

Summary of President Obama's Fiscal Year 2017 (FY17) Budget Request

On February 9, 2016, President Obama released the Administration's FY17 Federal Budget Request to Capitol Hill. The President's proposed \$4.23 trillion budget adheres to the discretionary spending caps imposed by the budget deal passed by Congress last November ([P.L. 114-74](#)).

While the President's FY17 budget would stay within the tight caps set by last year's budget deal for defense and nondefense discretionary spending, it also calls for significant new investments in several domestic areas, including research and higher education. To do so, the Administration is proposing that budget increases for several agencies—including the National Institutes of Health (NIH), the National Science Foundation (NSF), and NASA—be funded using mandatory, as well as discretionary, funding. The Republican-led Congress is not likely to go along with the mandatory spending proposals.

The following are initial budget highlights for agencies of interest to CU. Please note that the level of detail varies by agency, based on the information released to the public. We expect additional details to be provided in the coming weeks. If you have any questions, please don't hesitate to contact the Office of Government Relations.

Department of Education (ED)

- **Top-line funding:** The Budget provides \$69.4 billion in discretionary funding for the Department of Education in 2017, an increase of \$1.3 billion, or 2 percent, over the 2016 enacted level. The Budget also provides \$139.7 billion in new mandatory funding for grants, loans and work-study assistance.
- **Pell Grant Program:** The budget fully funds the Pell Grant Maximum award (estimated to be \$5,935 in award year in 2017/18, including an inflationary adjustment, and \$6,235 for those taking at least 15 credits provided through a new On-Track Pell Bonus). The Budget also proposes reinstating year-round Pell eligibility in a new program called Pell for Accelerated Completion, which would allow full-time students the opportunity to earn a third semester of Pell support. Additionally, the budget calls for the continuation of indexing the Pell Grant to inflation indefinitely to protect its value beyond the 2017 award year with mandatory funding.
- **Other Financial Aid:** Federal Work-Study (\$990 million), Supplemental Educational Opportunity Grants (SEOG) (\$733 million), TRIO (\$900 million), and GEAR UP Programs (\$323) are all flat funded from FY16.
- International Education Programs (\$67 million), which is a reduction of \$5 million from FY16.
- Provides \$100 million for the Fund for the Improvement of Postsecondary Education (FIPSE), and First in the World.
- **Federal Perkins Loan:** The Budget proposes to expand the Perkins Loan program into a new Unsubsidized Perkins Loan Program, which would provide \$8.5 billion in loans annually, effective for the 2017-18 school year. Rather than operating through institutional revolving funds, the Federal Government would originate and service Perkins Loans. Loan volume would be allocated among degree-granting institutions. This new formula would encourage colleges to control costs and enroll and graduate higher numbers of Pell-eligible students. Schools would have some discretion about student eligibility. Perkins Loan borrowers would be charged the same interest rate as Unsubsidized Stafford Loan borrowers. Perkins loans would accrue interest while students are in school, and other loan terms and conditions would be the same as current Unsubsidized Stafford loans.
- **America's College Promise:** The Budget provides \$60.8 billion in mandatory funding over the next decade to create a new partnership with States to make two years of community college free for qualified students.

- *TEACH Grants*: The Budget proposes to expand and streamline this initiative, offering up to \$25,000 in forgiveness for teachers graduating from an effective preparation program who serve in low-income schools, starting in 2021. ED proposes consolidating TEACH grants and the current teacher loan forgiveness program into a single, more generous loan forgiveness program.
- *FAFSA Simplification*: The Budget also proposes to eliminate up to 30 questions on the Free Application for Federal Student Aid (FAFSA) regarding savings, investments and net worth, which ED says rarely affect the aid award but significantly lengthen the application for some families.

Department of Health and Human Services (DHHS)

National Institutes of Health (NIH)

- Top-line funding: \$33.1 billion—including \$1.8 billion in new mandatory funding—to support biomedical research at NIH. This funding would allow for almost 10,000 new and competing NIH grants in 2017
- *Precision Medicine Initiative*: \$300 million to continue the Precision Medicine Initiative that will accelerate the ability to improve health outcomes and better treat diseases like cancer and diabetes by using patient-powered research and targeted treatments.
- *BRAIN Initiative*: Launched in 2013, the budget allocates \$195 million for the Brain Research through Advancing Innovative Neuroethologies (BRAIN) initiative.
- “Cancer Moonshot” Initiative: Announced in his State of the Union in January, President Obama calls for an increase of \$755 million to accelerate progress in preventing, diagnosing, and treating cancer. The Budget’s multi-year cancer initiative, which begins in 2016, provides \$680 million to NIH and \$75 million to the Food and Drug Administration in 2017.

