



May 25, 2017

## **University of Wisconsin–Madison Office of Federal Relations Summary of President Trump’s FY 2018 Budget Request**

### **I. Summary**

On May 23, 2017, President Trump delivered his first budget request to Congress. In his \$4.1 trillion spending plan, he hopes to control spending and put the U.S. on a long-term path towards a balanced budget. Much of the savings projected by his budget comes from steep spending cuts, including areas important to UW–Madison, such as student aid and university research.

Many of the spending cuts were warily received by Congress. His spending cuts and policy proposals will be bitterly debated by Congress in the coming weeks and months. The revenue from strong projected growth will be contested as well.

For FY 2018, Congress is constrained by spending cuts imposed by the 2011 Budget Control Act. Congress has since passed two subsequent budget deals to raise the spending caps. The most recent budget agreement raised discretionary spending by \$50 billion in FY 2016 and \$30 billion in FY 2017. Some in Congress hope to kick start talks for a new bipartisan budget framework to raise discretionary spending limits and avoid a spending stalemate in the coming months. Both parties will need to work together to pass spending bills this fall—the Republican-controlled congress cannot pass appropriations bills alone.

This document provides an initial high-level summary of some of the agencies and accounts that impact campus. It may be updated as additional materials are released. Please contact our office should you have questions or if you would like additional information. Additionally, please visit [our website](#) and follow us on Twitter [@UWFedRelations](#) for frequent budget updates.

### **II. Process**

It is important to remember that the President’s budget request, while an important policy and political marker, is simply a blueprint, or suggestion—Congress has the constitutional authority to write the spending bills that fund the federal government. Both the House and Senate have begun hearings to consider different aspects of the president’s budget. Top administration officials are testifying before Congress and the House and Senate appropriations committees will soon begin writing the FY 2018 spending bills. We expect committee consideration of those bills to begin this summer. It is unlikely Congress will have time to pass the FY 2018 spending bills before October 1, so look for Congress to consider a stopgap continuing resolution this fall.

### **III. Agency Highlights and Summary**

#### **Small Business Innovation Research (SBIR) program**

Federal agencies with R&D budgets that exceed \$100 million are required to allocate 3.2 percent of their R&D budget to SBIR programs. Federal agencies with SBIR programs include:

- Department of Agriculture
- National Institute of Standards and Technology
- National Oceanic & Atmospheric Administration
- Department of Defense
- Department of Education
- Department of Energy
- Department of Health and Human Services
- Department of Homeland Security
- Department of Transportation
- Environmental Protection Agency
- National Aeronautics and Space Administration
- National Science Foundation

#### **National Institutes of Health (NIH)**

The budget request would fund the National Institutes of Health at \$26.9 billion, a \$7.2 billion decrease from the recently passed FY 2017 omnibus bill. This 21 percent cut would result in almost 2,000 fewer grants. Much of that savings would come from a \$1 billion reduction to the \$5.5 billion National Cancer Institute budget, the largest of the health research agency's two dozen institutes. Most of the others would be similarly subject to cuts of around 20 percent, except for a \$70 million international health research center that would be eliminated entirely.

To help achieve these savings, the request proposes a reorganization and restructure of NIH programs, which includes consolidating the Agency for Healthcare Research and Quality within NIH. The proposal instructs NIH to conduct a review of health services research across the agency to identify gaps and propose a more coordinated strategy. It also would “curtail unnecessary global health research” and eliminate the Fogarty International Center which supports international research capacity and training of researchers overseas.

The budget proposes a 10 percent of the total grant cap on NIH facilities and administrative (F&A) costs—also called indirect costs—starting in 2018, so that available funding can be better targeted toward supporting the highest priority research on diseases that affect human health. The budget indicates that because of these changes to the reimbursement structure, significant reductions in 2018 will come from lower indirect cost payments.

Also, included in the budget is a provision to limit salaries paid by Department of Health and Human Services grants (including NIH) to Executive Level V, equivalent to \$151,700. The current salary cap is Executive Level II, \$187,000.

The budget request proposes eliminating funding for almost all Title VII and Title VIII health care workforce programs. The request would fund the Health Care Workforce Assessment at \$5 million and the Nurse Corps Scholarship and Loan Repayment (under Nursing Workforce Development) at \$83 million, for a total of \$88 million. Title VII and Title VIII programs received \$539 million in the FY 2017 omnibus. The proposal would also eliminate funding for the Behavioral Health Workforce Education and Training program.

