

Office of Federal Relations

Harvard University

Monday, March 2, 2009

Washington Update: House Passes FY09 Appropriations; **President Releases FY10 Budget Outline**

On the heels of the recently passed economic recovery legislation, which invested heavily in the Pell program and university-based research, Congress has turned its attention to the completion of the remaining Fiscal Year 2009 appropriations that have languished since before the election while the government ran on funding provided by a continuing resolution based on FY 08 numbers. Additionally, the Administration's budget priorities for FY10 were released late last week. Although FY09 appropriations are not yet complete and the FY10 budget is essentially an outline needing further details to be revealed, both the omnibus for FY09 and the President's outline for FY10 fiscal years provide important increases for student aid and research.

Appropriations: Fiscal Year 2009 Omnibus

The House passed omnibus legislation on February 25 consisting of the nine remaining spending bills leftover from last year's appropriations process. Since the beginning of the current fiscal year last October 1, all non-security related agencies of the federal government have been operating at or about FY08 levels through a continuing resolution, brought about by a budget breakdown resulting from the desire of the Democrat-controlled Congress to appropriate \$24 billion more than then-President Bush would agree to spend. The bills were shelved by the Democrats awaiting the outcome of the election when a more favorable climate might exist for additional spending. The just-passed \$410 billion House omnibus bill is even more generous than the pre-election proposed spending levels: it adds \$30 billion more to the same nine bills over the FY08 levels, and includes promising increases for student aid and research (see attached table). The Senate will take up the omnibus the week of March 2 with a goal of completing the bill before the continuing resolution's March 6 expiration. However, according to a Senate Appropriations Committee staff member, Republicans may be gearing-up for a fight similar to the one that slowed consideration of the recovery bill. With the ability to patch together 60 votes in the Senate still a question (depending upon the availability of Senator Kennedy and because of the yet to be seated Minnesota Senator), Congress may be forced to temporarily extend the continuing resolution beyond March 6.

Budget: Fiscal Year 2010

The Administration released an outline of its FY10 budget on February 26 and will likely issue the complete proposal sometime in April. The \$3.55 trillion budget outline provides only a few instances of top-line budget figures for certain agencies along with a selection of policy priorities. Where specified, the budget does recommend increases for agencies important to higher education: \$5 billion more for the Department of Education, a \$510 million boost for NSF and \$918 million more for NASA. In the area of student aid the president proposes some policy changes worth noting including increasing the maximum Pell Grant award and indexing it to the Consumer Price Index plus one percent, while moving the program to the mandatory side of the budget. The budget proposes to pay for this change by moving all federal student loans to the Direct Loan program.

The budget also proposes a major restructuring of the Perkins Loan program. On the tax front, the Administration has made clear that substantial changes will also be made to the tax code including increases for those in the highest tax bracket. These targeted changes would include capping deductions of charitable gifts, which, if passed, could restrain donations in an already depressed economy and has raised concern among the charitable community.

As noted, the Administration's budget at this point is an outline that does not drill deeply into programs we follow carefully. We will provide additional details on the budget and appropriations as well as stimulus implementation as they become available. If you have any questions about this update or our ongoing monitoring and advocacy efforts, please contact Suzanne Day or Jon Groteboer: (202) 863.1292.