



UC DAVIS FEDERAL RELATIONS UPDATE

July 13, 2012

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If you or any of your researchers would like to contact members of Congress or their staff, please discuss it with Associate Vice Chancellor Marj Dickinson or me. As a result of the election and redistricting, there are special ethics rules and other issues that must be evaluated before every contact with Congress. We appreciate your consideration.

Executive Summary

The House and Senate have continued to make progress on **FY2013 Appropriations bills**, but they still haven't dealt with sequestration (Page 2).

Senate Appropriations passed the Labor-HHS Appropriations bill, which **funds NIH and other health-related programs**. The House is expected to mark up their bill next week (Pages 2-3).

House Agriculture Committee passed the **Farm Bill**, but there is a \$12 billion difference in funding between the House bill and Senate Farm Bill passed in June (Pages 3-4).

The Subsidized Stafford **Student Loan Interest Rates** of 3.4 percent was extended for an additional year as a result of a last minute deal added to the Highway Reauthorization bill (Page 4).

The Supreme Court **upheld the Affordable Care Act** almost in its entirety (Page 4).

President Obama announced that his administration will **no longer deport undocumented immigrants** that came to the U.S. as children as long as they met certain requirements (Pages 4-5).

The Veterans Administration has not provided sufficient details about the obligations institutions would assume if they sign onto "**principles of excellence**" for **educational institutions serving veterans** (Page 5).

Congress passed the Highway Reauthorization Act, which included funding for **University Transportation Centers** (Pages 5-6).

Start Up Act 2.0 contains elements of the Kauffman Foundation's free-agency provisions and would tax research funds at all major research universities by 0.15 percent (Page 6).

The **National Research Council issued a new report** on research universities (Pages 6-7).

UC Davis was one of 17 land grant institutions that participated in this year's **Smithsonian Folklife Festival** (Page 7).

FY2013 Appropriations and Budget Update

With the specter of budget sequestration cuts that would take effect in January, 2013, as well as tax policy expirations at the end of 2012, tensions are rising in Washington, DC about their imminent impact on federal services and programs, jobs and the economy.

There is talk of temporary actions to extend current tax policies and delay sequestration cuts for several months beyond the November elections. However, there has been no significant movement toward a resolution. In the meantime, Congress continues to work on FY 2013 appropriations legislation.

There is a significant difference in the funding level available in the House and Senate for FY 2013 appropriations because the House Budget Resolution allocations, passed this spring, cut FY 2013 discretionary funding by \$19 billion below the 2011 Budget Control Act (BCA). The Senate, which did not pass a FY 2013 budget resolution, has adopted the allocations as appropriated in the BCA. In addition, in FY 2013, the House proposes to shift another \$8 billion to defense programs from funding for non-defense discretionary programs. As a result of these House changes from the agreed upon BCA levels, the White House has issued a number of veto threats against the House-passed appropriations bills.

The House has approved six appropriations measures, including the Commerce, Justice, Science and the Energy and Water appropriations bills. While the full Senate has not debated any of its annual funding bills, nine have been approved by the Senate Appropriations Committee, including the Agriculture; Commerce, Justice, Science; Energy and Water; and Labor-Health and Human Services-Education bills. These bills are of significant interest to the UC Davis because of their importance to research, health services and student aid programs. The Senate recently announced that they won't bring any appropriations bills to the floor until after the election. This means that there will be a continuing resolution from October 1st until after the November election.

Despite the wide differences in the FY 2013 House and Senate appropriations allocations, there is relatively good news so far regarding the funding levels proposed for most of UC Davis's high priority interests. In large part, these programs would be funded roughly at or above FY 2012 levels in the House and Senate bills made public to date.

Health Care Appropriations Update

On June 14th, the Senate Appropriations Committee approved its FY 2013 Labor-HHS-Education spending bill in a 16-14 party-line vote. The legislation includes \$30.7 billion, an increase of \$100 million, to fund biomedical research at the 27 Institutes and Centers that comprise the NIH.