[National Institutes of Health Budget Documents](#)

## **National Science Foundation (NSF)**

The Administration is requesting \$6.7 billion for NSF, a decrease of \$819 million or 11 percent. This funding will support approximately 8,000 new research grants, with an estimated funding rate of 19 percent for research grant proposals submitted to NSF. By comparison, in FY 2016, NSF funded 8,800 new research grants with a funding rate of 21 percent. The budget request also states a continued commitment to the NSF's "10 Big Ideas," which identify areas for future investment in science and engineering.

For Research and Related Activities (R&RA), the FY 2018 request is \$5.4 billion, a decrease of \$672 million, or 11 percent. The budget requests \$760.5 million for the Education and Human Resources Directorate, a \$119 million, or 14 percent, decrease from FY 2017. The budget also includes \$182.8 million for Major Research Equipment and Facilities Construction, which is \$26.2 million, or 12.5 percent, below FY 2017. A breakdown of directorate level funding can be found [here](#).

Ongoing NSF-wide investments include:

- Innovations at the Nexus of Food, Energy, and Water Systems (INFEWS)—\$24.4 million, -69.5 percent
- Inclusion across the Nation of Communities of Learners of Underrepresented Discoverers in Engineering and Science (NSF INCLUDES)—\$14.9 million, -0.6 percent
- NSF Innovation Corps (I-Corp)—\$26.2 million, -12 percent
- Understanding the Brain (UtB)—\$134.5 million, -22 percent

The President's budget request would fund the NSF Experimental Program to Stimulate Competitive Research (EPSCoR) program at \$100 million, a \$60 million or 37.5 percent reduction.

[National Science Foundation \(NSF\) Budget Documents](#)

## **Department of Energy (DOE)**

The FY 2018 budget proposal requests \$28 billion for DOE, a \$1.7 billion, or 5.6 percent, decrease from the 2017 annualized CR level. Within this, the budget provides \$4.5 billion for the [DOE Office of Science](#), a decrease of \$919 million, or 17 percent, from FY 2017. Listed below are the proposed funding levels for the Office of Science programs:

- Advanced Scientific Computing Research \$722 million (FY 2017 \$647 million, +11.6 percent)
- Basic Energy Sciences—\$1.6 billion (FY 2017 \$1.9 billion), -16.9 percent)
- Biological and Environmental Research—\$349 million (FY 2017 \$612 million), -43 percent
- Fusion Energy Sciences—\$310 million (FY 2017 \$380 million), -18.4 percent
- High Energy Physics—\$673 million (FY 2017 \$825 million), -18.4 percent
- Nuclear Physics—\$503 million (FY 2017 \$622 million), -19 percent
- Science Lab Infrastructure—\$76.2 million (FY 2017 \$130 million), -41.4 percent

The request terminates the Advanced Research Projects Agency Energy (ARPA-E) and the department's loan programs, while providing \$26 million to fund federal staff to oversee existing awards to completion and monitor the loan portfolio.

The proposal would fund the Office of Energy Efficiency and Renewable Energy (EERE) at \$636 million, a 70 percent reduction from FY 2017, and directs it to focus on limited, early-stage applied energy research and development activities. The budget proposal does not include funding for DOE Experimental Program to Stimulate Competitive Research (EPSCoR). The Office of Electricity Delivery and Energy Reliability is funded at \$120 million, a 48 percent cut. In addition, the Office of Nuclear Energy is funded at \$703 million, a cut of 31 percent, and the Office of Fossil Energy R&D is funded at \$280 million, a nearly 60 percent cut.

[Department of Energy \(DOE\) Budget Documents](#)

### **United States Department of Agriculture (USDA)**

The Administration's FY 2018 budget proposal requests \$17.9 billion for USDA, a \$4.7 billion or 21 percent decrease from FY 2017. The proposal would provide \$1.3 billion for the [National Institute of Food and Agriculture \(NIFA\)](#), a reduction of \$110.1 million, or 8 percent, from FY 2017. It also provides \$349 million for the NIFA Agriculture and Food Research Initiative (AFRI), which is a \$1 million or 0.3 percent reduction from FY 2017. Proposed funding for other NIFA Research and Education activities are listed below.

