



UC DAVIS FEDERAL RELATIONS UPDATE June 4, 2012

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Executive Summary

Congress made slow progress this month on **FY2013 appropriations** bills, and issues of **sequestration and Bush era tax cuts** may still have to be worked out after the election or early next year (Pages 2-3).

Language encouraging University Affiliated Research Centers and the military to **partner with University-based energy centers** passed the House of Representatives (Page 3).

The Senate made progress on the **Farm Bill**, but the House has not issued a draft or scheduled a markup (Pages 3-4).

The House and Senate continue to disagree about how to pay for the **student loan interest freeze** (Page 4).

Office of Management and Budget issued guidance for **FY2014 agency budgets** (Page 4).

Senators introduced "Startup Act 2.0" which includes **free agency provisions** that would allow researchers to go through other institutions' technology transfer offices to commercialize their research (Pages 4-5).

The higher education community sent a letter to appropriators asking that they lift the **National Institutes of Health salary cap** (Page 5).

Two new Senate bills would create a **new employment-based green card category for foreign students** who have earned masters or doctoral degrees from U.S. institutions in STEM (Page 5).

FY2013 Budget and Appropriations Update

Budget, sequestration and the lame duck session

It has been widely expected that Congress will wait until the lame-duck session after the November elections to work out a major deal to address the numerous major budget, spending, and tax issues coming to a head around the end of the year. CQ.com confirms that these issues will not be resolved before the elections but also reports that some legislators are predicting that the legislative battle may be postponed to sometime in the first half of 2013.

Issues that need to be resolved include: FY2013 appropriations; whether and how to prevent the January 3 budget sequester, which is the massive, across-the-board cuts to discretionary spending required by last year's Budget Control Act (BCA); extension of certain tax provisions, extension of the "doc fix" to prevent significant cuts in reimbursement of Medicare providers; extension of the Bush tax cuts; and an increase in the debt limit. Secretary of the Treasury Timothy Geithner indicated that the debt limit increase probably would not be needed until sometime early next year.

The Administration has stated that the President will not sign any appropriations bill until the House indicates that it will abide by the BCA (the House-passed FY13 budget resolution calls for a cut in nondefense discretionary spending and an increase in defense spending compared to the BCA), House Speaker John Boehner (R-IL) said this week that House Republicans would oppose any debt limit increase that was not accompanied by equivalent or greater spending cuts, and, in general, positions seem to be hardening on all sides. The President said he wanted a "clean" debt ceiling increase and would not sign a measure with the Speaker's cuts; Senate Majority Leader Harry Reid (D-NV) said he would not consider raising the debt ceiling until Congress resolves the issue of sequestration. The difficulty of addressing all of these issues in a large legislative package, which is thought to be one possibility, has led key policymakers to suggest that Congress likely would postpone the biggest budget fights well into the New Year.

Last week Senate Majority Leader Harry Reid told *Politico* that he was open to a grand compromise on federal spending and tax policies. He added, however, that absent an agreement by Republicans to include new revenues in such a deal, he would allow the \$110 billion in spending cuts required by last year's Budget Control Act (BCA) to go into effect on January 3.

Republican leaders fired back that not only would the BCA spending cuts to defense harm the nation's security, but coupled with the year-end expiration of the Bush tax cuts, they would send the nation's economy back into recession. They cited Defense Secretary Leon Panetta's congressional testimony that the BCA cuts would severely damage national defense, and a new report from the nonpartisan Congressional Budget Office which concludes that the end-of-year spending cuts and tax hikes would stall the economic recovery.

Appropriations

The House Appropriations Committee has approved seven out of 12 funding bills, two of which—Commerce-Justice-Science and Military Construction-Veterans —have passed the House. The House began work on the Energy & Water bill, but is not expected to vote final approval of the measure until next week. The other FY13 appropriations bills that have been approved in full committee are: Defense, Homeland Security, Legislative

Branch, and State-Foreign Operations. Still pending in subcommittee are Agriculture, Financial Services, Interior-Environment, Labor-HHS-Education, and Transportation-HUD.

