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PRESIDENT’S BUDGET REPEALS SEQUESTER, BOOSTS EDUCATION AND RESEARCH, CUTS MEDICARE

On Wednesday, President Obama released his budget proposal for fiscal year 2014, which begins September 30, 2013. The budget assumes that the mandatory across-the-board cuts known as sequestration will be repealed and proposes tax and entitlement reform as well as $200 billion in further discretionary savings, with equal amounts from defense and non-defense. In total, the budget includes $1.8 trillion in deficit reduction over ten years.

The President’s budget provides funding increases for select federal research and student aid programs but reduces Medicare funding for providers, including indirect medical education (IME) and disproportionate share hospital payments. The budget also assumes the Medicare sustainable growth rate (SGR) formula is repealed and lays out principles for reforms to the current fee-for-service program. Full details of the President’s budget, broken down by department, are available from the OMB here. An AAU summary of the President’s budget can be accessed here. AAMC issued a press release describing the budget’s impact on various health care programs, here. It should be noted that the President’s budget compares the President’s FY14 budget request to FY12 funding levels, rather than FY13, due to uncertainty regarding final funding numbers under sequestration.

FINANCIAL AID

The President’s FY14 budget would provide $22.8 billion in discretionary funding for Pell Grants, which, when combined with previously provided mandatory funding, will support a projected maximum award of $5,785 in award year 2014-2015. TRIO, GEAR UP, and Supplemental Educational Opportunity Grants (SEOG) would receive flat funding as compared to FY12 while the Federal Work Study program would receive an increase of $150 million for a total of $1.35 billion. The Perkins Student Loan Program would be restructured to allow for significantly increased lending authority. The President’s budget also includes two new programs previously proposed by the administration: a $1 billion “Race to the Top” competitive grant program for higher education and a $260 million “First in the World” competition to support innovations that reduce college costs, improve productivity, and boost postsecondary attainment rates.
STUDENT LOANS
Under the President’s budget, new student loans would be set to an annually adjusted interest rate based on the 10-year Treasury bill (approximately 1.8%, as of 4/10/13) plus .93% for subsidized loans, 2.93% for unsubsidized loans, and 3.93% for PLUS loans. The terms of the loans would be fixed at that rate for the life of the loan. The 8.25% cap on new consolidation loans would be eliminated.

The budget also extends the availability of the Pay As You Earn repayment plan to all student borrowers. All Stafford and Grad PLUS loan borrowers, as well as Consolidation loan borrowers who repaid Stafford and Grad PLUS loans made under the Direct Loan or FFEL programs and who are not in default would be eligible for participation in the Pay As You Earn program. As a result, all borrowers, regardless of when they borrowed, would be assured that their student loan payments need not exceed 10 percent of their discretionary income and, after 20 years of repayment, that any remaining balances would be forgiven.

STEM PROGRAMS
The budget proposes a comprehensive reorganization of STEM education programs. Nearly $180 million would be redirected from consolidated programs towards the Department of Education, as well as the National Science Foundation and the Smithsonian Institution. Similar to last year, the budget includes $80 million to support the President’s goal of preparing 100,000 highly-effective STEM teachers.

RESEARCH AND DEVELOPMENT
A number of agencies would see research funding increases under the President’s budget, including:

- The NSF, which would receive an increase of 8.4 percent over the FY12 level;
- The Department of Energy Office of Science, which would receive an increase of 5.7 percent over the FY12 level; and
- The Department of Defense, which would receive an increase of 7.7 percent above the FY12 level for 6.1 basic research programs (6.2 applied research and 6.3 advanced technology development would drop by 2.1 percent and 2.4 percent, respectively); and
- The NIH, which would receive an increase of 1.5 percent over the FY12 level (including $150 million for Type 1 diabetes research and a $79 million transfer from the Interior department related to Superfund activities).

NIH programs emphasized in the President’s budget include: the BRAIN initiative; opportunities and challenges associated with big data; translational research; and enhancing diversity in the biomedical research together with the continuing effort to assess the overall biomedical workforce.