Health Resources and Services Administration (HRSA)

- Health Workforce: Title VII Health Professions: The President’s Budget requests \$231.3 million, which is a \$31.2 million (11.9 percent) cut below FY 2016 enacted-levels. Unlike previous years, the president’s budget request preserves funding for the Title VII Health Careers Opportunity Program (HCOP). However, the president’s budget proposes eliminating the Area Health Education Centers (AHECs) program, stating that the AHEC program awardees “may be able to support on-going activities through other funding sources,” proposes to cut the Preventive Medicine Program, and proposes to consolidate the Title VIII Comprehensive Geriatric Education program with the Title VII Geriatric program as in FY 2016. The budget proposes an increase for the Scholarships for Disadvantaged Students program, and maintains funding for all other programs at the FY 2016 levels. Attached is a detailed funding chart of the Title VII and Title VIII funding amounts included in the FY 2017 POTUS budget.
- Title VIII Nursing Education: The President’s Budget requests \$229.5 million, which is the same as FY 2016 enacted-levels.

Agency for Health Research and Quality (AHRQ)

- Agency for Health Research and Quality is funded at \$469.7 million, an increase of \$41.2 million from FY16. Included in the request is
 - \$76 million for patient safety research, an increase of \$2 million.
 - \$34 million for research to prevent health care-associated infections, a decrease of \$3.3 million. This level includes \$4 million to use the Comprehensive Unit-based Safety Program

(CUSP) to promote the establishment of antibiotic stewardship programs and \$7 million to continue other CUSP projects to reduce infections.

- \$23 million – an increase of \$1 million – to support investigator-initiated research into health information technology.
- \$12 million in support for the U.S. Preventive Services Task Force. (This is the same level of funding as FY16.)
- \$113 million for work to advance ‘Health Services Research, Data, and Dissemination,’ an increase of \$24 million from FY15. This increase would reverse the FY16 cuts in the HSRD portfolio and includes \$9 million for research on improving care for patients with multiple chronic conditions, \$1 million for work on paying for value, \$3 million for continued research on reducing opioid and prescription drug abuse, and \$47 in investigator-initiated grants.
- \$69 million for the Medical Expenditure Panel Survey (MEPS), an increase of \$3 million over FY16.
- \$71 million for program support, the same level as in FY16.

Veterans Affairs

- **VA Research:** The president’s FY 2017 budget includes \$663.4 million for VA Medical and Prosthetic Research, a \$32.7 million (5.2 percent) increase over the FY 2016 enacted level. The budget does not include any additional funding for the Millions Veterans Program (MVP) to advance the president's Precision Medicine initiative (PMI). As a result, the VA will reprioritize program spending to provide additional support to this initiative, including a decrease in supported projects.

Department of Commerce

National Oceanic and Atmospheric Administration (NOAA)

- Top-line funding for NOAA is \$5.851 billion (\$77 million above the FY 2016 enacted level)
- Oceanic and Atmospheric Research (OAR) would get \$519.7 million, an increase of 12.4% from FY16.
- Climate Research: \$159.1 million, which includes Laboratories and Cooperative Institutes and research focused on gaining greater understanding of, and enhancing communities’ ability to prepare for, climate variability and change.
- Weather and Air Chemistry Research: \$107.76 million, which includes Laboratories and Cooperative Institutes as well as research focused on improving our understanding and forecasting capabilities for atmospheric events like severe storms and weather events that endanger lives and property.
- Ocean, Coastal, and Great Lakes Research: \$189.94 million, which includes Laboratories and Cooperative Institutes, research, and grant programs focused on improving understanding of habitats, processes, and resources in the oceanic, coastal, and Great Lakes environments.
- Innovative Research and Technology: \$12.144 million, which includes high performance computing initiatives, which advance computing, communications, and information technologies throughout NOAA.