The Senate Appropriations Committee has also approved seven of its 12 bills: Agriculture, Commerce-Justice-Science, Energy & Water, Homeland Security, Military Construction-Veterans, State-Foreign Operations, and Transportation-HUD. Still pending in subcommittee are Defense, Financial Services, Interior-Environment, Labor-HHS-Education, and Legislative Branch.

Senate leaders had expected to take their first bill, Commerce-Justice-Science, to the floor shortly. However, CQ.com reports that consideration may be delayed over new concerns that the National Weather Service reprogrammed FY12 funds without the approval of Congress. Senator Olympia Snowe (R-ME) has said she intends to ask Commerce-Justice-Science Subcommittee Chair Barbara Mikulski (D-MD) and Ranking Member Kay Bailey Hutchison (R-TX) to delay moving their bill until questions about the Weather Service reprogramming are answered.

UARC Update

On May 18, the House passed the National Defense Authorization Act. It included an amendment that we worked on with Congressman Garamendi (D-CA) which would require Secretary Leon Panetta to give a briefing on power and energy research.

The amendment asks Secretary Panetta (no later than Feb 28, 2013) to give a briefing on power and energy research at University Affiliated Research Centers (UARCs), including:

1. A description of research conducted with university-based energy centers; and
2. A description of collaboration efforts with university-based research centers on energy research and development activities, particularly with centers that have an expertise in energy efficiency and renewable energy, including
 - a. Lighting
 - b. Heating
 - c. Ventilation and air-conditioning systems and
 - d. Renewable energy integration.

The Senate has not yet passed their draft of the National Defense Authorization Act, but we will work to ensure that this language remains in the legislation.

Farm Bill

The Senate is set to start considering a farm bill on Tuesday, initiating what will likely be several weeks of floor action on the measure. Backers hope Senate passage of the bill before the Independence Day recess will increase odds that the House will act and Congress will pass a compromise farm bill before the election in November.

Senate Agriculture Committee Chairwoman Debbie Stabenow (D-MI) has said Senate Majority Leader Harry Reid (D-NV) planned to put the bill on the floor in early June, but Reid had left it unclear if he would bring up the bill next week amid many measures competing for floor time. Stabenow and other Democrats said they are confident the farm bill will win the 60 Senate votes needed to pass. The commodity title of the bill has drawn opposition from rice and peanut growers and lawmakers from southern states, but Stabenow has said the other 11 titles of the bill contain provisions that will benefit enough stakeholders to advance the measure.

The House Agriculture Committee held a series of three hearings on agricultural programs in advance of writing their draft of the Farm Bill. Their last hearing was on May 18th and they have not announced when they will release a draft or schedule a markup. Chairman Frank Lucas (R-OK) has said that he is disappointed by the Senate bill's commodity title because it does not work for all of agriculture. He believes it fails to provide producers with a viable safety net and instead locks in profit for a few commodities.

Student Loan Interest Fix

House and Senate Republican leaders yesterday offered two new proposals for covering the cost of keeping the interest rate on student loans from doubling to 6.8 percent on July 1. The issue has been stalemated over dueling House and Senate proposals for covering the \$6 billion cost of maintaining the current 3.4 percent interest rate for one year.

In a letter to President Obama, the four top Republican leaders suggested that the cost of keeping the lower interest rate for one year could be paid for by increasing the amount that federal employees contribute to their retirement accounts, or by a combination of three cost-saving proposals, including limiting the duration of borrowers' in-school interest subsidy to 150 percent of the normal time needed to complete their educational programs.

The *Post* reports that the letter was sent to the President a few hours after Speaker Boehner (R-IL) told House Republicans in a private meeting that he did not expect Congress to reach a compromise on the issue before July 1, requiring a retroactive fix.

The Senate last week rejected both a Democratic plan (S. 2343) to pay for the one-year extension by eliminating a tax break for certain corporations and the Republican House-passed plan (H.R. 4628), which would eliminate funding for a preventive health fund created by the Affordable Care Act in order to pay for the rate freeze.

