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Because of the extra funding, most appropriations accounts would rise by 0.6 percent over what they would have been otherwise.

The outlines of the CR were agreed to before the August recess when House and Senate leaders announced that they and President Obama had reached an agreement. In exchange for having an opportunity to make further cuts in FY13 spending next year, House Republicans agreed to abide by the FY13 discretionary spending level approved in last year’s Budget Control Act and used by the Senate in its FY13 appropriations bills. The House had sought to reduce that spending total by $19 billion.

OMB REPORT DETAILS EFFECTS OF BUDGET SEQUESTRATION  UPDATED

The Office of Management and Budget (OMB) issued a report on September 14 that provides new details on the devastating impact that the scheduled budget sequester would have on federal agencies and programs. Last year’s Budget Control Act imposed tight new spending caps for FY14-FY21. It also stipulated that if Congress and the Administration failed to enact a package reducing the federal deficit by an additional $1.2 trillion through FY21—which they did fail to do—across-the-board spending cuts would be imposed in FY13, beginning January 2, and the out-year spending caps would be further reduced.

These spending cuts, termed the sequester, amount to $109 billion in FY13, divided evenly between defense and nondefense activities, and would achieve a total of $1.2 trillion in spending and interest savings through FY21. In FY13, defense spending would be cut by $54.7 billion, domestic discretionary spending by $38 billion, Medicare by $11 billion, and other mandatory domestic spending programs by about $5 billion.

The OMB report shows the impact of the potential cuts down to the budget function. While the final terms of the sequester would not be set until implementation, the report assumes a 9.4-percent cut in non-exempt defense discretionary spending programs and an 8.2-percent cut in non-exempt domestic discretionary spending programs. (For defense, military personnel accounts are exempt from the FY13 sequester; exempt nondefense accounts include veterans’ benefits and medical care and Pell Grants.) For those mandatory spending programs affected, the cuts would be 10 percent for defense programs and 7.6 percent for nondefense programs. Although funding for Medicare providers would be cut by two percent, or about $11 billion, other entitlements such as Medicaid and Social Security would not be touched. The impact of the sequester on federal agencies and activities would be intensified by the fact that it would be implemented three months into the fiscal year.

In areas of special concern to higher education, the National Institutes of Health budget would be cut by $2.5 billion, research at the National Science Foundation (NSF) by $469 million, NASA science by $417 million, and the National Endowment for the Humanities by $12 million. Science at the Department of Energy would be cut by $400 million, and although the Defense numbers do not separate out basic research, a cut of 9.4 percent would cut defense basic research by about $200 million. And while Pell Grants would be exempt from the sequester in FY13, most other financial aid programs would be cut and student loan origination fees would increase.

By bringing the impact of the potential sequester down to the agency function level—showing separate cuts in NSF research, education, and major equipment, for example—the OMB report
has intensified the drumbeat of articles and statements urging Congress and the Administration to avoid the sequester in the short term and to reach a balanced, long-term budget deal. The statement by AAU President Hunter Rawlings, which was cited by several education and science trade publications, can be found here.

The sequester was never intended to be implemented. It was designed to be so egregious that Congress and the Administration would be forced to reach a budget deal. But no proposed alternative has been acceptable to all sides. Congress is expected to address the sequester, along with the scheduled year-end expiration of the Bush-era tax cuts, the payroll tax cut, and unemployment benefits during the post-election lame duck congressional session. Also, the debt limit is likely to be reached early next year and will need to be raised. As noted by the Washington Post, “The cumulative impact of all of these scheduled cuts and changes is what’s popularly known as the fiscal cliff. There’s already talk of passing a short-term stopgap budget plan during the lame-duck session to buy legislators more time to come up with a grand bargain.”

**ITIF REPORT EXAMINES HARMFUL EFFECTS OF R&D SEQUESTER CUTS ON INNOVATION**  
NEW

At a Capitol Hill event held yesterday, the Information Technology & Innovation Foundation (ITIF), a non-partisan, nonprofit think tank, released a report detailing the significant economic harm that would result from the sequester of federal research and development (R&D) funding.

The report, *Eroding Our Foundation: Sequestration, R&D, Innovation and U.S. Economic Growth*, estimates that because R&D plays a key role in driving U.S. innovation, productivity, and economic growth, a cut of $12.5 billion in federal R&D spending in FY13 would reduce the nation’s gross domestic product (GDP) by between $203 billion and $860 billion through FY21, depending on what baseline is used. The R&D cuts would also result in job losses of about 200,000 in FY13.

Joining ITIF President Robert Atkinson at the event to release the report were AAU President Hunter Rawlings, Association of Public and Land-grant Universities (APLU) President Peter McPherson, and representatives of some of the industries that would be affected by cuts in research funding, including information technology, aerospace, and biotechnology.

The ITIF study was funded by AAU, APLU, United for Medical Research, The Science Coalition, and the Task Force on American Innovation.

**UMR/RESEARCH AMERICA POLL SHOWS AMERICANS SUPPORT BIOMEDICAL RESEARCH**  
NEW

United for Medical Research (UMR), of which AAU is a member, and Research!America released polling data yesterday showing that the majority (51 percent) of voters oppose the across-the-board cuts that would take place if the budget sequester were implemented.

