January 28, 2011

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CONGRESSIONAL SCHEDULE  NEW

Congress is not in session today. The House will not meet again until Tuesday, February 8. The Senate will return to session on Monday, January 31, with no recorded votes.

Senate Majority Leader Harry Reid (D-NV) next week plans to bring up a Federal Aviation Administration reauthorization bill (S. 223) and a four-month extension of the authorization for small business programs. The current short-term reauthorization for small business programs (P.L. 111-251) expires on January 31.

BUDGET & APPROPRIATIONS

PRESIDENT’S SPEECH CALLS FOR CONTINUED INVESTMENTS IN RESEARCH AND EDUCATION  UPDATED

President Obama said in his State of the Union address on January 25 that Washington must reduce federal spending, but also must strengthen the federal investment in innovation, education, and infrastructure in order to enable the U.S. to “out-innovate, out-educate, and out-build the rest of the world.” He expressed these views, even as he said his FY12 budget would propose freezing overall domestic discretionary spending for the next five years. Presumably, details on how the Administration plans to balance the spending freeze with added investments will be provided in the FY12 budget, which is scheduled for release on February 15.

Regarding new investments, the President said his Administration would support continued investment in scientific research, particularly “biomedical research, information technology, and especially clean energy technology.” He also called for preparing 100,000 new teachers in
science, technology, engineering, and mathematics fields over the next 10 years; urged Congress to make the tuition tax credit permanent; and expressed strong support for immigration reform that would enable talented young people—both undocumented long-term residents and students from other nations—to study and remain in the United States. He also encouraged colleges to open their doors to military recruiters and ROTC.

Among the research and education highlights in the President’s speech:

“Half a century ago, when the Soviets beat us into space with the launch of a satellite called Sputnik, we had no idea how we would beat them to the moon. The science wasn’t even there yet. NASA didn’t exist. But after investing in better research and education, we didn’t just surpass the Soviets; we unleashed a wave of innovation that created new industries and millions of new jobs.

“This is our generation’s Sputnik moment. Two years ago, I said that we needed to reach a level of research and development we haven’t seen since the height of the Space Race. And in a few weeks, I will be sending a budget to Congress that helps us meet that goal. We’ll invest in biomedical research, information technology, and especially clean energy technology - an investment that will strengthen our security, protect our planet, and create countless new jobs for our people.”

He later added:

“Cutting the deficit by gutting our investments in innovation and education is like lightening an overloaded airplane by removing its engine. It may make you feel like you’re flying high at first, but it won’t take long before you feel the impact.”

AAU issued a statement praising the President’s focus on research and education investment.

**REPUBLICAN RESPONSE:** **ADDED BUREAUCRACY DOES NOT PROMOTE INNOVATION**

In the Republican response to the President, House Budget Committee Chairman Paul Ryan (R-WI) did not directly address scientific research and education, but he expressed general disagreement on the role of government in fostering innovation:

“The President and the Democratic leadership have shown, by their actions, that they believe government needs to increase its size and its reach, its price tag and its power. Whether sold as ‘stimulus’ or repackaged as ‘investment,’ their actions show they want a federal government that controls too much; taxes too much; and spends too much in order to do too much.”

Chairman Ryan added:

“Depending on bureaucracy to foster innovation, competitiveness, and wise consumer choices has never worked – and it won’t work now. We need to chart a new course….We believe a renewed commitment to limited government will unshackle our economy and create millions of new jobs and opportunities for all
people, of every background, to succeed and prosper. Under this approach, the
spirit of initiative – not political clout – determines who succeeds.”

OTHER CONGRESSIONAL ISSUES

SENATORS REINTRODUCE PATENT REFORM BILL  NEW

Leaders of the Senate Judiciary Committee introduced patent reform legislation on January 25
that is aimed at continuing work on legislation that the panel approved last year, but which did
not reach the Senate floor. The Patent Reform Act of 2011 (S. 23) was introduced by Senate
Judiciary Committee Chairman Patrick Leahy (D-VT), Committee Ranking Member Charles
Grassley (R-IA), Committee Member Orrin Hatch (R-UT), and six other Senators. The panel
will consider the bill on Thursday, February 3.

The provisions in the bill of particular interest to the university community are identical to those
in last year’s version of the bill, which the university community strongly supported.

According to a statement issued by Senator Leahy when he introduced the bill:

“Today, I am reintroducing bipartisan patent reform legislation that is the culmination
of three Congresses worth of bipartisan, bicameral work, including eight hearings in
the Senate alone. The Patent Reform Act of 2011 is structured on legislation first
introduced in the House by Chairman Smith and Mr. Berman in 2005. The legislation
will accomplish three important goals, which have been at the center of the patent
reform debate: improve the application process by transitioning to a first-inventor-to-
file system; improve the quality of patents issued by the USPTO by introducing
several quality-enhancement measures; and provide more certainty in litigation.”

OTHER

UNIVERSITY ENDOWMENTS ROSE AVERAGE OF 12 PERCENT IN 2010;
SENATOR GRASSLEY RESPONDS  NEW

College and university endowments rose by an average of nearly 12 percent, according to results
of the annual endowment survey published January 27 by the National Association of College
and University Business Officers (NACUBO) and Commonfund. The study, which covered
fiscal year 2010 (July 1, 2009 – June 30, 2010), noted that the increase was a sharp contrast to
fiscal year 2009, when the average return was -18.7 percent.

While all institutions responding to the survey had an average annual spending rate of 4.5
percent, institutions with endowment assets over $1 billion had an average annual spending rate
of 5.6 percent, and those with assets between $500 million and $1 billion had an average annual
spending rate of 5.7 percent.

In a statement, NACUBO President and Chief Executive Officer John D. Walda and
Commonfund Institute Executive Director John S. Griswold noted the positive news about
endowment returns but cautioned that “three-, five- and 10-year returns remained below the level
needed to fund missions for the long term after accounting for spending, inflation and expenses.”
The full report will be available for sale in February, 2011, but the public tables are available here.

In response to the report, Senator Charles Grassley (R-IA), a longtime critic of university endowment policies, said in a memorandum to the press that university endowment investment and payout policies should be reviewed as part of tax reform. He said, in part:

“This most recent study strengthens the case for reviewing the investment and payout policies of endowments in the context of tax reform. Taxpayers and students deserve to understand what they’re getting in return for the tax benefits awarded to these institutions. These endowment managers should consider the challenge presented by the President in his state of the union speech and expand educational opportunities by making college more affordable for more students.”

Senator Grassley is a member of the Senate Finance Committee but is no longer its Ranking Member.

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