The bill also includes \$40 million, four times the FY 2012 level, for the Cures Acceleration Network at the National Institutes of Health (NIH) and retains a provision limiting the direct salary that an individual may receive under an NIH grant to Executive Level II (\$179,700 in 2012).

Additionally, the legislation provides \$256.6 million for the Health Resources and Services Administration's (HRSA) Title VII health professions programs, an \$11.6 million (4.3 percent) cut below FY 2012, primarily achieved by eliminating the Title VII diversity Health Careers Opportunity Program (HCOP). The President's FY 2013 Budget Request proposed eliminating HCOP, and the committee describes in its report ways that other federal programs address diversity.

The bill provides \$49 million for the Title VII primary care training and enhancement programs, a \$10 million increase over FY 2012, but \$2 million less than the President's FY 2013 request. The President's request directed the entire increase to physician assistant training, and the committee "urges HRSA to prioritize the training of physician assistants and includes bill language allowing HRSA to determine the funding amount for

this activity.” The committee also boosts funding for Title VII workforce information and analysis to \$7.8 million, a \$5 million, 180 percent, increase over FY 2012.

Unlike the President’s request, the bill includes funding for the Title VII Area Health Education Center (AHEC) program (\$27.2 million, as in FY 2012), but does not provide the president’s requested \$5 million for the previously unfunded Title VII pediatric loan repayment program. The Title VIII nursing programs receive \$231.1 million as in FY 2012, which is \$20 million less than the President’s request.

The House will mark up their Labor-HHS Appropriation bill next week.

Farm Bill Update

Early in the morning of July 12th, The House Agriculture Committee reported its version of the 2012 Farm Bill H.R. 6083 by a vote of 35 to 11. While some details of the committee’s action will become clearer when the committee report is made public, I can provide basic information with respect to Title VII, which provides basic statutory authorities for the National Institute of Food and Agriculture (NIFA).

Mandatory Funding

As shown in the following table, the House bill provides mandatory funding for three Title VII programs whose funding expires in 2012: (1) Organic Agriculture Research and Extension; (2) Specialty Crops Research Initiative; and (3) Beginning Farmer and Rancher Development.

Title VII Programs with Mandatory Funding: FY 2013 to FY 2017 (All \$M)

	2013	2014	2015	2016	2017	Total
Organic Ag Research & Extension	16	16	16	16	16	80
Specialty Crops Research	25	30	30	65	50	200
Beginning Farmer & Rancher Development	10	10	10	10	10	50
Total	51	56	56	91	76	330

Beyond the amounts listed above, the bill also creates permanent baseline funding of \$50 million per year for the Specialty Crops Research Program for fiscal years 2018 to 2022. The House bill does not include the Foundation for Agriculture and Food Research that was authorized in the Senate bill (and provided \$100 million in mandatory funding).

Amendments Offered

The markup of Title VII occurred during the early evening of July 11 and proceeded quickly. While several amendments had been filed, only a handful were considered, and just two adopted. The two adopted amendments would: (1) establish under the authority of the Beginning Farmer and Rancher Program a “grant priority for veteran-farmer rehabilitation programs and restore critical provisions within the program that foster partnerships with community-based organizations who work directly with farmers; and (2) authorize ongoing federal bed bug research funding.

NIFA Competitive Grants Matching Requirements

The House bill as reported by the Agriculture Committee contains language (Section 7127) related to matching fund requirements for NIFA competitive grants. This language has generated a vigorous discussion since it was made public a week ago. The language would require recipients of competitive grants that involve applied research or extension to provide a 1:1 match on their grants. In other words, if our faculty is doing applied research in conjunction with extension specialists to help combat emerging diseases or breed better varieties of vegetables, they would be required to match their grants 100 percent.

Rep. Terri Sewell (D-AL) had an amendment to strike Section 7127, but it was withdrawn after committee discussion. During the debate, Committee Chair Frank Lucas (R-OK) and Ranking Member Collin Peterson (D-MN) had a “colloquy” on the record about this provision. In the colloquy, Chairman Lucas said that the Committee will continue to work with affected stakeholders on this issue and will seek to include in the final conference report a consensus package.

