



## Federal Relations

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TO: Kevin P. Reilly, President  
UW Board of Regents  
Chancellors  
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FROM: Kris Andrews  
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RE: The President's FY09 Budget

### OVERVIEW

This week President Bush released a \$3.1 trillion budget for FY09 that Congress will likely ignore in his last year in office.

The President's fiscal year 2009 budget proposal projects an increase in this year's deficit due to the slowing economy. The President proposes to achieve a balanced budget by 2012 in part by holding non-security discretionary spending to a near freeze and through reform of the largest entitlement programs.

**Taxes/Revenues:** Projects \$2.5 trillion in FY08, a decline from FY07 due to a slowing economy and assumption of enactment of a "growth package." Over the five-year period, with extension of tax relief, revenues grow an average of 6.3 percent per year. Proposals include:

- Make permanent the tax laws enacted in 2001 and 2003;
- Extend AMT relief for one year;
- Other extenders such as the Research and Experimentation (R&E) tax credit;
- New standard deduction for health insurance, Health Savings Accounts, and other initiatives.

**Total Spending:** \$3.1 trillion for FY09, an increase of \$176 billion over FY08. Spending increases by an average of 3.0 percent per year for the next five years.

#### Discretionary Appropriations:

- Total Discretionary (excluding war funding): \$987.6 in 2009; an increase of 4.9 percent over FY08;
- Department of Defense (base budget): \$515.4 billion in FY09 non-emergency, an increase of 7.5 percent over FY08;
- Homeland Security: \$40.1 billion in FY09; an increase of 10.7 percent over FY08 (large increase for border enforcement);

- Other Appropriations (non-security funding): \$393 billion in FY09, an increase of 0.3 percent over FY08, well below inflation;
- International Programs: \$39.5 billion in FY09, an increase of 16.1%;
- Proposes to reduce or terminate 151 programs for a savings of over \$18 billion.

#### **Entitlement Reform:**

- Relative to a baseline, \$16 billion in savings for FY09; \$208 billion in savings over the next 15 years;
- Assumes entitlement growth at 5.6 percent per year (compared with 5.9 percent in OMB's baseline) through 2013, including the following:
  - Largest savings are in Medicare (\$12 billion in FY09 and \$178 billion over 5 years in savings relative to the baseline);
  - Reduces Medicare's long-term unfunded obligations by about one-third (\$10 trillion in savings on a net present value basis over 75 years).

#### **Budget Process Reforms:**

- Line Item Veto;
- Makes earmarks more transparent, and calls on Congress to cut the cost and number of earmarks by half.

### **DISCRETIONARY SPENDING PROPOSALS**

The President requests new discretionary budget authority totaling \$987.6 billion for fiscal year 2009 (excluding war and other emergency funding). This is an increase of 4.9 percent over the \$941.4 billion that the administration reflects as the base amount, excluding emergency appropriations, for fiscal year 2008.

The budget targets funding increases on the President's priorities – namely the Department of Defense, Homeland Security, and International Affairs. Within the 4.9 percent growth in overall discretionary spending over 2008 are a 7.5 percent increase in Defense spending, a 10.7 percent increase in Homeland Security, and a 16.5 percent boost for International Affairs. The non-security discretionary level grows at a much smaller rate of 0.3 percent, continuing the President's practice of holding non-security spending growth well below inflation.

In addition to the base discretionary amount, the President reiterates his 2008 request for emergency supplemental appropriations for the global war on terrorism. The President requested these funds with the submission of the 2008 budget. Congress provided less than half of the President's recommendation for the war, and \$108.1 billion of his request for 2008 remains outstanding. In 2009, the President proposes \$75.8 billion in emergency spending -- \$70 billion for the war and \$5.8 billion for the Gulf Coast to continue recovery from the effects of Hurricanes Katrina and Rita. The \$70 billion war request is viewed as a placeholder to meet troop needs for a portion of FY 09.

Over the 5 years covered by the budget submission, the Administration assumes an annual average growth rate of 1.8 percent for total discretionary budget authority. This is well below either the projected rate of inflation (2.1 percent for 2009) or real GDP growth (2.9 percent over 5 years). Also included in the budget are proposals to reduce or terminate 151 programs, saving \$18 billion in 2009.