The poll was released at the National Press Club, and included remarks by National Institutes of Health (NIH) champions, Rep. Ed Markey (D-MA) and Brian Bilbray (R-CA), as well as BD
CEO Vincent Forlenza and American Diabetes Association advocate, Anastasia Albanese-O’Neill, whose daughter has Type 1 diabetes. Participants warned of the threat the sequester posed to the National Institutes of Health (NIH) and other nondefense discretionary programs, as well as the broader medical innovation ecosystem.

Among the other findings of the poll: Fifty-four percent of respondents felt it was important for the U.S. to maintain world leadership in research, but the majority (59 percent) expressed doubt that the U.S. would be a leader in science and technology in 2020. A plurality (49 percent felt that our nation should not reduce its commitment to medical research, although less than half (44 percent) were aware that medical research took place at universities in all 50 states.

OTHER CONGRESSIONAL ISSUES

HOUSE FAILS TO PASS HIGH-SKILL IMMIGRATION BILL  UPDATED

The House yesterday rejected a bill that would create a new visa category for international students with advanced degrees in science, technology, engineering, and mathematics (STEM) fields from U.S. universities who wish to remain and work in the United States. The “STEM Jobs Act” (H.R. 6429) failed to receive the two-thirds majority vote (290 votes) needed for its approval under the expedited procedure of suspension of the rules. The vote was 254 to 158.

Although many policymakers agree on the need for the STEM visas, reports CQ.com, bipartisan talks have broken down after becoming embroiled in the broader immigration debate. As a result, three different STEM degree visa bills have been introduced over the past few weeks.

AAU has not officially endorsed any of the STEM immigration bills, but the association continues to strongly support congressional efforts to streamline the green card process for advanced STEM degree graduates from U.S. universities.

The STEM Jobs Act (H.R. 6429), which failed to pass in the House, was introduced on September 18 by House Judiciary Committee Chairman Lamar Smith (R-TX) and 48 cosponsors. The measure would eliminate the Diversity Visa program and reallocate its 55,000 visas for green cards for advanced STEM degree graduates. Among its specific provisions, the bill would allow proprietary higher education institutions to participate in the program, if they met specific criteria, and specifically excludes biological sciences from the list of eligible technical fields. The bill also would allow foreign students to receive student visas to attend college in the U.S. in STEM fields without having to prove their intention to return home after they complete their studies.

A second House bill, introduced on September 14 by Rep. Zoe Lofgren (D-CA), is called the “Attracting the Best and Brightest Act of 2012” (H.R. 6412). The measure would create 50,000 STEM visas, but would not eliminate the Diversity Visa program. The increase in STEM visas would be in effect for just two years, in order to give Congress time to pass immigration reform legislation. The Lofgren measure would not allow proprietary institutions to participate.

Senator Schumer (D-NY) on September 18 introduced his own STEM immigration bill, the “Benefits to Research and American Innovation through Nationality Statutes Act of 2012 (the BRAIN Act). The measure shares many features with the Lofgren bill, including the allocation
of 50,000 advanced STEM degree graduates a year for just two years. But it also would allow individuals to renew their nonimmigrant visas in the U.S. rather than having to return to their home countries.

**HIGHER EDUCATION ASSOCIATIONS SUPPORT EDUCATOR PREPARATION REFORM ACT**

A group of 11 higher education organizations, including AAU, sent a letter yesterday to Senator Jack Reed (D-RI) and Representative Mike Honda (D-CA) expressing strong support for their new teacher preparation bill, the “Educator Preparation Reform Act.” (S. 3582, H.R. 6447).

The letter says, “We are committed to ensuring that the best prepared educators serve in our highest need schools, and we believe this legislation embodies this goal.” The associations express their appreciation for the Senators’ efforts to “forge a collaborative partnership among those in the federal government, those in local schools, and those on college campuses who care deeply about our nation’s children and their teachers,” adding that the associations share the Senators’ strong interest in “strengthening educator preparation and developing sound accountability measures.”

“We strongly believe that research should inform any components of teacher education program evaluation, including the development of metrics and indicators used to determine quality and value,” adds the letter. “Research has shown that the most important school-based factors for raising student achievement and turning around struggling schools are teacher quality and school leadership.”

**OTHER**

**NRC ISSUES REPORT ON INNOVATION**

In another follow-up to its seminal 2005 report, “Rising above the Gathering Storm,” the National Research Council (NRC) has published a new report, “Rising to the Challenge: U.S. Innovation Policy for the Global Economy.” Where the first report urged the U.S. to increase its investments in research & development, education, and other parts of the innovation system, the new report argues that “far more vigorous attention be paid to capturing the outputs of innovation—the commercial products, the industries, and particularly high-quality jobs to restore full employment.”

This comprehensive report focuses on four core goals, listed on page 11 of the report:

1. Monitoring and learning from successes and failures in other countries’ innovation policies;
2. Reinforcing U.S. innovation leadership through policies, programs, and institutions that create the foundation for our knowledge-based growth and high-value employment, including measures to strengthen U.S. research universities and national laboratories, renew the national infrastructure, and revive the manufacturing base;
3. Capturing greater value from public investments in research by reinforcing public-private partnerships and expanding support for manufacturing; and
4. Cooperating more actively with other nations to advance innovations that address shared global challenges in energy, health, the environment, and security.

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