Stafford Student Loan Interest Rate Update

Congress has agreed on a one-year extension of the current interest rate of 3.4% on subsidized Stafford student loans. The student loan provision was included in the Highway Reauthorization Bill. The Senate passed the legislation with a vote of 74 to 19, and the House passed the legislation with a vote of 373 to 52. If Congress had not taken action to change the law before the July 1st deadline, the interest rate was set to rise to 6.8%.

The agreement pays for the lower interest rate with an offset from a change in financing for the Pension Benefit Guaranty Corporation (PBGC), which is acceptable to both parties and supported by employers, and from savings gained by limiting student loan eligibility to 150 percent of program length. UC preferred not to offset the cost from loans or another student aid programs, but this offset will only affect future students.

Supreme Court Decision on the Affordable Care Act

Supreme Court ruled that the Affordable Care Act (ACA), including the individual mandate, is, for the most part, constitutional. The only element of the law overturned by the Court was the mandate to the states that they accept additional Medicaid funding and implement the program expansion to include more low-income beneficiaries. States must now decide whether to accept the federal funds, which eventually would have to be matched in part by the states.

For campuses, the ruling on the ACA means they will continue to implement the law as employers. For academic medical centers, the Association of American Medical Colleges said it welcomed the ruling for affirming expanded access to care, but remained concerned about projected physician shortages and the impact of states not being required to expand their Medicaid coverage.

Presidential Immigration Policy Changes

President Obama announced on June 15th that his Administration will stop deporting undocumented immigrants who came to the U.S. as children if they:

- were brought to the United States before they turned 16 and are currently younger than 30;
- have been in the country for at least five continuous years;
- have no criminal history; and
- graduated from a U.S. high school or earned a GED or served in the military.

Additionally, undocumented immigrants will not automatically face deportation and can apply for a work permit that will be good for two years with no limits on how many times it can be renewed.

This policy change will positively affect nearly one million young immigrants who, otherwise, live in fear of deportation. For more than 10 years, legislation has been pending in the Congress to grant temporary legal status to these young people, and allow them to pursue postsecondary education. This legislation, the Development, Relief and Education for Alien Minors Act (DREAM Act), has been stalled in Congress.

While this new executive action falls short of enactment of all the goals of the DREAM Act, it represents a positive step for young people who have lived in our communities, and who hold great promise if they are able to pursue a college education. The new policy will not give students access to federal financial aid or put them on a path to citizenship.

The University of California and UC Davis has long supported DREAM legislation to allow young people to pursue their education and qualify for federal loans. Under California state laws, AB 540, if undocumented students attend a California high school for three years, and graduate from a California high school, they can qualify for in-state tuition, and are eligible for state, institutional, and private-scholarship aid.

While President Obama's executive action does not affect UC directly, UC Davis will continue to admit students who meet its rigorous academic standards regardless of their immigration status. Once admitted, students who qualify for AB 540 will receive a waiver of non-resident tuition. Because of state laws enacted recently, which are in the process of being implemented, eligible AB 540 students may also receive Cal Grants, institutional aid, and private scholarship funds.

Veterans Issues

On April 27th, 2012, President Obama signed Executive Order 13607, which calls for the establishment of "Principles of Excellence for Educational Institutions Serving Service Members, Veterans, Spouses and Other Family Members." Higher education institutions, which receive federal military or Veterans Affairs (VA) education funds, were asked to agree to the Principles, and notify the Department of Veterans Affairs (VA) of their intent to comply with the Principles by June 30th (the end of the academic year).

UC campuses and extension programs already provide excellent treatment and good educational value to enrolled veterans and other beneficiaries of military and VA programs. However, UCOP encourages UC campuses and extensions to decline to sign the "Principles of Excellence. UC does not believe the VA has provided sufficient details about the obligations institutions would assume if they endorsed the principles, particularly in terms of the policies or procedures that would have to be developed or implemented, or other requirements that would have to be met to comply. The higher education community, led by the American Council on Education (ACE) and the National Association of College and University Business Officers (NACUBO), reached out to the VA to get more information before colleges and universities agree to sign the Principles.