- Hatch Act Funds—\$243.2 million (FY 2017 \$243.7 million)
- Smith-Lever 3(b)&(c)—\$299.4 million (FY 2017 \$300 million)
- Evans-Allen Program—\$54.1 million (FY 2017 \$54.2)
- McIntire-Stennis Cooperative Forestry—\$28.9 million (FY 2017 \$34 million)
- Extension Services at 1890 Institutions—\$45.5 million (FY 2017 \$45.6 million)

[United States Department of Agriculture Budget Documents](#)

### **Department of Defense (DoD)**

The President's budget provides \$82.7 billion in base defense funding and \$611.2 million for Overseas Contingency Operations (OCO). DoD Science and Technology (S&T) is funded at \$13.2 billion, reflecting a \$807.2 million or 5.8 percent reduction below FY 2017.

The proposal also includes \$2.2 billion for DoD basic research (6.1), a \$47.8 million or 2.1 percent reduction from FY 2017.

In the request the Defense Advanced Research Projects Agency (DARPA) receives \$3.2 billion, a \$281 million or 9.73 percent increase from FY 2017.

[Department of Defense \(DoD\) Budget Documents](#)

## **National Aeronautics and Space Administration (NASA)**

The budget proposal provides \$19.01 billion for NASA, a \$561 million, or 3 percent, decrease from FY 2017. This figure includes \$5.71 billion for [NASA's Science Mission Directorate](#), a \$53 million, or 0.9 percent, decrease from FY 2017. The budget requests:

- \$1.75 billion for Earth Science
- \$1.92 billion for Planetary Science
- \$816.7 million for Astrophysics
- \$533 million for the James Webb Space Telescope
- \$677.8 million for Heliophysics

The budget provides \$624 million for the Aeronautics Research and Development Directorate, which is a decrease of \$36 million below FY 2017. For the Space Technology Mission Directorate, the Administration requests \$678.6 million, which is \$7.9 million, or 1.2 percent, below FY 2017.

The Administration is proposing the termination of the Office of Education and its programs. The National Space Grant Fellowship Program is funded out of the Office of Education and is presumably slated for termination based on this budget.

[National Aeronautics and Space Administration \(NASA\) Budget Documents](#)

## **Department of Commerce**

The request proposes to eliminate the Economic Development Administration (EDA), but budgets \$30 million to wind down the program in 2018.

## **National Institute of Standards and Technologies (NIST)**

The President's request for NIST Scientific and Technical Research Services programs is \$600 million, an \$88 million, or 12.8 percent, cut from FY 2017.

The request proposes to eliminate federal funding for the Hollings Manufacturing Extension Partnership (MEP) and provides \$6 million for the orderly closure beginning in 2018.

Manufacturing USA, formerly known as the National Network for Manufacturing Innovation (NNMI), would receive \$15 million in the request, down 24.2 percent from \$47 million in FY 2017.

[National Institute of Standards and Technologies Budget Documents](#)

## **National Oceanic and Atmospheric Administration (NOAA)**

The Administration proposes \$4.8 billion for NOAA, a \$987 million, or 16 percent, reduction from FY 2017. It also provides \$350 million for NOAA's Oceanic and Atmospheric Research (OAR), a \$139 million, 26.8 percent, decrease from FY 2017. The National Environmental Satellite, Data and Information Service (NESDIS) is funded at \$1.8 billion, a \$534 million, or 22.7 percent, decrease from FY 2017.

The administration's budget would cut \$262 million in targeted National Oceanic and Atmospheric Administration grants and programs supporting coastal and marine management, research, and education, including elimination of the Sea Grant program (with the Marine Aquaculture Program), the National Estuarine Research Reserve System, Coastal Zone Management Grants, the Office of Education, and the Pacific Coastal Salmon Recovery Fund.

[National Oceanic and Atmospheric Administration \(NOAA\) Budget Documents](#)

## **Department of Interior**

### **Geological Survey (USGS)**

The President's budget request would eliminate the U.S. Geological Survey Water Resources Research Institutes, which received \$6.5 million in FY 2017. USGS Cooperative Fish and Wildlife Research units would be funded at \$17.3 million, about a \$100,000 decrease from FY 2017.

[United State Geological Survey Budget Documents](#)

### **Environmental Protection Agency (EPA)**

The Environmental Protection Agency (EPA) Science and Technology (S&T) budget request is \$451 million for FY 2018, a decrease of \$256 million from FY 2017.

