

FISCAL YEAR 2015 OMNIBUS SPENDING PACKAGE AND IMPACT ON AGENCIES AND PROGRAMS IMPORTANT TO UC

OVERVIEW

On December 9, 2014, Congressional leaders released a FY 2015 consolidated (omnibus) bill that provides modest increases to student aid programs, scientific research and healthcare related programs and fund the government for the remainder of the current fiscal year. The federal government has been operating since October 1 on a continuing resolution (CR), which expires at midnight on December 11. The House passed the measure on December 11 by a 219-206 vote. Senate passage will avoid a government shutdown. Congress will pass a short term temporary funding bill to keep the government running into the weekend to allow time for the Senate to vote.

The measure includes appropriations for 11 out of the 12 appropriations bills and a CR, through February, 2015, for the Department of Homeland Security (DHS). The CR for DHS will allow next year's Republican-led Congress to address President Obama's immigration executive order.

If passed, student aid programs would either remain at their current levels of funding or see only slight increases under the measure. Funding for scientific research is basically flat. There are some increases to major health, defense and science agencies but at rates lower than hoped. New funding would be provided for the development of vaccines and treatment and to train hospital workers and others potentially exposed to Ebola.

Provided below is information related to the omnibus funding levels for the education, research and health care programs that are priorities to the University.

Please note that this summary includes our initial effort to analyze program funding levels in the FY 2015 omnibus bill; UC FGR will continue to examine this lengthy piece of legislation to determine any additional impacts on the University.

HIGHER EDUCATION AND STUDENT AID

Overall Department of Education (ED) discretionary funding is cut by \$166 million. \$303 million was taken from the expected Pell Grant surplus but added to the student aid administration account, leading to a net increase for ED of \$137 million (excluding Pell).

The shift of Pell Grant surplus funds had been included in the Senate Subcommittee bill, and will not have an immediate impact on the program. The student aid administration account is used by the Department to fund nonprofit student loan servicers and operate its student aid programs, and has been underfunded in recent years since losing its mandatory funding. Since much of the "increase" from the Pell surplus shift is going to this administrative account, there is actually a net decrease in available programmatic funding for ED.

Most education programs, including Supplemental Educational Opportunity Grants (SEOG), Graduate Assistance in Areas of National Need (GAANN), international education, and GEAR UP, are level-funded, but a few line items received small increases. In higher education, here are a few highlights:

- The bill maintains the discretionary base for the maximum Pell Grant at \$4,860. Together with the available mandatory add-ons and the scheduled mandatory inflationary increase, the maximum Pell Grant will be \$5,830 for academic year 2015-16.
- Federal Work Study will be increased by \$15 million.
- Student Aid Administration will receive a \$230.924 million boost.
- TRIO program funding is increased by \$1.5 million.

The Fund for the Improvement of Postsecondary Education (FIPSE) includes \$60 million for the First in the World competition, which is \$15 million below last year, and of the \$60 million, \$16 million is designated for minority-serving institutions.

For the Institute of Education Sciences, funding was cut by \$3 million, just from the assessment account. In addition, \$46 million was eliminated for the High School graduation initiative, President Obama's "Race to the Top" initiative was not funded, and "Investing in Innovation" (i3) was cut.

The bill includes a new provision partially reinstating the so-called "ability-to-benefit" consideration that extends financial aid eligibility to students without high school diplomas, if they are enrolled in career pathway programs at community colleges.

