Fact Sheet: President Obama’s Fiscal Year 2015 Budget Request and Links to Federal Agency Budget Information

OVERVIEW
On Tuesday, March 4, President Obama released his Fiscal Year (FY) 2015 Federal Budget Request that proposes $3.9 trillion in outlays for FY 2015, a $250 billion increase over an estimated $3.6 trillion for FY 2014. It adheres to the $1.014 trillion FY 2015 discretionary spending levels agreed to in the December 2013 congressional budget agreement, but proposes adding $56 billion in spending, above the budget agreement. The proposed additional $56 billion in discretionary spending would be split equally between defense and non-defense programs and the Budget Overview states that this increase in spending would be offset with revenue generated by closing tax breaks as well as alternative spending cuts. The $56 billion in new discretionary spending in the budget proposal would pay for the President’s proposed “Opportunity, Growth and Security Initiative” (OGS) aimed at the creation of institutes to promote manufacturing, energy efficiency, and expand apprenticeships and universal pre-kindergarten education. Below is an initial summary of the President’s FY 2015 Budget Request for higher education, research and healthcare programs of importance to the University. As more details and information about the Budget Request becomes available, additional information will be provided.

HIGHER EDUCATION AND STUDENT AID
The FY 2015 Budget Request proposes $68.6 billion in discretionary spending for the Department of Education, which is an increase of $1.3 billion, or 1.9 percent, over FY 2014. Of this amount, $22.8 billion is designated for the discretionary portion of the Pell Grant program. The Budget Request also includes $6.4 billion in mandatory funds for Pell, and together, this funding will allow for a maximum grant of $5,830 for the 2015-2016 academic year.

There are small increases in a number of higher education programs, including:
- The Institute of Education Sciences, mainly in education research, development and evaluation, and for state longitudinal data systems;
- The Investing in Innovation (i3) Program, of which $49.5 million could be used for an ARPA-ED initiative; and,
- Title VI, International Education and Foreign Language Studies, which will fund new awards to help American students develop language proficiency in critical languages.

A number of programs important to UC are level-funded at FY 2014 levels, including Supplemental Educational Opportunity Grant program (SEOG), Federal Work-Study (FWS), TRiO, GEAR-UP, and Graduate Assistance in Areas of National Need (GAANN) programs.

Once again the President’s Budget Request proposes to expand the Perkins Loan program to reach an additional 2,700 institutions, which is estimated to save $6 billion over ten years from changes in the interest rate. Additionally, the Budget Request proposes to extend “Pay As You Earn” or PAYE to all student borrowers and improve the terms of the program.
The Budget Request proposes a number of new programs and spending proposals that would have to be approved by Congress in authorization or appropriations legislation, such as:

- $52 million in new funds for the collection and analysis of performance data and program evaluation, in which $30 million will be used to support the development and refinement of a new college ratings system;
- $170 million in new STEM funding for STEM Innovation Networks, STEM Teacher Pathways, and a STEM Master Teacher Corps; and,
- $100 million for the First in the Word Fund (FITW), through the Fund for the Improvement of Postsecondary Education (FIPSE), to support innovative strategies and practices to improve postsecondary success.

Overall, the Budget Request for higher education is focused on equity and opportunity for all students, affordability and quality, and innovation and improvement. A theme of “shared responsibility” is evident in a number of new proposed programs that are designed to encourage states to re-invest in public institutions, and to reward institutions that are offering increased access, quality education and student success. These newly proposed programs include:

- $7 billion over ten years in mandatory funding for a new “College Opportunity and Graduation Bonus,” which would reward institutions that enroll a significant number of low- and moderate-income students who graduate on time. The bonus would be tiered based on the type of institution and the program would reward schools for past performance and provide bonuses above the base to encourage all institutions to improve their performance.
- $4 billion over four years in mandatory money for a new State Higher Education Performance Fund for competitive grants to states. The funds would have to be matched, dollar-for-dollar, by state funds and, to be eligible, states would have to adopt a number of reforms related to transfer of credit, transitions from high school to college and college to career, transparency, and consumer information provided to student and their families. To be eligible, states would have to set performance goals with specific metrics for graduating low-income students and making college more affordable.
- $75 million for competitive grants to minority-serving institutions which demonstrate their commitment to access and student success.

The Budget Request also proposes that the National Endowment for the Humanities be level funded at $146 million.