TAX POLICIES
The President’s budget would make permanent the American Opportunity Tax Credit which is currently set to expire at the end of 2017. It would also make permanent and simplify the research and development tax credit while increasing the top rate of the simplified credit from 14 percent to 17 percent. The FY14 budget additionally proposes to limit the value of certain tax expenditures and itemized deductions to 28 percent for high-income taxpayers, including the deduction for charitable contributions to organizations such as colleges and universities.
MEDICARE
The President’s FY14 budget would cut nearly $307 billion over ten years from Medicare providers, including reducing Medicare IME payments by $11 billion, Medicare bad debt payments by $25.5 billion, and rebasing Medicaid disproportionate share hospital (DSH) payments, a reduction of $3.6 billion, over ten years. It would further give the Secretary of Health and Human Services “authority to set standards for teaching hospitals receiving Graduate Medical Education payments to encourage training of primary care residents and emphasize skills that promote high quality and high value health care delivery.” The President’s plan includes a repeal of the Sustainable Growth Rate but does not identify offsets for the $138 billion cost of a ten year freeze to physician payments.

SENATORS NEAR COMPROMISE ON IMMIGRATION REFORM
A bipartisan group of eight Senators is nearing a compromise on an immigration reform proposal that is poised to be released as early as next week. The bill is said to address a number of contentious issues, including visa caps and wage levels for the farmworker program, enhanced border security, and a path to citizenship for undocumented immigrants. It is expected that it will also include provisions to provide work visas for international graduate students in STEM fields and provide an expedited pathway to citizenship for undocumented youth brought to the United States as children (as previously proposed under the DREAM Act).

SENATE FINANCE COMMITTEE HOLDS HEARING ON TAVENNER’S NOMINATION FOR HEAD OF CMS
The Senate Finance Committee held a hearing on Tuesday to consider Marilyn Tavenner’s nomination to be administrator of the Centers for Medicare and Medicaid Services (CMS). Tavenner has been acting CMS administrator since 2011 and has received bipartisan support, including from House Majority Leader Eric Cantor (R-VA) and Senate Finance Committee Chairman Max Baucus (D-MT). The Finance Committee will next vote on Tavenner’s nomination, and if approved, it will go to the full Senate for consideration.

ACE RELEASES ANALYSIS OF NEW REQUIREMENTS UNDER VIOLENCE AGAINST WOMEN ACT
The American Council on Education released an analysis of the new requirements imposed on institutions of higher education under the reauthorization of the Violence Against Women Act (VAWA). VAWA was signed into law by President Obama last month and requires colleges to report new categories of domestic violence, dating violence, and stalking; and to adopt certain student discipline procedures and institutional policies related to campus sexual violence. The analysis is available here.

NSF HIGHLIGHTS SOCIAL SCIENCE RESEARCH BENEFITS
The National Science Foundation (NSF) released a summary brochure "Bringing People Into Focus: How Social, Behavioral and Economic Research Addresses National Challenges," that provides examples of the ways in which NSF-funded, basic, social and behavioral science research bears on national security and economic interests. The report, which can be viewed here, highlights a number of impactful research projects, including a project being carried out at the University of Texas Medical Branch at Galveston.
NATIONAL ACADEMY OF SCIENCES PLANS PUBLIC MEETINGS ON PUBLIC ACCESS ISSUE
On behalf of several federal research agencies, the National Academy of Sciences will hold two public meetings to take comments on how the agencies might best increase public access to the results of federally funded research. Federal agencies were directed to figure out how to increase access in a White House memorandum issued February 22, 2013.

The two sessions will be held on May 16 and May 17 in the National Academy of Sciences auditorium in Washington, D.C. Additional information about the sessions and about how to register to attend is available here.

AAAS PUBLISHES REPORT ON BIOSECURITY ISSUES
The American Association for the Advancement of Science (AAAS) has published the proceedings of a workshop held February 4-5, 2013, on the biosecurity challenges of foreign scientists working or studying in the U.S., international collaboration, and U.S. scientists working in other countries.

The workshop, which was co-hosted by AAAS, AAU, the Association of Public and Land-grant Universities, and the Federal Bureau of Investigation’s (FBI) Weapons of Mass Destruction Directorate, is part of the FBI’s initiative to communicate with universities about ways to mitigate biosafety and biosecurity risks.