RESEARCH AND DEVELOPMENT

AGRICULTURE

US Department of Agriculture (USDA): The bill provides \$20.6 billion in discretionary funding for USDA, which is \$305 million below FY14. Of that amount, \$1.289 billion is provided for the National Institute of Food and Agriculture (NIFA), which is \$12 million more than in FY14. Most NIFA extramural research, education and extension programs vital to UC's food and nutrition mission were flat-funded:

- **Agriculture and Food Research Initiative (AFRI)** received \$325 million, which is \$9 million over the FY14 level. AFRI funds competitive research on human nutrition and health, agricultural sustainability, renewable energy and biofuels, water supply, and air and water quality. UC scientists typically receive 10-15 percent of competitive USDA research grants.
- **The Capacity Grants programs – Hatch Act, Smith-Lever 3(b)-3(c) and McIntire-Stennis Cooperative Forestry** were funded at FY14 levels: \$244 million for Hatch Act; \$300 million for Smith-Lever 3(b)-3(c); and \$34 million for McIntire-Stennis. These programs are crucial to UC's agricultural research and extension work, especially given the California drought. They enable UC to support California agricultural producers by improving conservation practices, production efficiencies, varietal development and cropping methods.
- **The Crop Protection/Pest Management (CP/PM) and Minor Crop Pest Management (IR-4) programs** were funded at FY14 levels, \$17.2 million and \$12 million, respectively. These

programs support UC's statewide Integrated Pest Management Program, which develops and promotes the use of ecologically sound methods for agricultural crop pest control.

- **Expanded Food and Nutrition Education Program (EFNEP)** was flat funded at \$68 million. This cooperative extension program helps UC deliver practical hands-on lessons on food, nutrition and health lifestyles to needy families.

COMMERCE, JUSTICE, SCIENCE

National Aeronautics and Space Administration (NASA) is funded at \$18 billion, an increase of \$364 million above FY14. Two NASA programs of high priority to UC are:

- **NASA Science Mission Directorate** is funded at \$5.24 billion, a \$93.5 million increase above FY14. The SOFIA project, which is important to several UC campuses, is funded at \$70 million.
- **Space Grant College and Fellowship Program** is funded at \$40 million, equal to the FY14 level. UCSD is the headquarters of the California Space Grant Consortium, which is affiliated with nine UC campuses, three NASA centers, several Cal State campuses and other California universities.

National Science Foundation (NSF) is funded at \$7.3 billion, an increase of \$172 million above FY 14. The increase is intended to provide about 350 more competitive grants in FY15 than last year. Policy items of note include:

- **Neuroscience and the National Brain Observatory Working Group** Report language is included encouraging NSF to work with the Interagency Working Group on Neuroscience (IWGN) and the Brain Research through Advancing Innovative Neurotechnologies (BRAIN) initiative to establish a working group "to determine how to use the data infrastructure of the NSF, the Department of Energy's national laboratory network, and other agencies to help neuroscientists collect, standardize, manage, and analyze the large amounts of data that will result from research attempting to understand how the brain functions." Within six months, NSF is directed to provide Congress a progress report on these efforts.
- **Social, Behavioral and Economics Research** Controversial efforts in the House to cut funding for social, behavior and economics research were not approved in the conference agreement.

Department of Commerce -- National Oceanic and Atmospheric Administration (NOAA) The bill contains \$5.4 billion for NOAA, which is \$126 million above FY14. Numerous extramural NOAA programs on climate, weather, water and ocean observing that are important to UC, were roughly flat funded, including:

- **Climate Research, Office of Oceanic and Atmospheric Research (OAR)** was funded at \$158 million, \$1.5 million above FY 14.
- **Sustained Ocean Observations and Monitoring, Ocean, Coastal and Great Lakes Research (OAR)** was funded at \$41.3 million, the FY14 level.
- **Regional Integrated Ocean Observing System, National Ocean Service** was funded at \$29.5 million, which is \$1 million above FY14.

- **National Sea Grant College Program** was funded at \$62 million, which is \$1 million below FY14.

National Network for Manufacturing Innovation The bill includes legislation known as the “Revitalize American Manufacturing and Innovation Act (RAMI), which authorizes the establishment of Centers for Manufacturing Innovation – public-private-academic partnerships for research and commercialization in advanced manufacturing process and products. While there is no appropriation, the Departments of Defense and Energy have already established several such advanced manufacturing institutes using already budgeted resources, and more are in development. Congressional authorization for these centers is a meaningful endorsement.

