

## AAU Summary of the President's FY 2016 Budget Proposal

### February 2, 2015

---

The President presented the Administration's proposed budget for FY16 on February 2. The full budget is available on the Office of Management and Budget [website](#). The AAU overview below and the accompanying AAU summaries and analyses for individual agencies are based on the Administration's budget documents. All figures denote budget authority (BA), unless otherwise noted.

### GENERAL OVERVIEW

The FY16 budget that President Obama released today would set overall spending at \$4 trillion and discretionary spending at \$1.091 trillion.

The latter figure includes a \$74-billion, or seven percent, increase in discretionary spending over the FY16 sequester spending caps set by Congress four years ago. (The FY16 caps effectively freeze FY16 discretionary spending at the FY15 level of \$1.017 trillion, reports *Politico*.) The President's budget would break the budget caps by funding defense discretionary spending at \$561 billion, an increase of \$38.2 billion over its FY16 spending cap, and nondefense discretionary at \$530 billion, or \$37 billion over its FY16 cap.

The FY16 discretionary spending caps were enacted as part of the 2011 Budget Control Act (P.L. 112-25). While lawmakers raised the discretionary spending caps by \$9 billion for each of FY14 and FY15, the tight caps are scheduled to return in FY16.

Among the President's already-announced spending priorities, the budget proposes to make two years of community college education free, consolidate higher education tax breaks, and expand eligibility for Pell Grants.

For research, the Administration would raise funding at most science agencies and in a variety of areas, including a new initiative on [precision medicine](#) at the National Institutes of Health, which uses an individual's specific genetic make-up in finding disease treatments.

The President proposes to pay for increased discretionary spending with some other budget cuts and by raising taxes in such areas as capital gains and corporate offshore profits. The White House has pulled back from the President's previously announced proposal to tax 529 college savings plans, following a strong bipartisan outcry from Members of Congress and the public.

### RESEARCH AND DEVELOPMENT OVERVIEW

The FY16 budget would provide \$146 billion for research and development ([R&D](#)) government-wide, an increase of \$7.6 billion, or six percent.

Within the overall total, **basic research** would increase by \$831 million, or three percent, to \$32.8 billion, while **applied research** would increase by \$1.2 billion, or four percent, to \$34.1 billion.

**Science, Technology, Engineering, and Mathematics (STEM) Education.** The Administration proposes to spend \$3 billion in STEM education programs across the government in FY16. This would include \$202 million for the Department of Education's K-12 Math and Science Partnerships and \$135 million for undergraduate education at the National Science Foundation.

**NATIONAL SCIENCE FOUNDATION (NSF).** The FY16 budget would increase funding for NSF by \$379.8 million to \$7.724 billion, an increase of 5.2 percent. The proposal would provide \$6.1 billion for Research and Related Activities, an increase of 4.3 percent. The NSF Education and Human Resources request is \$962.5 million, an increase of \$96.5 million, or 11.1 percent. The request for Major Research Equipment and Facilities Construction is \$200.3 million, a slight reduction from the FY15 level.

**DOE OFFICE OF SCIENCE (DOE).** The FY16 budget would increase funding for the DOE Office of Science by \$272 million, or 5.4 percent, to \$5.34 billion. Within the Office of Science, funding would increase for High Energy Physics (+\$22 million, 2.9 percent), Basic Energy Sciences (+\$116.1 million, 6.7 percent), Biological and Environmental Research (+\$20 million, 3.4 percent), Advanced Scientific Computing Research (+\$80 million, 14.8 percent), Nuclear Physics (+\$29.1 million, 4.9 percent), and Science Laboratory Infrastructure (+\$34.4 million, 16.1 percent). Fusion Research funding would be reduced to \$420 million (-\$47.5 million, 10.2 percent).

The DOE budget also includes \$325 million for the Advanced Research Projects Agency-Energy (ARPA-E), an increase of \$45 million, or 16 percent, over FY15.

