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CONGRESSIONAL SCHEDULE  NEW

The Senate did not meet today. The House was out of session this week but met in pro forma
session today. Both chambers will reconvene on Monday, February 4, when the Senate will
begin debate on a modified version of the Violence against Women Act.

BUDGET & APPROPRIATIONS

THE THREAT OF ACROSS-THE-BOARD SPENDING CUTS UNDER
SEQUESTRATION REMAINS  NEW

Washington policymakers appear increasingly resigned to allowing the large across-the-board
cuts in defense and nondefense discretionary programs under the sequester to go into effect on
March 1. In order to prevent the sequester, Republicans remain adamant that the cuts be
replaced by other spending cuts and entitlement reforms, while Democrats insist that any
alternative package include new revenues. As National Journal points out, “once unthinkable,
draconian cuts designed to force a more reasonable compromise may be much harder to undo
than anyone ever imagined.”

The White House continues to oppose the sequester, but it has not yet signaled publicly the level
of political effort it will exercise to prevent it. In the Senate, Appropriations Committee Chair
Barbara Mikulski (D-MD) said she will “do everything I can to have a balanced approach to
vitiate sequester,” and is planning a hearing on February 14 to discuss the consequences of the sequester.

The original estimated across-the-board cuts in FY13 under the sequester were 9.4 percent for defense discretionary spending and 8.2 percent for nondefense discretionary spending. The fiscal cliff agreement signed on January 2 lowered those percentages to an estimated 7.3 and 5.1 percent, respectively. However, a memorandum prepared by Senate Budget Committee Chair Patty Murray notes that because the cuts would be absorbed over the last seven months of FY13, “the impact of the cuts will generally not be less dramatic.”

AAU, APLU REMIND POLICYMAKERS ABOUT DANGERS OF SEQUESTRATION

The presidents of AAU and the Association of Public and Land-grant Universities (APLU) wrote to President Obama and House and Senate leaders on January 30 urging them “once and for all” to end the threat of sequestration, citing the dangers to the nation’s economic future of allowing the sequester to be implemented on March 1. Their letter said, “We write to urge you to repeal sequestration and to ensure that further deficit reduction focuses on the primary source of long-term spending growth, entitlement programs, and on tax reform that encourages economic growth and raises revenues.”

The letter from AAU President Hunter Rawlings and APLU President Peter McPherson references an earlier letter sent by more than 150 research university presidents and chancellors expressing that view. “The indiscriminate spending cuts forced by budget sequestration would severely harm the very investments—education and scientific research—our nation needs to grow its economy,” the two presidents wrote.

OTHER CONGRESSIONAL ISSUES

IMMIGRATION REFORM PROPOSALS WOULD HELP IMMIGRANT STUDENTS

Immigration reform rose higher on Washington’s agenda this week. On January 28, a bipartisan group of influential Senators—dubbed the “Gang of Eight”—released a set of principles for comprehensive immigration reform, which they said they hoped would be able to pass as legislation later this year. The following day, President Obama announced his own set of principles for immigration reform, noting that he had his own bill prepared in case the House and Senate appeared to be delaying action.

Senator Charles Schumer (D-NY) said on January 30 that Senator John McCain (R-AZ) was taking the lead in drafting a bill that he hoped could be marked up in the Senate Judiciary Committee and passed by the full Senate in late spring, CQ.com reports. Senator Schumer added that once the bill hits the Senate floor, it could require three to four weeks of debate.

A bipartisan group in the House also is developing a set of proposals, reports Politico, which the Members hope to announce sometime close to the President’s State of the Union address on February 12.
Both the Senate Gang of Eight’s and the President’s sets of principles offer a separate path to citizenship for young people brought to this country illegally as children (that is, the DREAM Act) and would give green cards to international students earning advanced degrees in science, technology, engineering, and mathematics (STEM) fields so they could remain and work in the United States. Neither plan explicitly calls for expanding the number of non-immigrant, H-1B visas for high-skilled workers, which are used by companies to hire highly educated foreign professionals short-term for specialty positions and by universities for international researchers and scholars.

The high-skilled visa issue was addressed on January 29, however, by a bipartisan group of four Senators who introduced the Immigration Innovation Act of 2013. Reflecting ideas strongly supported by the high-technology industry, the bill would make a number of changes in visa policy, including raising the annual number of H-1B visas for high-skilled workers from the current 65,000 to 115,000, with a “market-based” escalator clause to adjust the numbers to reflect needs of the economy. As with the President’s proposal, the bill would use fees paid by employers to support U.S. science education.

Among the visa changes important to universities, the measure would exempt from the H-1B visa cap outstanding professors and researchers, persons with extraordinary ability, and those with U.S. STEM advance degrees, among others. It also would allow employment for dependent spouses of H-1B visa holders. Senator Chris Coons (D-DE) said of the bill, “It is my hope that this legislation finds a home in the balanced immigration reform package ultimately considered by the Senate this year.”