DEFENSE

Department of Defense (DOD) Research -- 6.1-6.3 Science and Technology programs \$12.414 billion is provided for the 6.1-6.3 research programs, a \$229 million increase above FY14. Defense basic research will receive a five percent increase in FY15 over FY14, including funding for the Defense Advanced Research Projects Agency (DARPA). This is a welcome outcome in the face of significant cuts below FY14 levels that were proposed for these programs in the President’s budget request. Specifically, 6.1 Basic Research is funded at \$2.278 billion, an increase of \$111 million over FY14. Historically, the bulk of UC’s (and other universities’) defense research is funded by the 6.1 account. Highlights include:

- **DOD Medical Research** The bill increases DOD’s core medical research budget and Congressionally-directed medical research funding by \$1.26 billion -- an 11 percent increase above FY14, including emergency Ebola funding. These increases will be focused in the competitively awarded Peer-Reviewed Medical Research Program and the Peer-Reviewed Cancer Research Program.
- **Climate Change/Alternative Energy Research** The bill provides \$20 million each to the Army, Navy and Air Force for alternative energy research that contributes to reduced emissions. Report language encourages DOD to continue aggressively planning for the effects of climate change, particularly in the Arctic, and adds \$5 million to Arctic Domain Awareness programs at DARPA.

ENERGY AND WATER

Department of Energy (DOE) The bill provides \$27.9 billion for DOE programs, which is \$636 million above FY14, and \$519 million less than the President’s request.

- **DOE Office of Science** The bill provides \$5.071 billion for the Office of Science, which is equal to the FY14 level.
 - **Energy Innovation Hubs** Funding is included to continue Energy Innovation Hubs, including 4th year funding for the Critical Materials Hub run by Ames National Lab (UC Davis and LLNL are partners); 3rd year funding for the Batteries and Energy Storage Hub run by Argonne National Lab (LLNL and LBNL are partners); and \$15 million for the Fuels

from Sunlight Innovation Hub run by Cal Tech (LBNL is a lead partner, and UC Irvine UC Berkeley and UC San Diego are partners). The Fuels from Sunlight Hub funds are pending DOE and Congressional approval for an extension beyond the initial five year term.

- **Energy Frontier Research Centers (EFRC)** \$100 million is provided for the EFRC program, in which several UC campuses currently participate. Funding is also provided for four Clean Energy Manufacturing Institutes, and for BioEnergy Research Centers, including LBNL's Joint BioEnergy Institute.
- **Advanced Research Projects Agency-Energy (ARPA-E)** The bill provides \$280 million for ARPA-E, the same as in FY14.
- **Nuclear Weapons and Nonproliferation** The bill provides \$8.232 billion for nuclear weapons activities, \$387 million more than in FY14. The bill also provides \$1.641 billion for nonproliferation activities to reduce the threat of nuclear terrorism, which is \$86 million above FY14.
- **Computer Science and Computational Resources**
 - **The LBNL National Energy Research Scientific Computing Center** is funded at \$75.6 million.
 - **Exascale Computing Initiative** The bill provides \$141 million for the Exascale Computing Initiative, including \$91 million for the Office of Science Advanced Scientific Computing Research Program, and \$50 million for the NNSA Advanced Simulation and Computing Campaign.

HOMELAND SECURITY

Department of Homeland Security The bill funds DHS programs and operations, including immigration, research, development and innovation and university programs at FY14 levels under a Continuing Resolution through February 27, 2015.

INTERIOR, ENVIRONMENT AND RELATED AGENCIES

Department of Interior, US Geological Survey (USGS) The bill provides \$1.045 billion for USGS, which is \$13 million above FY14. Several USGS programs, though relatively small, are of importance to UC campuses and the UC Division of Agriculture and Natural Resources (UCANR):

- **Earthquake Hazards Program** The bill provides \$59.5 million for the Earthquake Hazards Program, a \$5.5 million increase above FY14. Of this amount, \$5 million is included to "transition the Earthquake Early Warning Demonstration Project into operational capability on the West Coast." Additional report language directs USGS to collaborate with universities, companies and other federal agencies "to continue precise observation of critical fault locations." UC campuses and other California universities are instrumental in this work.
- **Global Seismographic Network (GSN)** The bill provides \$4.9 million for the GSN, which is equal to the FY14 funding level.