RESEARCH AND DEVELOPMENT
The FY 2015 Budget Request makes targeted investment in science, technology and innovation to help expand knowledge and spur economic growth. It proposes $135.4 billion for federal research and development (R&D) – $65.9 billion in non-defense R&D and $69.5 billion in defense-related R&D – an increase of $1.7 billion from the final FY 2014 level. Investments are focused on sustaining the U.S. research enterprise; spurring innovation, advanced manufacturing, and clean energy development; enhancing an understanding of climate change; supporting health research; improving STEM education;
and expanding business R&D investments. Included in the President’s Budget Request are several multi-agency initiatives:

- **Clean Energy** – A commitment to an “all-of-the-above” strategy on energy, including investing $5.2 billion from Department of Energy in energy technology programs; $345 million for the Department of Agriculture (USDA) research and energy efficiency programs; and several other initiatives across the federal government to address energy security and carbon reduction.

- **Climate Change** – $2.5 billion for the U.S. Global Change Research Program (USGCRP), which coordinates and integrates federal research and applications supporting the President’s Climate Action Plan.

- **National Nanotechnology Initiative (NNI):** $1.5 billion for the multi-agency NNI. Member agencies support R&D focused on materials, devices, and systems that exploit the unique physical, chemical, and biological properties that emerge in materials at the nanoscale.

- **Networking and Information Technology R&D (NITRD):** $3.8 billion for the NITRD Program, which provides strategic planning and agency research coordination for cybersecurity, high-end computing systems, advanced networking, software development, health IT, wireless spectrum sharing, cloud computing, and other information technologies.

- **STEM consolidation** – Creates a “new” framework for government-wide reorganization of federal STEM education programs, designed to reduce fragmentation, and focus these programs around five areas identified by the Federal STEM Education 5-Year Strategic Plan. UC and other institutions expressed concerns about the Administration’s earlier consolidation proposal.

- **Open Access/Open Data** – Continues initiatives “to open government data and research for public and private sector use to spur innovation and job creation, while ensuring strong privacy protections.”

**Research Budget Highlights**

- **National Science Foundation (NSF):** $7.3 billion. ($7.2 billion in FY 2014)

- **Department of Energy (DOE):** $27.9 billion ($27.2 billion in FY 2014)
  - Office of Science: $5.1 billion ($5.07 billion in FY 2014)
  - Energy Efficiency and Renewable Energy (EERE): $2.3 billion ($1.9 billion in FY 2014)
  - ARPA-E: $325 million ($280 million in FY 2014)

- **Department of Defense (DOD):** Science and Technology (6.1-6.3 programs): $11.5 billion in basic and applied research and advanced technology development, which is a significant cut below the FY 2014 enacted level of $12.2 billion. However, the bulk of UC research has historically been funded by the 6.1 basic research account, for which $2 billion is proposed, which is about $150 million less than FY 2014. Also included in the science and technology (S&T) total is $2.9 billion for the Defense Advanced Research Projects Agency (DARPA), which is approximately the same as the FY 2014 enacted level.

- **National Aeronautics and Space Administration (NASA):** $17.5 billion ($17.6 billion in FY 2014)
  - Science Directorate: $5 billion ($5.1 billion in FY 2014)
US Department of Agriculture Research and Extension (USDA):
  - $325 million for the Agriculture and Food Research Initiative (AFRI) for competitively awarded grants, a modest increase ($9 million) over the in FY 2014, which restored some of the deep cuts taken in previous years. UC researchers compete very favorably for these grants.
  - $75 million for three new multidisciplinary institutes – 1) advanced bio-based manufacturing, 2) anti-microbial resistance research, and 3) crop science and pollinator health – to leverage public and private research to create opportunities for new private sector business ventures.
  - The Opportunity, Growth, and Security Initiative proposes additional funds for competitive research, including for land-grant institutions.

National Institutes of Health (NIH): $30.2 billion. ($29.9 in FY 2014)
The Budget Request provides $30.2 billion to support biomedical research at the NIH, an increase of $300 million over the estimated, final FY 2014 budget. This includes a continued investment to Alzheimer’s research and $100 million towards the multi-agency BRAIN (Brain Research through Advancing Innovative Neurotechnologies) Initiative. Additional funding for the BRAIN Initiative includes $20 million from NSF and $80 million from DARPA. The Budget Request includes $30 million for the development of a new advanced research program modeled after DARPA and designed to fund innovative projects and accelerate the discovery of treatments and cures. The Budget Request will support 9,326 new and competing awards. Included in the Budget Request is $657 million for the National Center for Advancing Translational Sciences.