National Institutes of Standards and Technology (NIST)

- The Budget provides \$826 million for the National Institute of Standards and Technology (NIST) laboratories in FY17. (additional details forthcoming)
- The Budget would also expand the National Network for Manufacturing Innovation (NNMI) institutes by providing \$42 million to launch two new institutes in 2017 and continue operations of

the first Commerce led institute. The Budget also proposes an additional \$1.9 billion in mandatory funding for an additional 27 institutes, completing the President's vision for a network of 45 institutes over the next ten years.

Economic Development Administration (EDA)

- The Budget invests \$258 million for the EDA, including \$20 million for the Regional Innovation Strategies Program to promote economic development projects that spur entrepreneurship and innovation at the regional level.

Department of Defense (DoD)

- Top-line funding: The budget provides \$524 billion in discretionary funding and \$59 billion in Overseas Contingency funding
- Science and Technology (S&T) programs: \$12.501 billion, which represents a reduction of \$749 million or 5.7% from FY16). Among the S&T accounts, includes:
 - o Basic Research (6.1): \$2.101 billion, a reduction of \$207 million or 9% From FY16
 - o Applied Research (6.2): \$4.815 billion, a reduction of \$188 million or 3.8% reduction from FY16; and
 - o Advanced Technology Development (6.3): \$5.583 billion, a \$353 million or 6% reduction from FY16
- Defense Advanced Research Projects Agency (DARPA): \$2.973 billion, a \$82.4 million or 2.8% increase from FY16

Department of Energy (DoE)

- Top-line funding: The President's Budget provides a total of \$32.5 billion, \$30.2 billion in discretionary funding and \$2.3 billion in new mandatory funding in FY 2017 to support the Department of Energy in the areas of nuclear security, clean energy, environmental cleanup, climate change response, science and innovation.
- The Administration is requesting \$5.672 billion for the DOE Office of Science in FY17, including \$100 million in mandatory funding for University Grants. The DOE budget justification says solicitations for the University Grant program will focus on research in Advanced Scientific Computing Research, Basic Energy Sciences, Biological and Environmental Research, Fusion Energy Sciences, High Energy Physics, and Nuclear Physics.
- Within the Office of Science, funding would increase for High Energy Physics (+\$22 million, 2.9 percent), Basic Energy Sciences (+\$87.7 million, 4.7 percent), Biological and Environmental Research (+\$53 million, 8.7 percent), Advanced Scientific Computing Research (+\$42 million, 6.8 percent), Nuclear Physics (+\$18.5 million, 3.0 percent), and Science Laboratory Infrastructure (+\$16 million, 14.4 percent). Fusion Research funding would be reduced to \$398 million (-\$40 million, 9.1 percent).
- Advanced Research Projects Agency-Energy (ARPA-E) would receive \$500 million, \$209 million or 71.8% increase over FY16.
- Office of Energy Efficiency and Renewable Energy (EERE) would receive \$2.898 billion, which is a 40% increase over FY16.
- Nuclear Energy would receive \$993 million, \$7.6 million or .8% increase over FY16.
- Fossil Energy R&D would receive \$600 million, a reduction of \$32 million or 5.1% decrease of FY16 total.

Independent Agencies

National Aeronautics and Space Administration (NASA)

- Top-line funding: \$19.025 billion, \$260 million or 1.3 % reduction from FY16
- NASA Science Mission Directorate (SMD): \$5.6 billion. Within SMD, the FY17 Budget would provide:
 - Earth Science: \$2.032 billion, an increase of \$111 million over FY16. The FY17 budget request includes \$130.8 million for the Landsat 9 mission. The expected launch date for Landsat 9 is 2021. The budget also includes \$6 million for Globe Education activities.
 - Planetary Science: \$1.519 billion, a decrease of \$112 million below FY16. The FY17 budget fully funds the Mars 2020 mission. The FY17 budget requests \$49.6 million for the Europa mission. It's important to note that Europa received an appropriation of \$175 million in FY16.
 - Astrophysics: \$782 million, an increase of \$51 million over FY16. The FY17 budget fully funds SOFIA. It also requests \$90 million for WFIRST, which is the same amount the mission received in FY16. The budget request includes \$25 million for STEM Education outreach programs.
 - Heliophysics: \$699 million, an increase of \$49 million over FY16. The FY17 budget request includes \$232.5 million for Solar Probe Plus and \$80.7 million for the Solar Orbiter.
 - James Webb Space Telescope (JWST): \$569 million, a decrease of \$51 million below FY16. This decrease reflects a ramping-down of development for JWST and an expected launch date of October 2018 for the space telescope.
- NASA's Aeronautics Mission Directorate (ARMD) is \$790.4 million, which is an increase of \$150 million above FY16. In FY17, NASA plans on increasing its focus on aeronautics research and will be moving forward with its implementation of its strategic plan for ARMD.
- NASA's Space Technology Directorate is \$827 million, which is \$140 million above FY16. It's important to note that in the FY17 budget, the administration is requesting \$130 million for the RESTORE-L mission and \$66.6 million for the Solar Electric Propulsion Mission.
- The FY17 budget includes \$477 million for Exploration Research and Development. This is \$127 million above FY16.
- Space Operations: \$5.075.8 billion, including \$1.431 billion for space station operations, maintenance and research. The amount includes \$1.108.9 billion for operations and maintenance and \$321.9 million for space station research.
- Office of Education will receive \$100.1 million, including \$24 million for the Space Grant. Within Education, the Administration continues to support the cross government STEM Consolidation Plan (Co-STEM).