HOUSE SCIENCE COMMITTEE TO HOLD FEBRUARY 6 HEARING ON ROLE OF R&D IN COMPETITIVENESS  NEW

The House Science, Space, and Technology Committee will hold a hearing February 6 on the role of research and development in U.S. competitiveness. Among those testifying are Rich Templeton, chief executive officer of Texas Instruments and chair of the Task Force on American Innovation, in which AAU participates; Shirley Ann Jackson, president of Rensselaer Polytechnic Institute; and Charles Vest, president of the National Academy of Engineering.

EXECUTIVE BRANCH

OMB RELEASES PROPOSED GUIDANCE ON COST PRINCIPLES AND POLICIES FOR FEDERAL GRANTS  NEW

The White House Office of Management and Budget (OMB) today published in the Federal Register the long-awaited “Omni Circular” that consolidates cost principles and administrative requirements for federal research grants and cooperative agreements and proposes modifications to several OMB grant circulars, including Circular A-21. OMB is providing a 90-day comment period.

AAU is working with the Association of Public and Land-grant Universities and the Council on Governmental Relations to review the lengthy document, which has been under development for well over a year. The three associations will develop a detailed analysis of the OMB proposed
guidance and then will submit comments to OMB and provide additional information to campuses.

The Omni Circular would consolidate existing OMB grant circulars, such as A-21 and A-87, which guide federal assistance and grants to universities, other nonprofit organizations, and states and localities. The circular includes specific modifications to current cost principles and administrative requirements for university research grants under OMB Circular A-21.

The proposed guidance addresses several issues that have been raised by the university community in an effort to improve efficiency, including:

- Exploring alternatives to time and effort reporting;
- Revising reimbursements to higher education institutions for utility costs;
- Allowing grantees to direct charge certain administrative support and computer costs; and
- Addressing agency exceptions to the use of negotiated cost rates.

Among the most controversial changes OMB originally proposed was moving toward mandatory discounted or voluntary flat indirect (F&A) cost rates instead of negotiated rates. The new proposal does not contemplate a flat rate. However, it would give institutions the option to extend their negotiated rates for up to four years, subject to approval by their cognizant federal agency and assuming there had been no major changes in their indirect costs.

OMB is hosting an informational webinar on the proposed guidance with members of the grant community on Friday, February 8, at 11:00 a.m. EST. A link to the webinar will be available on the cfo.gov website; no advance registration is required. A recorded version will be available for later viewing.

Regarding the Omni Circular process, OMB issued its first Advanced Notice of Proposed Guidance on February 28, 2012, to solicit public comments on the proposals it had assembled with the help of the then-newly created Council on Financial Assistance Reform (COFAR) and recommendations it had received from various stakeholder and review groups. Among those groups was the Interagency Task Force on Circular A-21, to which AAU, other higher education associations, and many universities submitted recommendations in July, 2011. Further information on the circular and the work of COFAR is available on the website of the U.S. Chief Financial Officers Council.

ASSOCIATIONS DISAPPOINTED AT DEPARTMENT OF EDUCATION’S INTERNATIONAL EDUCATION STRATEGY

The six major presidentially based higher education associations, including AAU, sent a letter to Secretary of Education Arne Duncan on January 24 expressing disappointment that the Department’s new international education strategy report makes little mention of the Title VI/Fulbright Hays programs. Specifically, the letter notes that the “report that details the next four years of the Department’s international education strategy makes scant mention of its largest and most successful international education programs, Title VI/Fulbright Hays.”

The letter adds, “We strongly believe that a crucial component of global competency is developing a deep knowledge and expertise in foreign language and culture, which Title
VI/Fulbright Hays provides. The suite of Title VI programs develops U.S. experts capable of ensuring that our nation retains capacity in less commonly taught languages. Their continued funding ensures that this capacity is passed to new generations of students.”

The letter was copied to relevant Members of Congress.

OTHER

NACUBO REPORT SHOWS COLLEGE ENDOWMENT RETURNS DROPPED IN 2012

The annual survey of university endowments conducted by the National Association of College and University Business Officers and the Commonfund Institute, released today, shows that U.S. college and university endowments lost an average of 0.3 percent in FY12 (July 1, 2011 through June 30, 2012), a significant contrast to the FY11 average return of 19.2 percent.

As noted in a press release, the survey found that among participating institutions, those with the largest endowments ($501 million to more than $1 billion) and the smallest (under $25 million) showed positive returns, while those in the three mid-sized cohorts reported negative returns.

The average effective spending rate for participating institutions in FY12 was 4.2 percent, down from 4.6 percent in FY11. Institutions in the two cohorts with the largest endowments, however, reported the highest effective spending rates, an average of 4.7 percent. Thirty-two percent of participating institutions said they received less in gifts and donations in FY12 than in the previous year, while 27 percent reported an increase in gifts and donations.

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