At a recent Senate hearing about the June 30th deadline and the general lack of clarity, VA officials previously said that colleges could agree to the principles after the deadline, and that "full compliance" would not be expected until the end of the 2012-13 academic year, perhaps when more is known about the meaning of the principles. The VA announced on the eve of the deadline it would extend the response date to August 1st, and that they are working with the Departments of Education and Defense to develop and disseminate further guidance on complying with the Principles of Excellence.

Highway Reauthorization Bill (University Transportation Centers)

Four years after the expiration of the last transportation authorization, a deal was reached in Congressional negotiations on the MAP-21 transportation authorization bill. Programs authorized by this legislation have operated under nine extensions of the previous authorization. The House passed HR 4348 with a vote of 373 to

52 and the Senate also passed the legislation with a vote of 74 to 19 both occurring on June 29th. UC interest in the legislation surrounds language authorizing regional University Transportation Centers (UTCs). Six UC campuses – Berkeley, Davis, Irvine, UCLA, Riverside, and Santa Barbara – are current collaborators with four CSU campuses in the existing UC Transportation Center, a regional UTC managed by UC Berkeley. Additionally, UC Davis has a Tier II University Transportation Center.

Over the past several months, UC Davis has worked with its university counterparts to ensure that the legislation included authorization language for regional UTC, which had been written out of the original drafts of the Senate legislation. The final legislation calls for five national centers authorized at \$3 million each; ten regional centers authorized at \$2.75 million each; and 20 Tier 1 centers authorized at \$1.5 million each, one of which must be focused on comprehensive safety. The Tier 1 centers will be required to have a 50 percent match in funding, but all others must have a 100 percent match. The bill also calls for a competitive competition to be held for all centers at the same time within one year from enactment of the law.

Start Up Act 2.0

In late May, S. 1965, “the Start Up Act 2.0,” was introduced in the Senate. An updated version of previously introduced legislation, “Start Up Act 2.0” is intended to support the formation of innovative startup companies by combining small business and university commercialization initiatives with immigration reforms and additional business and tax incentives. The legislation was introduced by Senators Jerry Moran (R-KS) and Mark Warner (D-VA), Marco Rubio (R-FL), Roy Blunt (R-MO), and Chris Coons (D-DE). No additional action has occurred on the bill.

Helpful provisions of the legislation include small business tax incentives, a requirement for federal agencies to review new regulations for their impact on small businesses, immigration incentives for certain foreign entrepreneurs and allowance of some individuals receiving advanced degrees in STEM-related fields to establish conditional permanent residency status. The bill also establishes a new Department of Commerce “Commercialization Capacity Building Grants” program to “support institutions of higher education pursuing specific innovation initiatives to improve an institution’s capacity to commercialize faculty research.”

UC and other research universities have raised concerns about provisions that would adopt elements of the Kauffman Foundation’s “Free Agency” proposals for how university-based technology transfer efforts should operate. Specifically, a new “Commercialization Accelerator Grants” program would only be available to institutions of higher education “pursuing initiatives that allow faculty to directly commercialize research in an effort to accelerate research breakthroughs.” In addition, the two new Commerce Department grant programs would be funded by taxing research funds at all major federal research agencies by 0.15%.

National Research Council Releases New Report

In June, the National Research Council released its long-awaited report, *Research Universities and the Future of America; Ten Breakthrough Actions Vital to Our Nation’s Prosperity and Security*. In 2009, Congress asked the National Academies to follow up on its influential 2005 report, *Rising Above the Gathering Storm*, by assessing the “organizational, intellectual, and financial capacity” our nation’s research universities. The resulting report lays out a vision for strengthening research universities to enable them to meet the rapidly-changing needs of our nation’s growing population and the economy.

Chad Holliday, current Bank of America board chairman and former DuPont CEO, served as chairman of the Committee on Research Universities. Composed of distinguished government, industry and academic leaders, the committee included UC Berkeley Haas School professor Laura D’Andrea Tyson and UCLA Higher Education Research Institute director Sylvia Hurtado. The committee examined the historic roles of public and private US research institutions, the financial and competitive challenges facing them today, and the tasks the nation expects them to perform to invigorate our economy and educate our future workforce.