- **Water Resources Research Institutes (WRRI)** The bill provides level funding of \$6.5 million for WRRI, including the California Institute for Water Resources, which is part of UCANR.
- **Climate and Land Use Change, and Climate Science Centers** The bill provides \$136 million for Climate and Land Use Change programs, a \$4 million increase over FY14. Within this amount, Climate Science Centers are funded at \$26.7 million, a \$3 million increase over FY14.

National Endowment for the Humanities (NEH) The bill provides level funding of \$146 million for the NEH.

HEALTH AND HUMAN SERVICES

The FY15 omnibus includes funding for several key programs related to UC's health care services and health research priorities. Below are details and highlights of several key priorities of UC Health:

National Institutes of Health (NIH)

FY15 NIH Funding: \$30.1 billion, \$150 million above FY14 level.

- This amount of \$30.1 billion allows for increases that are generally distributed proportionately among the NIH Institutes and Centers. However, additional funds have been made available to the National Institutes on Aging in recognition of the Alzheimer's disease research throughout the NIH, several institutes involved in research connected with the BRAIN Initiative, the National Cancer Institute for cancer research, and the Common Fund to support the Gabriella Miller Kids First Research Act. "NIH is expected to base its funding decisions only on scientific opportunities and the peer review process....The agreement expects NIH to promote the advancement of biomedical science in a manner that builds public trust and accountability and expects NIH to conduct rigorous oversight prior to the awarding of funds to ensure that all grants are connected to the core mission and priorities of NIH."

Highlights of the NIH Sub-Title

- **BRAIN Initiative:** The bill provides \$65 million in support for the BRAIN Initiative (Brain Research Through Application of Innovative Neurotechnologies), an increase of \$25 million.
- **Ebola:** Included in the NIH bill is \$238 million to fund Ebola-related research.
- **Basic Biomedical Research:** The legislation recognizes the importance of ongoing funding and support for basic biomedical research and urges the NIH to continue the traditional focus on basic biomedical research ensuring that it remain a "key component of both the intramural and extramural research portfolio at the NIH."
- **Big Data:** The agreement directs the NIH to include requirements related to privacy protections in every grant that involves human research and expects the NIH to continue to find ways to protect the data of individuals involved in research.

- **National Center for Advancing Translational Sciences (NCATS)**: \$635 million has been provided to the NCATS, an increase of \$2 million over FY14, with up to \$9.8 million made available to the Cures Acceleration Network.
- **Executive Level Compensation**: No funds appropriated may be used to pay the salary of an individual, either through a grant or another extramural mechanism, at a rate in excess of Executive Level II. UC has long supported that compensation at least be capped at Executive Level I.
- **Precision Medicine**: Among a long list of areas of interest, the NIH includes “precision medicine” as an area that it continues to support and requests an update describing the latest efforts ongoing and planned around precision medicine in the FY 2016 budget request.
- **Administrative Burden**: The legislation directs the NIH to charter the Administrative Burden Workgroup included in the FY14 legislation within 60 days of enactment and conduct their first meeting within 30 days of that date. The purpose of this Workgroup is to develop a plan to reduce the administrative burden on grantees and their organizations.

Health Resources and Services Administration (HRSA)

Title VII Health Professions Training

FY15 Funding: \$250 million; \$9.5 million higher than FY14 funding levels.

This Title includes funding for two programs important to UC and previously zeroed out in the FY15 Budget Request:

- \$14 million for the Health Careers Opportunity Program
- \$30 million for Area Health Education Centers

Title VII medical education training and loan programs are critical sources of financial support for many of UC’s students and physician faculty as they are the only federal programs designed to educate providers in interdisciplinary settings to meet the needs of special and underserved populations, as well as increase minority representation in California’s health care workforce.

