Media attention has focused on the failure of the 12-member congressional Supercommittee to reach agreement on a package to reduce the federal deficit by at least $1.2 trillion over the next nine years. However, universities and science organizations are not the victims of the deficit impasse. Generally, federal funding for scientific research is not the target of deficit reduction for several reasons: (1) the amount of domestic discretionary funding for science is not large enough to have significant impact on deficit reduction; (2) science has bipartisan support among politicians since it is part of the innovation economy upon which the country's financial recovery is partially dependent; and (3) dismantling the scientific infrastructure of the country is counter-productive in the global technology-driven forces of the 21st century. There are aspects of the current federal deficit paralysis that indirectly affect higher education – particularly relating to student aid, academic health centers, and tax policy – but reducing direct federal support of scientific research at academic institutions is not front-and-center.

Now, many are trying to determine what happens next as Congress still has much work to do before adjourning next month. With funding fully enacted for the National Science Foundation (NSF), the National Aeronautics and Space Administration (NASA), and the National Oceanic and Atmospheric Administration (NOAA), with modest increases (NSF and NOAA) or a slight reduction (NASA), completion of the fiscal year (FY) 2012 appropriations process, especially for NIH funding, is an important challenge. In addition to funding the remaining appropriations bills, which are currently operating under a Continuing Resolution (CR) through December 16th, there are other issues looming before Congress, such as extension of unemployment benefits, doctor payments, and tax extenders. This report describes the impact of the collapse of the Supercommittee at the federal level; however, actions might be taken by state and local governments to respond to possible implications associated with the collapse of the Supercommittee process.

Near-Term Outlook for Science Funding
Among its many to-dos, Congress must still complete nine remaining FY 2012 appropriations bills, including bills that fund the National Institutes of Health (NIH), the Department of Energy (DOE), the Department of Defense (DOD), and the Department of Education (ED). It is expected that this will be done through one large “omnibus” package before the end of the calendar year. As previously reported, other science agencies for which appropriations bills have been passed—namely NSF, NASA, NOAA, and the Department of Agriculture (USDA)—fared relatively well in FY 2012, receiving budgets that are about flat or slightly increased above the FY 2011 enacted level. A similar outcome is expected for basic research in agencies like NIH and DOE in the final appropriations agreement.

One caveat is that it is not uncommon for a modest across-the-board reduction to be included in an omnibus appropriations bill should it be warranted to keep discretionary appropriations within the overall cap of $1.043 trillion enacted in the Budget Control Act (debt limit agreement). Should the appropriations process stall, there has been some discussion of extending the current CR into early next
year, which would result in a freeze for all programs at the current (FY 2011) level until Congress completes an omnibus bill or enacts a CR for the remainder of the fiscal year.

Planning is also underway by agencies for the President’s FY 2013 budget request which is expected to be more conservative than in past years and may even be delayed due to the uncertainty of future budget cuts. The FY 2013 process remains very uncertain at the moment with flat funding for federal research agencies considered “a win” in the coming years.

**Budget Scenarios for FY 2014 and Beyond**

In August, the *Budget Control Act* enacted a process that would institute automatic across-the-board budget cuts over nine years, known as sequestration, in the event that the Supercommittee could not reach a deal. However, given that the cuts are not scheduled to go into effect until January 2013 (after the election) and are subject to subsequent revision by Congress, it is possible they will be delayed or never triggered at all. In the event no changes are made to the automatic budget cuts, the White House Office of Management and Budget would be required to reduce the discretionary appropriated budget by $109 billion per year for nine years, allocated equally between defense spending and nondefense spending.

Reductions in discretionary spending from 2014 to 2021 would be achieved by reducing the aggregate overall caps on such spending for each year. While the President could propose specific cuts to agencies such as NIH and NSF, specific appropriations would still be subject to the annual congressional appropriations process and program funding could be increased or further decreased within the overall capped amount for all discretionary spending. As a general rule of thumb, if these cuts were allocated proportionately, it would mean 6 to 8 percent reductions to the domestic spending agencies.

In addition, federal student aid programs would also be subject to the across-the-board cuts outlined in the *Budget Control Act*, with the exception of the Pell Grant program (but only for FY 2013). Since the *Budget Control Act* included supplemental funding for the Pell Grant program to make up a funding shortfall for FY 2012 and FY 2013, the maximum award will likely remain at $5,550 in FY 2013 with cuts in the following years. This is the only federal student aid program exempt from the sequestration process. Other federal aid programs, including the Supplemental Education Opportunity Grants (SEOG), Federal Work Study, GEAR UP, TRIO, and discretionary grant programs, such as the Title VI international programs, would receive the automatic cuts beginning in FY 2013 if the sequester is triggered.

Concerns are already being expressed by the Administration and by both Democratic and Republican Members of Congress over the magnitude of potential spending cuts to defense. The Congressional Budget Office estimates that the DOD budget could be cut by as much as 10 percent in FY 2013 under the mandated sequester with additional reductions in discretionary defense spending over the nine-year period to estimated savings of about 8.5 percent in FY 2021. Such reductions, totaling an estimated $492 billion, could impact big defense programs already at issue in Congress, as well as drive changes in the structure and mobility of the nation’s military services already under consideration. Additional reductions in mandatory defense spending are also likely under current law. While some want to undo the sequester for defense, the President has threatened to veto any bill that focuses only on exempting defense spending.

In short, the budget outlook for the next several years is uncertain at best. The main question on the table is whether and how to skirt the automatic cuts that would be levied against FY 2013.
appropriations as required under the *Budget Control Act*. However, flat funding for science agencies remains a possibility over the next few years and should be viewed as a “win” in the current budget climate.

*Congressional Quarterly (CQ)* has produced a graphic that further explains the sequestration process, should that process go forward without changes by Congress: