



## **FY 2020 Budget Update: Lewis Burke Summary of the FY 2020 President's Budget Request for Research, Education, and Healthcare**

*Lewis-Burke Associates LLC – March 11, 2019*

On March 11, 2019, President Trump released his third budget proposal to Congress. One month late due to the longest government shutdown in U.S. history, the fiscal year (FY) 2020 budget request reflects the political priorities of the Trump Administration and kicks off the congressional budget and appropriations process. It is ultimately up to Congress to decide which proposals to embrace, modify, or reject as part of the annual appropriations process. While the request proposes cuts to many of the non-defense federal agencies of interest to the research, education and health communities, similar to prior years, Congress is likely to reject most of the proposed budget cuts to these federal agencies, programs, and projects.

President Trump's FY 2020 budget request sets out two main priorities—increasing military spending and building a barrier on the U.S.-Mexico border. However, these priorities set up confrontation with Congress and in particular a Democratic-controlled House. Congress is eager to negotiate a new, two year budget agreement that lifts the caps on discretionary spending for both defense and non-defense programs. The last budget agreement covered only FY 2018 and FY 2019 and without a new agreement, discretionary spending would have to be cut by \$126 billion below FY 2019 enacted levels. However, this budget request will delay and complicate the ability of Congress to work with the White House on a new budget agreement.

Similar to the previous two years, the budget request puts an emphasis on defense and national security at the expense of non-defense federal agencies and programs. The budget request would increase defense spending by about five percent to \$750 billion, while cutting non-defense programs by five percent or about \$55 billion below the FY 2019 enacted funding levels. The proposed budget technically adheres to the spending caps for FY 2020 set into law in the Budget Control Act of 2011. However, the Trump Administration added \$165 billion to a war-related account, called the Overseas Contingency Operations (OCO) account, which is exempt from the spending limits to boost military spending. Democrats in Congress have called for continued parity between defense and non-defense spending and view the use of OCO as a budget gimmick. The budget request also renews the fight over a border wall by requesting \$8.6 billion through the Departments of Homeland Security and Defense. In final FY 2019 funding bills passed in January, Congress rejected the President's \$5.7 billion request for the border wall and the legality of the emergency declaration is still being reviewed by the courts.

Consistent with prior years, major goals of the overall budget request also include shrinking the federal workforce, overhauling federal compensation and benefits, and cutting burdensome regulations. Proposed cuts to major federal programs and associated proposed cuts to federal staff along with changes to compensation and benefits has a negative impact on morale and the ability of the government to attract and retain top talent for program managers and other major positions. The budget also proposes major policy changes that will likely be rejected by Congress, such as a new border security and immigration enforcement fund to advance the Administration's border security and

immigration changes, reforms to the Medicaid program, and users fees for the prescription drug pricing program.

While Congress will decide final funding levels for FY 2020 and is likely to reject many proposed cuts, the budget request still provides a useful window into major Administration priorities, some of which have bipartisan support, especially in science and technology areas, such as Artificial Intelligence, quantum information science, and cybersecurity.

While Lewis Burke will provide a more detailed analysis of each major federal agency next week, below is a snapshot of major winners and losers in the proposed budget request related to prior budget requests. The main point of comparison is not the FY 2019 enacted level but how a federal agency fared in the FY 2020 budget request compared to the FY 2019 budget request. This shows the relative priority for the Trump Administration and recommended areas for targeted increases. For example, a federal agency like the Department of Energy would be cut relative to FY 2019 congressional appropriations, but would still be a winner because of the \$1.3 billion in additional funding above the FY 2019 President's budget request to fund priority areas such as quantum science, exascale computing, and Artificial Intelligence. This is in sharp contrast to federal agencies that are proposed to receive less funding than the FY 2019 budget request level, such as the National Science Foundation, which is proposed to receive \$370 million less, and the Department of Education, which is proposed to receive \$1.2 billion less.

## Agencies at a Glance

### Department of Defense



**FY 2019 PBR: \$ 686 billion**

**FY 2019 Enacted: \$ 674.4 billion**

**FY 2020 PBR: \$ 718 billion**

- Related to research, the request highlights autonomous systems, hypersonics, and artificial intelligence (AI) and includes \$208 million to scale up the DOD Joint Artificial Intelligence Center (JAIC) tasked with helping the Services implement AI capabilities.
- Creates Space Force as the sixth branch of the Armed Forces and establishment of U.S. Space Command as a new combatant command.

### Department of Energy



**FY 2019 PBR: \$ 30.4 billion**

**FY 2019 Enacted: \$ 35.7 billion**

**FY 2020 PBR: \$ 31.7 billion**

- Increased investments in quantum information science, AI, machine learning, microelectronic and genome science.
- New initiatives on advanced energy storage and materials for harsh environments for thermoelectric power plants.

### National Aeronautics and Space Administration



**FY 2019 PBR: \$ 19.9 billion**

**FY 2019 Enacted: \$ 21.5 billion**

**FY 2020 PBR: \$ 21 billion**

- Continues the Administration's emphasis on establishing a human presence in the lunar environment and increased commercialization of space.
- Science budget would see a slight decrease under the proposal.
- Proposal to restructure NASA's mission directorates.

## NIFA, Department of Agriculture



**FY 2019 PBR: \$ 1.3 billion**

**FY 2019 Enacted: \$ 1.5 billion**

**FY 2020 PBR: \$ 1.4 billion**

- NIFA's competitive research program would receive a \$85 million increase above FY 2019 enacted (20.5%).
- USDA's Agricultural Research Service (ARS) would be down \$409.5 million or 24.3%.
- Request supports the transfer of operational responsibility for the National Bio and Agro-Defense Facility (NBAF) from DHS to USDA.

## Department of Education



**FY 2019 PBR: \$63.2 billion**

**FY 2019 Enacted: \$71.4 billion**

**FY 2020 PBR: \$62 billion**

- Request includes aspects of the Administration's principles for a HEA reauthorization.
- Pell Grant maximum award proposed flat funding at \$6,195; expand to short-term programs.
- Proposes elimination of numerous grant and aid programs.

## National Institutes of Health



**FY 2019 PBR: \$ 35.5 billion**

**FY 2019 Enacted: \$ 39.1 billion**

**FY 2020 PBR: \$ 34.4 billion**

- Proposes \$50 million in a new effort focused on pediatric cancers.
- Proposes consolidating some activities of the Agency for Healthcare Research and Quality (AHRQ) within NIH.
- No mention of capping facilities and administrative, or indirect, cost rates.

## **National Science Foundation**



**FY 2019 PBR: \$ 7.4 billion**

**FY 2019 Enacted: \$ 8.1 billion**

**FY 2020 PBR: \$ 7.1 billion**

- At the time of this writing no budget details for this agency have been released.