastructure.

Also of interest to our institutions:

- The experimental program to stimulate competitive research will increase to nearly \$100 million;
- The Louis Stokes Alliance for Minority Participation, the Alliances for Graduate Education and the Professoriate, and the Centers for Research Excellence in Science and Technology aim to tap the potential of those underrepresented in the science and engineering workforce. These programs will increase by \$16.15 million, or 24 percent, in FY07;
- Funding for the Graduate Teaching Fellowships in K-12 Education program increases by 9.9 percent, to \$55.66 million, supporting an estimated 1,000 graduate fellows and encouraging effective partnerships between institutions of higher education and local school districts by pairing graduate students and K-12 classroom teachers;
- A \$46 million request (down \$17 million) to support 13 Teacher Institutions for the 21<sup>st</sup> Century as part of the Math and Science Partnership program.

### Other Funding

#### Small Business Administration

In FY07, the President requested \$87 million for the Small Business Development Centers, in line with past funding.

### Corporation for Public Broadcasting

The President has once again recommended a major reduction in funding for the Corporation for Public Broadcasting, from \$460 million in FY06, to \$346 million requested in FY07.

Community Service Grants provided by CPB provide state operations and national programming production. The budget proposes to rescind \$54 million in CPB's enacted 2007 appropriation and permit CPB to use a portion of the remaining amount on digital television transition and broadcasting system interconnection activities.

### Corporation for National and Community Service

The President is proposing a 5 percent cut to the Corporation for National and Community Service to \$851 million from \$900 million in FY06, although funding for the AmeriCorps program is fairly stable.

Thank you for taking the time to read this memorandum. I would appreciate your input as to how the President's budget will impact your institutions, programs, and students, how to best position UW System to protect federal funding, and future ways to take advantage of the new Initiatives being proposed. Please feel free to contact me by phone at 608-263-3362 or by email at [kandrews@uwsa.edu](mailto:kandrews@uwsa.edu).