TITLE VIII Nursing Workforce Development

FY15 Funding \$231 million; \$7.8 million higher than FY14 funding level

HRSA’s Nursing Workforce Development Programs provide training for entry-level and advanced degree nurses and are the largest source of federal funding for nursing education, providing loans, scholarships, traineeships, and programmatic support to over 50,000 nurses.

340B Drug Pricing Program: Funding was provided in FY14 to make 340B ceiling prices available to covered entities through a secure website. HRSA is required to brief Congress on the implementation of this website by March 3, 2015 over concerns that HRSA has been unable to demonstrate that the drug pricing program benefits the most vulnerable patients. The Agency is directed to examine the 340B program’s ability to ensure patients’ access to savings for outpatient drugs and to work with covered

entities to better understand how these entities support direct patient benefits from the 340B discounted sales.

Centers For Medicare And Medicaid Services (CMS)

FY15: \$3.7 billion for CMS management and operations, the same as the FY14 enacted level

Relevant CMS Provisions:

- With concerns over Recovery Audit Contractors (RAC) and the unintended consequences that audits can have on patient access to care, CMS is directed to “educate providers on how to reduce errors, develop procedures to reduce the OMHA (Office of Medicare Hearings and Appeals) backlog; and establish a process that provides educational feedback from the OMHA to CMS and RAC contractors to reduce the identification of claims that are likely to be overturned once elevated to the OMHA.” The FY16 budget will include a timeline, milestones, and measurable goals to address these concerns with the RACs to reduce the backlog of appeals.
- \$672 million is allocated for program integrity efforts for Health Care Fraud and Abuse Control activities, an increase of \$378 million over FY14.
- Reduces the Independent Payment Advisory Board (IPAB) by \$10 million.
- Provides no additional funding for the Affordable Care Act.

OTHER RELEVANT AGENCIES AND FUNDING STREAMS

- \$5.4 billion in Ebola funding across agencies
 - \$2.7 billion for HHS (including \$1.77 billion for the CDC and \$248 million for the NIH)
 - Funds are provided for the development of vaccines and treatments, to train hospital workers and others potentially exposed to Ebola through their jobs, to bolster quarantine stations at the nation’s port of entries, to create isolation units on a regional basis, to reimburse hospitals for the care of Ebola patients and to send CDC scientists to help stop the spread of the disease where it is currently affecting the most individuals.
 - Includes \$576 million for the HHS Assistant Secretary for Preparedness and Response for the renovation and alteration of private facilities to improve preparedness and response at the state and local levels.
 - Provides \$10 million for worker-based training to prevent and reduce possible exposure to hospital employees and emergency responders.
 - Hospital reimbursement appears limited to costs incurred from treating Ebola patients and not necessarily for costs incurred in obtaining supplies or training personnel. The language is vague and the details will likely be left up to the Secretary of HHS.
 - The legislation specifically says that it “does not concur with the Administration’s request to designate at least one treatment center in every State. Instead, the

agreement provides funding to the Department to implement a regional strategy for designating treatment centers which balances both geographic need and the fact that different institutional capabilities may be necessary for a successful strategy.”

- \$6.9 billion for the Centers for Disease Control and Prevention, \$43 million above the FY14 level. This includes \$887 million in transfers from the Prevention and Public Health Fund. Within the National Institute for Occupational Safety and Health (NIOSH), \$27.4 million is provided for the Education and Research Centers (ERC), two of which are located at UC campuses (the Southern CA ERC involves UCI and UCLA, and the Northern CA ERC involves UCB and UCSF). The NIOSH Agriculture, Forestry and Fishing (AFF) Program, which supports the AFF Center at UC Davis, is funded at \$24 million. These NIOSH funding levels are the same as in FY 14.
- \$265 million for Children’s Hospital Graduate Medical Education funding, rejecting the Administration’s request to eliminate the program.
- \$2.6 billion for the Food and Drug Administration (FDA) including \$1.8 billion in user fees, for a total of \$4.4 billion for the FDA. This is an increase of \$96 million over FY14.