OMB Issues Guidance for FY2014

The White House Office of Management and Budget (OMB) issued budget guidance for FY2014 to federal departmental and agency heads. The memorandum directs agency leaders to submit budget requests that are five percent below "the net discretionary total provided for your agency for 2014 in the 2013 budget." Agencies also are directed to submit a separate list of priority "addbacks" that would take the agency's budget submission back up to the 2014 level in the 2013 budget.

Startup Act 2.0

A bipartisan group of four Senators has introduced a new version of legislation aimed at bolstering economic growth by providing new tax benefits and easing regulations for startup companies, accelerating the commercialization of university research, and providing work visas for international students who earn advanced degrees in science and engineering fields at U.S. universities. The measure, known as "Startup 2.0" (S. 3217), fuses the small business Startup Act legislation (S. 1965) introduced earlier by Senators Mark Warner (D-VA) and Jerry Moran (R-KS) with the business-tax and immigration bill (S. 1866) introduced by Senators Chris Coons (D-DE) and Marco Rubio (R-FL).

Despite improvements from the previous bill regarding commercialization of university research, the new bill retains the problematic provision that would fund two new Department of Commerce grant programs by taxing

research funds at other major research agencies by 0.15 percent. UC Office of the President is also concerned that the bill would provide grants to institutions to “allow faculty to directly commercialize research in an effort to accelerate research breakthroughs.” UC FGR staff will continue working with the sponsors of the bill to modify the language of concern.

NIH Salary Cap

UC Office of the President joined more than 160 other organizations in sending a letter to House and Senate leaders of the Labor-HHS-Education appropriations subcommittees asking them to restore the salary limit for extramural researchers funded by the National Institutes of Health (NIH) to Executive Level I. The FY2012 appropriations bill reduced the salary cap from Executive Level I (\$199,700) to Executive Level II (\$179,000).

As described by the organizations’ letter, this reduction “comes at a time when research institutions’ discretionary funds from clinical revenues and other sources are increasingly constrained and less available to invest in research.” As “institutions and departments divert funds to compensate for the reduction in the salary limit, they will have less funding for critical activities such as providing bridge funding to investigators who may be between grants, and to provide seed grants and start-up packages for young investigators,” the letter continues. The organizations urge appropriators to restore the higher salary cap in FY13.

Green Card Bills

Two new Senate bills would create a new employment-based green card category for foreign students who have earned masters or doctoral degrees from U.S. institutions in the fields of science, technology, engineering, and mathematics (STEM).

The first bill, the SMART Jobs Act of 2012 (S. 3192), which was introduced on May 16th by Senators Chris Coons (D-DE) and Lamar Alexander (R-TN), would allow such graduates to remain in the U.S. for up to 12 months while they looked for work related to their field of study. Once employed, they would be allowed to change their immigration status and receive a green card. As noted in the Senators’ press release, “These new STEM green cards would not count toward any existing green card caps or limits.”

The second bill, introduced on May 15 by Senator John Cornyn (R-TX), would create a new employment-based green card category (EB-2A) for international students who had earned masters or doctoral degrees in STEM fields at U.S. research universities. The Securing the Talent America Requires for the 21st Century Act of 2012 (STAR Act, S. 3185) also would eliminate the diversity visa program and reallocate its 55,000 visas to the STEM graduate visa program.

The measure is similar to a bill that House Judiciary Committee Chairman Lamar Smith (R-TX) and Rep. Tim Griffin (R-AR) began developing last year; it remains unclear if the two House members will renew their efforts on the legislation this year.

UC Davis faculty and leadership in Washington, DC

From May 7th to 9th, Dr. Cristina Davis and Alexander Fung, a graduate student, participated in briefings, receptions and meetings with members of Congress and their staffs in Washington, DC to highlight the importance of biomedical research as part of UC Day. All of the UC campuses participated and it was a great success by all accounts.

Dr. Karen McDonald and Lucas Arzola, her graduate student, participated in CNSF Day on May 15th. They did several meetings on Capitol Hill, including a meeting with the Congressman from Lucas's homeland, Puerto Rico. They also participated in the CNSF exhibition, which was attended by NSF scientists, Congressional members and Congressional staff.

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.