**NATIONAL INSTITUTES OF HEALTH (NIH).** The total program funding level proposed for NIH in FY16 is \$30.31 billion, an increase of about \$1 billion, or 3.3 percent, above the FY15 level. NIH estimates this will support 35,447 grants, including approximately 1,200 more new and competing grants than the previous year. In addition to the recently launched precision medicine initiative, among the highlighted priorities for the agency are the BRAIN Initiative, antimicrobial resistance, Alzheimer's disease, vaccine development (particularly for influenza and HIV/AIDS), and the Accelerating Medicines Partnership. NIH also continues to stress the importance of workforce sustainability and diversity, as well as its big data initiative.

**NATIONAL AERONAUTICS AND SPACE ADMINISTRATION (NASA).** The space agency's FY16 budget request is \$18.53 billion, a \$519 million, or 2.9 percent, increase above the FY15 level. NASA's **Science** portfolio would be funded at \$5.29 billion, which is \$43.9 million above the FY15 level. Within the Science total, funding for Earth Science and Astrophysics would be increased, while funding for Planetary Science and Heliophysics would drop.

Within the Science budget, **Earth Science** would receive \$1.95 billion, an increase of \$174.8 million, with increases directed to the multi-decadal land imaging program. **Astrophysics** would receive \$709 million, an increase of \$24.3 million, including \$85.2 million for the SOFIA program. **Planetary Science** would receive \$1.361 billion, a reduction of \$76.6 million, in part from the reduced out-year costs of the Europa program. Europa received \$100 million in FY15 to initiate the program, with \$30 million requested in FY16. The Planetary Science budget would also ramp up the Mars 2020 program. **Heliophysics** would receive \$651 million, a reduction of \$11.2 million.

The **James Webb Space Telescope** would be funded at \$620 million, a reduction of \$25.4 million, consistent with its multi-year budget plan. The launch date for the telescope is October 2018. The FY16 request for the **Hubble Space Telescope** is \$97.1 million.

**Aeronautics** would receive \$571 million, a reduction of \$79.6 million from the FY15 level. Since Congress appropriated additional money for Aeronautics in FY15, NASA will be able to support and initiate projects that were initially scheduled for FY16. **Space Technology** would receive \$724.8 million, an increase of \$128.8 million, with added funding directed to Space Technology research grants.

The **International Space Station** would be funded at \$3.106 billion, an increase of \$97.8 million. The increased funding would be directed to station research and cargo and crew services.

Education would be funded at \$88.9 million, a reduction of \$30 million. However, NASA is requesting \$20 million in the Astrophysics account for STEM education activities across NASA. Within Education, Space Grant would be funded at \$24 million, a reduction of \$16 million. (Funding for Space Grant is usually increased by appropriators.)

**DEPARTMENT OF DEFENSE (DOD).** The FY16 budget would increase funding for the broad Defense category of research, development, testing & evaluation (RDT&E) by \$6.3 billion to \$69.9 billion. It proposes to fund Defense science and technology (S&T) at \$12.3 billion, an increase of \$251 million, or 2.1 percent. Within the S&T total, funding for basic research and advanced technology development would be reduced, while funding for applied research would be increased.

Specifically, **basic research** (6.1) would receive \$2.088 billion, a cut of \$189 million, or 8.3 percent; **applied research** (6.2) would receive \$4.71 billion, an increase of \$507.8 million, or 12.1 percent; and **advanced technology development** (6.3) would receive \$5.46 billion, a cut of \$67.6 million, or 1.2 percent. The **Defense Advanced Research Projects Agency (DARPA)** would receive \$2.9 billion, an increase of \$56 million, or about 1.9 percent.

**NATIONAL ENDOWMENT FOR THE HUMANITIES ([NEH](#)).** The Administration proposes to fund NEH at \$147.9 million, a \$1.9 million increase over FY15. The total includes \$104 million for the Endowment's grant programs; \$5.5 million for NEH Chairman Adams'

special initiative—*The Common Good: The Humanities in the Public Square*—in support of projects that demonstrate the role the humanities can play in public life; and \$10.9 million in federal matching funds. The latter includes funding for the NEH Challenge Grants program to help stimulate and match private donations in support of humanities institutions and organizations.

**AGRICULTURE AND FOOD RESEARCH INITIATIVE (AFRI) in the Department of Agriculture.** The budget proposes to significantly increase funding for this competitive research grant program by \$125 million, to \$450 million.