HEALTH AND HUMAN SERVICES
The President’s FY 2015 Budget Request reflects funding priorities that impact UC Health’s three part mission of providing clinical care, medical education training, and biomedical research. The Department of Health and Human Services would receive $77.1 billion to continue to make coverage affordable, drive down costs, improve care, train new health care providers, and support medical research.

The President’s Budget Request includes several recommendations that directly impact UC Health’s clinical care activities:

- $5.23 billion, over ten years, to fund a new competitive, value-based graduate medical education grant program to support 13,000 new medical residents. This is in addition to the request to reduce graduate medical education payments by $14.6 billion in order to “better align payments with patient care costs;”
- Reduce Medicare coverage of bad debts by $30.8 billion over ten years;
- Strengthen the Independent Payment Advisory Board, expected to save $12.9 billion over ten years,
- $5.4 billion to extend the Medicaid primary care provider increase through 2015; and,
- Reduce fraud, waste, and abuse in Medicare and Medicaid by $1.1 billion over ten years.

In total, the President’s Budget Request includes $414 billion in Medicare and Medicaid savings which is expected to extend the solvency of the Hospital Insurance trust fund by approximately 5 years. In addition to recommended cuts to providers, the Budget Request also proposes several structural reforms to Medicare including increasing income-related Parts B and D premiums, modifying the Part B deductible.
for new enrollees, and introducing a new Part B premium surcharge for new beneficiaries who purchase near first dollar Medigap coverage.

**OPPORTUNITY, GROWTH AND SECURITY INITIATIVE**
While further analysis of the President’s OGS Initiative is required, the Budget Request cites investing additional federal resources of $56 billion into education, research, infrastructure and process reform to “restore our global edge” as a priority. Energy and climate change research, continuing development of a national network of manufacturing institutes to spur economic development, and national security (including nuclear) research and development are identified as priorities as well. Research highlights include:

- Department of Energy - $484 million for research into innovative materials and sustainable vehicles and fuels system designs; advanced manufacturing; solar and wind energy; efficient buildings; new technology validation; and, accelerated National Nuclear Security Administration investments, including facilities construction, deferred maintenance, and R&D.
- National Institutes of Health - $970 million in additional funding for NIH to help support 650 additional new grants and increase funding for BRAIN and NIH DARPA-inspired initiatives that will invest in breakthrough medical research.
- National Science Foundation - $552 million in additional funding for NSF to fund an additional 1,000 grants to expand knowledge across disciplines in areas such as neuroscience and materials science and additional research traineeships in high priority areas, impacting thousands of graduate students.
- National Aeronautics and Space Administration - $886 million in additional funding for NASA, including $100 million to fully utilize the International Space Station’s research facilities, $100 million for development space technologies that will lower the cost and increase the capabilities of future space activities, and additional science missions and research, including extending current missions that continue to generate valuable science and accelerating early work on a potential successor to the James Webb Space Telescope.
- Department of Defense - $2.1 billion in additional funding for DOD R&D.
- Department of Agriculture - Funding for high priority research and construction of a new biosafety research laboratory.
- Expanding Advanced Manufacturing and Investing in Regional Economic Growth – A national competition to establish 45 advanced manufacturing institutes; launching a new public-private “Scale-Up” fund to help take innovative advanced manufacturing technologies to scale; and investing in regional economic growth and competitiveness through community grants.

**HIGHER EDUCATION RELATED TAX ISSUES**
Included in the President's FY 2015 Budget Request are several proposals that would alter tax policies. These proposals include making permanent the American Opportunity Tax Credit (AOTC), which is scheduled to expire on December 31, 2017, and to clarify the tax rules for Pell grant recipients, by clarifying the AOTC rules and simplifying calculations. The proposal would also make Pell Grants excludable from income.
The Budget Request would also provide student loan borrowers with additional tax relief by excluding student loan forgiveness from taxation for borrowers who have made student loan payments for many years under an income-related repayment plan. The Budget Request provides an exclusion from income for student loan forgiveness and for certain scholarship amounts for participants in the Indian Health Service Health Professions Programs.

The Budget Request also proposes limiting the value of certain tax expenditures and all itemized deductions to 28 percent for certain high income taxpayers: including the charitable deduction, which could impact donations to universities; tax benefits such as tax-exempt interest; and, tax exclusions for retirement contributions and employer sponsored health insurance.

