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CONGRESSIONAL SCHEDULE  NEW

The House did not meet today and is in recess until next Tuesday, January 18. The chamber convened this week on Tuesday, January 11, but because of the shooting tragedy in Tucson, postponed its regular business. House Members spent Wednesday paying tribute to Rep. Gabrielle Giffords (D-AZ) and the other victims of the shooting. They approved a resolution condemning the attack and honoring those killed and injured (H. Res. 32).

Next week, House Republican leaders are expected to return to their previous agenda: consideration of H.R. 2, legislation to repeal the health care overhaul approved last year, and a House resolution (H. Res. 9) instructing specific House committees to develop alternative health care reform legislation.

The Senate is in recess until Tuesday, January 25.

BUDGET & APPROPRIATIONS

HOUSE REPUBLICANS DEVELOPING PLANS FOR SPENDING CUTS  NEW

House Republicans are grappling with how to meet their campaign promise to reduce non-security discretionary spending to its FY08 level.

Politico reports that for the current fiscal year, FY11, this would mean capping appropriations for non-security agencies at $378.4 billion, nearly $100 billion less than President Obama’s FY11
request and $84 billion, or 18 percent, below current levels. The Departments of Defense, Homeland Security, and Veterans Affairs would largely be exempt from the cuts.

When Congress was unable to approve a year-long FY11 budget before adjourning in December, FY11 funding was frozen generally at FY10 levels through a continuing resolution (CR) that expires on March 4. National Journal reports that because more than five months of FY11 will have elapsed before the CR expires, House Republican leaders indicate they now expect to cut about $60 billion from FY11, with additional cuts in FY12.

A likely budget scenario, reports Politico, is a “streamlined, seven-month extension of the current CR, with lower spending rates and likely rescissions from previous appropriations.” Others note that an FY11 CR might carry separate appropriations bills for Defense, Homeland Security, and Veterans Affairs.

An indication of how deeply House Republicans propose to cut FY11 spending will come when Budget Committee Chairman Paul Ryan (R-WI) announces the spending limit in the House for the rest of FY11, which could come as early as next week.

**PRESIDENT WILL CALL FOR CONTINUED INVESTMENTS IN EDUCATION AND R&D** *NEW*

Secretary of the Treasury Timothy Geithner suggested during a speech on January 12 that President Obama’s State of the Union address on January 25 and his FY12 budget proposal would reflect growing concern about government spending and the federal deficit. He emphasized, however, that the President would support added spending in areas vital for economic growth and competitiveness, such as education and research & development (R&D). As described by the Wall Street Journal, he said the President would “lay out a set of proposals for how we bring our fiscal position back into balance,” but “still preserve the capacity to invest more in things that will be essential to our competitiveness.”

Secretary Geithner said in his prepared remarks that to rebuild America and create jobs, the nation must invest “more” in research and development, educational reforms, and public infrastructure, and create greater incentives for investments in the U.S.

**EXECUTIVE BRANCH**

**HHS IG ISSUES REPORT ON INSTITUTIONAL CONFLICTS OF INTEREST** *NEW*

The Office of Inspector General (OIG) at the Department of Health and Human Services issued a report on January 11 addressing institutional conflicts of interests among National Institutes of Health (NIH) grantees. In a survey of 250 grantee institutions, the OIG found that 70 of 156 responding NIH grantee institutions have written policies and procedures addressing institutional conflicts, although they are not required by the federal government to do so. The OIG recommended, as it has before, that NIH promulgate regulations that address institutional financial conflicts of interest. NIH has shown no interest in promulgating regulations in this area.
SUPREME COURT DECISION SUPPORTS IRS RULING THAT MEDICAL RESIDENTS ARE EMPLOYEES, NOT STUDENTS, FOR TAX PURPOSES

The Supreme Court ruled unanimously on January 11 that the Treasury Department acted reasonably in promulgating a rule that says that medical residents are not exempt from paying employment taxes under the Federal Insurance Contributions Act. As described by the Chronicle of Higher Education, the decision settles a longstanding argument between institutions and the Internal Revenue Service over whether medical schools should have to pay the employer’s share of Social Security and Medicare taxes for their medical residents. The ruling is expected to cost medical schools and teaching hospitals an estimated $700 million a year.

AAU joined five other higher education and medical education associations on August 16, 2010, in submitting an amicus brief on the case. The brief argued that the Treasury rule was invalid because:

“Congress exempted from FICA taxation all services performed in the employ of a school, college or university by any ‘student’ who is enrolled and regularly attending classes at such institutions. 26 U.S.C. § 3121(b)(10). Reversing decades of consistent administrative practice, the Treasury Department has decreed that no medical residents can ever be ‘students,’ solely because their ‘normal work schedule is 40 hours or more per week.’

Residencies are educational programs and residents are “students” under any reasonable understanding of that word. Medical school graduates do not enter residencies because they need a paid job, but because completion of a residency is the next required step in their goal of becoming a physician who can practice independently.”

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