**U.S. PATENT AND TRADEMARK OFFICE (USPTO) in the Department of Commerce** The FY16 budget requests authority for USPTO to “collect and spend” \$3.207 billion in FY16, the amount that USPTO anticipates collecting in fees. USPTO would also spend \$295 million from its Operating Reserve and other income sources, for a total FY16 expenditure of \$3.501 billion.

## HIGHER EDUCATION AND STUDENT AID OVERVIEW

Under the category of making a high-quality college education more affordable, some of the highlights of higher education portion of the budget include the following:

The Administration’s free community college proposal (the America’s College Promise), announced in the State of the Union, would be funded at \$41 million in the first year and \$60 billion over 10 years. The new grant program would provide funding to States that agree to waive tuition and fees at community colleges for eligible students, increase their own investment by matching the federal funds, and undertake a set of reforms to improve the quality of community colleges.

The budget ensures that the Pell Grant keeps pace with inflation. It would strengthen academic progress requirements in the Pell Grant program, and provide a College Opportunity and Graduation Bonus to successful schools.

The budget also proposes to simplify the Free Application for Federal Student Aid, eliminating up to 30 questions. For increased accountability in administering Title IV federal student aid, the budget proposes to include Department of Defense tuition assistance and Department of Veteran Affairs GI bill benefits in the 90/10 calculation for participating institutions.

As in the past two years, the budget proposes to create a new unsubsidized Perkins Loan program.

As in previous years, the budget would extend the availability of the Pay-As-You Earn (PAYE) repayment plan to all student borrowers, which caps student loan payments at 10 percent of monthly discretionary income.

The budget includes a \$140 million increase for the First in the World fund, as an evidence-based effort to improve educational outcomes. An additional \$20 million is provided for innovative, evidence-based approaches in the TRIO programs.

The Education Department's Office for Civil Rights would receive a \$31 million increase, bringing its funding to \$131 million. The increase would be used to hire 200 FTE to handle the increased workload in campus sexual assault investigations.

## **TAX POLICIES**

The FY16 budget includes several tax-related proposals of interest to research universities.

The budget would extend permanently the American Opportunity Tax Credit (AOTC), which is scheduled to expire on December 31, 2107, and make the expanded AOTC a replacement for the Hope Scholarship credit, the Lifetime Learning Credit, and the student loan interest deduction.

Students who can be claimed as a dependent on someone else's tax return could no longer claim the nonrefundable portion of the AOTC on their own return. However, the budget would exclude Pell Grants from gross income in the AOTC calculation, so AOTC-eligible students and families could claim the AOTC without reducing, by the amount of their Pell Grant, eligible expenses for claiming the credit. The proposal would also require institutions of higher education to report amounts paid, not billed, on Form 1098-T.

The Administration also proposes to repeal Coverdell Education Savings Accounts (ESAs); taxpayers would not be permitted to make new contributions to existing Coverdell ESAs.

Further, the FY16 budget would exclude the forgiven portion of a federal student loan from the gross income of a student in an income-based or income-contingent repayment program.

The Administration's proposal would impose a new minimum tax – the Fair Share Tax (FST) – on high-income taxpayers. The FST, often labeled the “Buffett” tax, would equal 30 percent of adjusted gross income (AGI), minus a credit for charitable contributions. As in previous years, the budget calls for capping the value of the deduction for charitable contributions to organizations such as colleges and universities at 28 percent for high-income taxpayers. This 28-percent cap would also apply to other income exclusions and deductions, including: tax-exempt State and local bond interest, employer-sponsored health insurance, retirement contributions, and interest on education loans.

Also of note for colleges and universities, the budget would disallow the deduction for charitable contributions that are a prerequisite for purchasing tickets to college sporting events.

The budget would make permanent and simplify the research and experimentation (R&E) tax credit. The Administration's proposal would increase the top rate of the alternative simplified research credit (ASC) from 14 percent to 18 percent; eliminate the reduced ASC rate of six

percent for businesses without qualified research expenses in the prior three years; and permit the credit to offset alternative minimum tax liability. In addition, contract research expenses would include 75 percent of payments to qualified nonprofit organizations, such as educational institutions, for qualified research.