The Budget Request would also make the Research and Development Tax Credit permanent.

LINKS TO FEDERAL AGENCY BUDGET INFORMATION

White House/Office of Management and Budget Information: http://www.whitehouse.gov/omb/
  • The FY 2011 President’s Budget Request (including supporting materials): http://www.whitehouse.gov/omb/budget/
  • The FY 2015 Budget Request: http://www.whitehouse.gov/omb/overview

Cuts, Consolidations and Savings

DEPARTMENT OF EDUCATION
  • Department Budget Webpage: http://www2.ed.gov/about/overview/budget/budget15/index.html
  • Summary and Background Information: http://www2.ed.gov/about/overview/budget/budget15/summary/15summary.pdf
  • Justifications of Appropriation Estimates to Congress: http://www2.ed.gov/about/overview/budget/budget15/justifications/index.html

DEPARTMENT OF HEALTH AND HUMAN SERVICES
  • Secretary Remarks on Budget: http://www.hhs.gov/budget#remarks
  • Department Budget Webpage: http://www.hhs.gov/budget
OFFICE OF SCIENCE AND TECHNOLOGY POLICY

- Department Budget Webpage: [http://www.whitehouse.gov/administration/eop/ostp/rdbudgets](http://www.whitehouse.gov/administration/eop/ostp/rdbudgets)
- Fact Sheets:
  - The 2015 Budget: Science, Technology, and Innovation for Opportunity and Growth
  - Understanding and Responding to Global Climate Change
  - Preparing Americans with STEM Skills
  - Obama Administration Proposed Doubling Support for The BRAIN Initiative
  - Investing in American Innovation
  - Building a Clean Energy Economy, Improving Energy Security, and Taking Action on Climate Change

DEPARTMENT OF ENERGY


National Nuclear Security Administration

NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA)

- NASA Mission Directorate Fact Sheet: [http://www.nasa.gov/sites/default/files/files/FY15_MD_Fact_Sheets.pdf](http://www.nasa.gov/sites/default/files/files/FY15_MD_Fact_Sheets.pdf)
UNITED STATES DEPARTMENT OF AGRICULTURE
- Department Budget page: http://www.obpa.usda.gov/

DEPARTMENT OF TRANSPORTATION

THE NATIONAL SCIENCE FOUNDATION (NSF)
NSF’s FY 2015 Budget Request to Congress will be available on March 10, 2014.

DEPARTMENT OF COMMERCE
- National Institute Of Standards And Technology
- National Oceanic And Atmospheric Administration
The full Department of Commerce FY 2015 budget request, including historical tables and supplemental analyses, will be released next week.

ENVIRONMENTAL PROTECTION AGENCY
- Press Release: http://yosemite.epa.gov/opa/admpress.nsf/d0cf6618525a9efb85257359003fb69d/9309d87b4242f6df85257c91006434b1!OpenDocument
- Department Budget Webpage: http://www2.epa.gov/planandbudget/fy2015

DEPARTMENT OF THE INTERIOR
• Department Budget Webpage: http://www.doi.gov/budget/appropriations/2015/highlights/index.cfm

WHITE HOUSE AND OMB FACT SHEETS ON KEY ISSUES
• Advancing Economic Opportunity and Mobility
• Building a Clean Energy Economy, Improving Energy Security, and Taking Action on Climate Change
• Building a 21st Century Infrastructure
• Investing in American Innovation
• Creating a 21st Century Government
• Empowering All Americans with the Education and Skills They Need
• Building and Using Evidence to Strengthen Results in Government
• Strengthening and Supporting the Social Sector to Grow the Middle Class
• Supporting African American Families
• Supporting Asian American and Pacific Islander Families
• Supporting Latino Families
• Supporting Servicemembers, Veterans, and Military Families
• Supporting Seniors
• Supporting the LGBT Community
• Supporting Women and Girls
• Supporting Children and Youth
• Expanding Opportunities for People with Disabilities
• Standing with Indian Country

ADDITIONAL AGENCY FACT SHEETS
• Corporation for National and Community Service
• Corps of Engineers - Civil Works
• Department of Commerce
• Department of Defense
• Department of Homeland Security
• Department of Housing and Urban Development
• Department of Justice
• Department of Labor
• Department of State and Other International Programs
• Department of Treasury
• Department of Veterans Affairs
• National Intelligence Program
• Small Business Administration
• Social Security Administration