The request would also reconfigure and restructure the EPA's Office of Research and Development (ORD) and fund the office at \$249 million. The proposal directs ORD to "prioritize intramural research activities that are either related to statutory requirements or that support basic and early-stage research and development activities in the environmental and human health sciences." It would not fund the Science to Achieve Results (STAR) grant program.

[Environmental Protection Agency Budget Documents](#)

### **National Endowment for the Humanities (NEH)**

The budget proposal would eliminate the NEH and provide \$42 million to close the agency. This amount represents the salaries and expenses required to shut down the agency and the amount required to honor pre-existing grant commitments (specifically, matching funds).

[National Endowment for the Humanities Budget Documents](#)

## **National Endowment for the Arts (NEA)**

The budget proposal would eliminate the NEA and provide \$28.9 million for the expenses necessary to carry out the closure of the NEA and will remain available until expended.

[National Endowment for the Arts Budget Statement](#)

## **Department of Education (ED): Student Aid and Higher Education**

Overall, the budget proposal funds the Department of Education at \$59 billion, which is \$9 billion less than FY 2017 levels, or a 13 percent cut in funding.

- **Pell Grants**—The FY 2018 budget request endorses reinstating year-round Pell Grants, which Congress recently enacted in the FY 2017 omnibus bill. The maximum \$5,920 award remains unchanged and is not indexed to inflation. The administration would also take nearly \$3.9 billion from the Pell surplus. This will speed the time when Congress will be faced with increasing the funding appropriated each year or cutting the size of the maximum grant.
- **Public Service Loan Forgiveness**—Beginning in July 2018, the repayment option that forgives the remaining balance on student loans for borrowers in an income-driven repayment plan who work full-time in public service and who make on-time payments for 10 years is eliminated. Eliminating the program hits graduate students particularly hard, since they accrue more debt and thus have more debt forgiven. This change would not affect those who are on their way to receiving loan forgiveness.
- **Perkins Loan Program**—This program is allowed to expire on September 30, 2017. This eliminates a source of low-interest campus-based loans for high-need students.
- **Supplemental Educational Opportunity Grant (SEOG)**—This program is eliminated. It received \$733 million in FY 2017.
- **Work Study**—The budget cuts the Federal Work-Study program by nearly half, to \$500 million, from \$990 million in FY 2017.
- **TRIO and GEAR UP**—The budget would cut college access programs TRIO and GEAR UP by 10 percent and 30 percent to \$808 million and \$219 million, respectively.
- **Income-driven repayment plan**—the budget proposes replacing the various current income-based repayment plans with a single new one and promises a \$76 billion savings over ten years. The single plan would shorten the loan forgiveness schedule from 20 years to 15 for undergraduate borrowers, but monthly payments would jump from 10 percent to 12.5 percent of a borrower's discretionary income. Graduate students would pay 12.5 percent of their monthly income, but with a loan forgiveness schedule of 30 years. It appears that graduate students will pay most of the increased costs.

- **Subsidized student loans**—starting in July 2018, the plan eliminates subsidized loans for needy undergraduates, saving \$39 billion over ten years. These loans currently account for about half the volume of federal undergraduate loans. Students whose loan interest is currently deferred until after leaving college—that is what makes the loan subsidized—would now accrue interest from the moment their loan is disbursed.
- **Title VI International Programs**—the budget eliminates or reduces over 20 categorical programs, including Striving Readers, Teacher Quality Partnership, and Impact Aid Support Payments for Federal Property. International Education and Foreign Language Studies (Title VI and Fulbright-Hays), which received \$72 million in FY 2017, is eliminated as well. However, the Institute of Education Sciences would receive \$617 million, a 2 percent increase from FY 2017.
- **Child Care Access Means Parents in School**—This program, which provides on-campus childcare for low-income parents, is eliminated in the proposal.

[Department of Education Budget Documents](#)

### **United States Department of Treasury—Tax and other Policy Proposals**

The plan is silent on many of the tax issues important to colleges and universities and their donors, employees, and students, noting that details “will be released at a later date.” However, a distinct line-item revision is the American Opportunity Tax Credit, funded at \$40.4 billion over ten years, a ten-year cut of \$536 million, or about 1 percent.

The budget assumes deficit-neutral tax reform, which appears at odds with statements made by the White House, including the President. It calls for broadly expanding the standard deduction and protecting charitable giving.