National Science Foundation (NSF)

- Top-line funding: The President's FY 2017 Budget provides \$7.96 billion, \$500 million or 7% increase over FY16.
- Research and Related Activities: \$6.425 billion, \$392 million or 7% increase over FY16.
- Education and Human Resources: \$952 million, \$72 million or 8% increase over FY16.
- Major Research Equipment: \$193 million, a reduction of \$7.18 million or 4% decrease from FY16.
- The FY17 NSF budget also requests funding for the following cross-government and crossagency initiatives:
 - Clean Energy Economy (\$512 million): to support research and education in renewable and alternative energy sources for electricity and fuels.

- Understanding the Brain (\$142 million): to enable scientific understanding of the full complexity of the brain in action and in context.
- Increase Resilience to Disasters (\$43 million): to improve predictability and risk assessment and increase resilience to extreme natural and man-made events.
- Sustaining the Food, Energy, and Water System (\$62 million): to understand, design, and model the interconnected food, energy, and water system through interdisciplinary research.
- Cutting-Edge Manufacturing (\$176 million): for advancing manufacturing.
- Commercialization of University Research (\$30 million): for NSF's public-private Innovation Corps (I-Corps) program to further build, utilize, and sustain a national innovation ecosystem.
- Capabilities and Infrastructure for Research and Education (\$139 million): \$33 million for the multi-agency National Strategic Computing Initiative (NSCI) to advance the Nation's computational infrastructure for research. Invests \$106 million in the construction of two Regional Class Research Vessels to meet anticipated ocean science requirements.
- The FY17 budget includes funding for undergraduate and graduate education:
 - Improving Undergraduate STEM Education (\$109 million): to accelerate the quality and effectiveness of undergraduate education in all STEM fields.
 - NSF Research Traineeships (\$59 million): to identify priority research themes that align with NSF initiatives and have strong potential for the development and testing of innovative practices in graduation education.
 - Graduate Research Fellowships (\$332 million): to support students with high potential in STEM research and innovation in pursuit of multidisciplinary research.

National Endowment for the Humanities (NEH)

- Top-line funding: \$149.848 million, which represents a more than \$1.9 million increase over the current fiscal year.
- \$101 million for the Endowment's grant programs, including \$43 million to the state and territorial humanities councils to support their programs;
- \$10.19 million for Chairman Adams' special initiative, *The Common Good: The Humanities in the Public Square*, in support of projects that demonstrate the critical role the humanities can play in our public life, including programming for veterans and active duty military; and,
- \$10.7 million in federal matching funds, including funding for the NEH Challenge Grants program to help stimulate and match private donations in support of humanities institutions and organizations.

Tax Policies

The FY17 budget includes numerous tax-related proposals of interest to research universities, a number of which are identical or substantially similar to this Administration's proposals in previous years.

Education Tuition Credits and Grants

The FY17 budget seeks to "streamline and expand" education tax benefits in a number of ways. First, the budget proposes to consolidate the Lifetime Learning Credit into an expanded American Opportunity Tax Credit (AOTC). Under this budget, the enhanced AOTC would index the maximum credit for inflation, make the credit available for a fifth year, provide a partial credit to part-time students, and increase the amount of the credit available to low-income students without income tax liability.