A future look at the individual categories follows below:

## **1. Education Appropriations**

The President requests a maximum Pell award of \$4,800, an increase of \$69. The budget reconciliation bill passed by Congress in 2007 provides, for the first time, mandatory funds for Pell Grants. In FY09, the Administration would seek an increase of \$69 in discretionary spending for the maximum amount, raising the maximum discretionary portion to \$4,310. The mandatory amount would remain at \$490, thus raising the overall maximum to \$4,800.

Among the programs recommended for elimination are Federal Supplemental Educational Opportunity Grants (SEOG), the Leveraging Education Assistance Partnership (LEAP), and the budget does not recommend funding for the Perkins Loan Program FCC.

Federal TRIO Programs for college preparation and student support services for low-income, first-generation students would be level-funded. The Gaining Early Awareness and Readiness for Undergraduate Programs, which serves middle and high school students preparing for college, would also be level-funded.

In terms of graduate education, the Javits Fellowship Program would be level-funded at \$10 million, while the Graduate Assistance in the Areas of National Need (GAANN) Program would see a modest increase of approximately \$3 million over the current level to \$33 million.

## **2. Defense Appropriations**

The Administration recommends \$515.4 billion in non-emergency budget authority for FY 09 for the military functions of the Department of Defense, an increase of 7.5 percent over the \$479.5 currently enacted for FY 08. The proposal continues the growth trend in recent years for this category, though at a faster rate than the 6.8 percent average annual growth of 2001-08. These funds are for base DOD spending; war funding is in addition to this request.

The proposed budget seeks to increase the overall basic research budget (6.1) by approximately \$65 million above the FY08 appropriated amounts (based on the R-1 report). In the recent past, the Administration had proposed basic research budgets at levels below the previous year's appropriated levels.

More specifically, the budget would fund the 6.1 programs in the following manner:

- Army: \$379.4 million (\$379.1 million in FY08)
- Navy: \$528.3 million (\$497.7 million in FY08)
- Air Force: \$452.3 million (\$421.1 million in FY08)
- Defense-wide: \$338.7 million (\$336.0 million in FY08)

With respect to applied research (6.2), the budget would fund the 6.2 programs in the following manner:

- Army: \$723.5 million (\$1.22 billion in FY08)
- Navy: \$633.3 million (\$801.0 million in FY08)
- Air Force: \$1.04 billion (\$1.17 billion in FY08)
- Defense-wide: \$1.84 billion (\$1.91 billion in FY08)

### **3. Homeland Security Appropriations**

The Administration treats Homeland Security funding as a distinct budget category. It comprises a portion of funding for the Department of Homeland Security, as well as other components (such as homeland security funding provided through the Federal Bureau of Investigation).

The President recommends \$40.1 billion in FY 09 for non-defense Homeland Security – an increase of \$3.9 billion, or 10.7 percent, over the \$36.2 billion in FY 08.

Before September 11, 2001, Homeland Security spending was approximately \$9 billion per year. Since then, it has grown at an average annual rate of 18.1 percent. The President would boost Homeland Security funding in 2009 by 10.7 percent, more than four times the rate of inflation.

DHS funding would increase from \$34.9 billion in 2008 to \$37.6 billion in 2009 under the President's request – an increase of \$2.7 billion, or 7.7 percent measured year-over-year.

### **4. All Other Appropriations**

The Administration recommends \$432.1 billion in FY09 for appropriated spending other than Defense and Homeland Security – an increase of \$6.4 billion, or 0.3 percent, above the level for fiscal year 2008. For years after 2009, the budget assumes a near freeze on this portion of discretionary spending from the 2009 level. It is mainly through this spending restraint, combined with the mandatory proposals described above, that the President achieves balance in 2012 and 2013.

#### **Department of Agriculture**

The USDA's Cooperative State Research, Education, and Extension Service (CSREES) would see a \$190 million reduction below the FY 2008 enacted level. This includes cuts to all three of the major CSREES funding categories: (1) Research and Education Activities would be reduced by \$133 million; (2) Extension Activities would be cut by \$21.5 million; and (3) Integrated Activities would be reduced by \$35.7 million.