The committee's recommended actions fit squarely within UC's research advocacy agenda as well as that of the major higher education associations. While the recommendations are not new ideas, the committee emphasized the integral role research universities play in economic growth and offers an instruction manual for making the most of their potential. Based on a desire to strengthen the historic "unique partnership" among universities, the federal government, the states and the private sector, the report makes the following ten recommendations:

- Stable federal funding for university-performed R&D and graduate education
- Greater autonomy and a restoration of state funding for public research universities
- Strengthen connections between universities and business, especially technology transfer
- Increase efficiency and productivity in university business operations
- Establish a university "strategic investment program" to prioritize key research areas
- Full funding for the costs of research by federal research sponsors
- Reduce regulatory burdens on research institutions
- Reform graduate education to reduce attrition and improve career opportunities
- Improve STEM opportunities for women and underrepresented minorities
- Retain in the US research enterprise those international students trained at US institutions

Committee Chair Holliday further expressed his hope that policy makers and the public will not consider this a "universities report," but rather a "prosperity and security" report. Over the next several months, the committee plans a series of public discussions across the country to highlight the report findings and recommended actions.

UC Davis faculty and leadership in Washington, DC

Smithsonian Folklife Festival

To celebrate the 150th Anniversary of the Morrill Act, the Smithsonian recognized the contribution of land grant colleges as part of its annual Folklife Festival held from June 27-July 1 and July 4-8. UC Davis faculty, students and staff hosted a number of events, presentations, mini-lectures and displays at the festival. In addition, Provost and Executive Vice Chancellor Ralph Hexter represented the campus at the Folklife Opening Ceremony.

Highlights included sustainable design and artistic displays by Dr. Ann Savageau; olive oil demonstrations by the UC Davis Olive Oil Center; mini lectures by Dr. Chris Reynolds, Dr. Diane Ullman and Dr. Charlie Bamforth and a talk about the importance of college and community by Assistant Vice Chancellor Bob Segar. Vice Provost Pat Turner gave a Botkin Lecture at the Library of Congress and also helped organize the festival for all land grant participants.

Thousands of visitors attended the festival over two weeks and learned about UC Davis. The Cal Aggie Alumni Association hosted several alumni events in Washington, DC and connected with alumni who visited the festival.

Council of Vice Chancellors Research Meeting

In early June, UC Washington Center hosted the Council of Vice Chancellors for Research (COVCR) annual meeting in Washington, DC, which Vice Chancellor Harris Lewin attended. On the first day, UCDC staff provided an overview of key issues currently before the federal government. Members and staff of the COVCR and UCDC then met with senior executive branch science and technology leaders to discuss federal research budgets in the context of the Budget Control Act and sequestration, as well as numerous policy issues, including the Grand Challenges Initiative, indirect costs, and regulatory burdens. The guest speakers included Sally Rockey of the National Institutes of Health, Tom Kalil of the Office of Science and Technology Policy, and Robin Staffin of the Department of Defense. The VCRs also engaged a panel of representatives of three higher

education associations, the Association of Public and Land-grant Universities, the Association of American Universities, and the Council on Governmental Relations, on the issues of the day.

Vice Chancellor Lewin had additional meetings with Senator Feinstein, Congressman Garamendi and Congressman Thompson and Congresswoman Matsui's staff during his visit.

APLU Convocation: 150 Years of the Morrill Act

On June 26th, the Association of Public Land Grant Universities hosted a convocation that highlighted the importance of land grant universities. Speakers included Bill Gates, Secretary Arne Duncan and Secretary Tom Vilsack. Associate Chancellor Karl Engelbach, Director Mabel Salon and I attended on behalf of UC Davis.

If you have upcoming meetings in Washington, DC, please let me know how I and/or the UCDC staff can be of assistance.

Questions or need assistance

If you have questions, need additional information about any of the above items, or would like assistance in connecting with senior federal officials, please let me know. I can be reached at gabanks@ucdavis.edu or at 530-752-9795.