The budget also would better coordinate Pell Grants with the AOTC by excluding Pell Grants from gross income and the AOTC calculation. AOTC-eligible students and families would be able to claim an AOTC without reducing eligible expenses by the amount of their Pell Grants.

Student Loans

The Administration proposes to repeal the deduction for student loan interest for new students.

The Administration also proposes to exclude from gross income the forgiven portion of federal student loans where the loan was forgiven or discharged as part of a program administered by the Department of Education.

The budget also would allow the IRS to disclose taxpayer identity information to the Department of Education and permit the Department of Education to re-disclose that information to certain educational institutions for purposes of collecting defaulted student loans.

Income Deductions/Exclusions and Charitable Donations

The budget would limit to a maximum of 28 percent the tax rate at which upper-income taxpayers (in the 33-, 35-, or 39.6-percent tax brackets) can use itemized deductions and other tax preferences to reduce tax liability. The provision would limit such income exclusions and deductions as interest on education loans; employer-sponsored health insurance paid for by employers or with pre-tax employee dollars; and employee contributions to defined contribution retirement plans and IRAs.

At the same time, the Administration's proposal would implement a new minimum tax – the Fair Share Tax (FST) – on high-income taxpayers. Often labeled the “Buffett Rule,” the FST would equal 30 percent of adjusted gross income (AGI), minus a credit for charitable contributions. The charitable credit equals 28 percent of itemized charitable contributions allowed after the overall limitation on itemized deductions (the so-called Pease limitation). The FST would be phased in starting at \$1 million of AGI and fully phased in at \$2 million of AGI, with the threshold indexed for inflation beginning after 2017.

Also of note for colleges and universities: the budget would disallow the deduction for charitable contributions that entitles donors to a right to purchase tickets to sporting events.

Form 990 Filings

The President's proposal would require all tax-exempt organizations that file Form 990 series returns, including the Form 990-T, or Forms 8872, to file them electronically.

Bond Financing

The budget would create a new, permanent America Fast Forward Bond program intended to serve as an optional alternative to traditional tax-exempt bonds. Like Build America Bonds, America Fast Forward Bonds would be taxable bonds issued by state and local governments by means of which the federal government makes direct payments to state and local governmental issuers through refundable tax credits. Eligible uses for America Fast Forward Bonds would include financing for section 501(c)(3) nonprofit entities.

The budget also would provide an exception to the private business limits on basic research conducted at tax-exempt bond-financed research facilities. This proposal would allow universities and other 501(c)(3) entities that own such research facilities to enter into contractual arrangements with private entities to conduct basic research at those facilities.

These arrangements would set out the terms for sharing the economic benefits of any products resulting from the research. Any such benefits, including exclusive or non-exclusive licenses of intellectual property, and licensing fees or royalty rates, would need determined, thorough bona fide, arms-length negotiations, when the university and private business enter into the contractual arrangement.

Research & Experimentation Tax Credit

The budget would repeal the traditional method for calculating the research and experimentation (R&E) tax credit. It would also raise 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 non-profit organizations, such as educational institutions, for qualified research.

Additional Item of Note

Cybersecurity National Action Plan

- The President's FY17 Budget includes more than \$19 billion in overall Federal resources for cybersecurity. This funding will support a Cybersecurity National Action Plan (CNAP), which takes near-term actions and puts in place a long-term strategy to enhance cybersecurity awareness and protections, protect privacy, maintain public safety as well as economic and national security, and empower Americans to take better control of their digital security. This represents a more than 35 percent increase from FY16 in overall Federal resources for cybersecurity.
- Under CNAP, the President proposes a "Commission on Enhancing National Cybersecurity." This Commission will be comprised of top strategic, business, and technical thinkers from outside of Government – including members to be designated by the bi-partisan Congressional leadership. The Commission will make recommendations on actions that can be taken over the next decade to strengthen cybersecurity in both the public and private sectors while protecting privacy; maintaining public safety and economic and national security; fostering discovery and development of new technical solutions; and bolstering partnerships between Federal, State, and local government and the private sector in the development, promotion and use of cybersecurity technologies, policies, and best practices.
- In addition, the Administration has created the position of Federal Chief Information Security Officer to drive cybersecurity policy, planning, and implementation across the Federal Government. This is the first time that there will be a dedicated senior official who is solely focused on developing, managing, and coordinating cybersecurity strategy, policy, and operations across the entire Federal domain.