#### **Department of Energy**

The Administration's budget request reflects a significant increase for the Office of Science, which continues to play a critical role in the American Competitiveness Initiative (ACI). The Office of Science budget request includes \$4.72 billion, an increase of \$748.8 million, or 18.8 percent, over the FY08 appropriated amount.

The budget request seeks increases over the FY08 appropriated levels in the following science accounts:

- High Energy Physics: \$805.0 million (increase of \$115.6 million, or 16.8 percent)
- Nuclear Physics: \$510.1 million (increase of \$77.3 million, or 17.9 percent)
- Biological and Environmental Research: \$568.5 million (increase of \$24.1 million, or 4.4 percent)
- Basic Energy Sciences: \$1.57 billion (increase of \$298.2 million or 23.5 percent)
- Advanced Super Computing Research: \$368.8 million (increase of \$17.6 million or 5 percent)
- Fusion Energy Sciences: \$493.1 million (increase of \$206.5 million or 72.1 percent)
- Workforce Development: \$13.6 million (increase of \$5.5 million or 68.9 percent)

The Office of Science will also seek to create Energy Frontier Research Centers (EFRCs) with a budget request of \$100 million. The EFRCs would help to accelerate the rate of scientific breakthroughs needed to create advanced energy technologies. The grants would be between \$2 million and \$5 million per year for an initial five-year period. The EFRC's would support basic research in areas such as solar energy utilization, superconductivity, and hydrogen production, storage and use.

### **National Institutes of Health**

The National Institutes of Health (NIH) is funded through the Labor, Health and Human Services, and Education Appropriations bill – the same appropriations bill as the student financial aid programs. The National Institutes of Health would see another flat budget under the Administration's proposal. Unlike last year's request, however, the FY09 budget would level-fund the agency in actual dollars, at \$29.31 billion, and does not even include a modest increase to account for inflation.

### **National Science Foundation**

The Administration seeks a healthy increase for the agencies that form the basis of its American Competitiveness Initiative (ACI), including funding for the National Science Foundation (NSF).

The Administration proposes to increase the overall NSF budget by \$822.1 million, or 13.6 percent, to a total of \$6.85 billion, staying on the trajectory for the agency originally called for in the ACI. Unfortunately, even with a request for a healthy increase and bipartisan support in FY08, NSF only received a modest increase of \$148 million because of bigger budget disputes.

The NSF budget would be divided up in the following manner:

- Research and Related Activities (R&RA)

The budget proposes to fund this account at \$5.59 billion, an increase of \$772.5 million, or 16.0 percent, over the FY08 appropriated amount. The major directors within R&RA would be funded as follows:

- Biological sciences: \$675.0 million (increase of \$63.0 million, or 10.3 percent)
- Computer and information science and engineering: \$638.7 million (increase of \$104.2 million, or 19.5 percent)
- Engineering: \$759.3 million (increase of \$122.4 million, or 19.2 percent)
- Geosciences: \$848.7 million (increase of \$96.0 million, 12.8 percent)
- Mathematics and physical sciences: \$1.4 billion (increase of \$235.4 million, or 20.1 percent)
- Social sciences: \$233.5 million (increase of \$18.4 million, or 8.6 percent)
- Integrative services: \$220.1 million (increase of \$34.8 million, or 18.8 percent)

- Education and Human Resources (HER)

The budget seeks to fund this account at \$790.4 million, an increase of \$64.8 million, or 8.9 percent, above the FY08 appropriated level. The budget includes \$125 million for the Graduate Research Fellowship (GRF) program.

- Major Research Equipment and Facilities Construction (MREFC)

The budget would fund the Major Research Equipment and Facilities Construction account at \$148.0 million, a decrease of \$57 million below the FY08 appropriated level. The agency would not fund the Alaska Region Research Vessel, the National Ecological Observatory Network, and the Ocean Observatories Initiative next year.

As further information becomes available about other agencies and programs, the UW System Office of Federal Relations will provide updates. In the meantime, if you have questions, please contact Kris Andrews by phone at 608-263-3362 or by email at [kandrews@uwsa.edu](mailto:kandrews@uwsa.edu).