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The Committee on Government Relations is a subcommittee of the American Economic Association charged with representing the interests of the economics profession in Washington DC and other locations around the country without taking a position on questions of economic policy or on any partisan matter.

The Current Federal Budget and Economic Research: An Update

The purpose of this note is to let you and your colleagues know the implications for support for economic research and for economic data of the cuts in the current (FY11) budget in the House's Continuing Resolution (CR) for the remaining fiscal year. Some statistical agencies, the Bureau of Economic Analysis (BEA) and the Bureau of Labor Statistics (BLS), would receive the full amount of the Administration's FY11 request. NSF and NIH budgets would be cut but not by as much as was feared and the budget cuts do not target the social sciences. But continued uncertainty about budgets and the timing of the budget cuts will compound the damage. And the budget cuts for the Bureau of the Census would put at risk the quality and the quantity of economic data on US households and businesses.

On March 3rd President Obama signed a CR to extend funding for the Federal government until March 18th. This CR eliminates some earmarks and terminates eight federal programs targeted for elimination by the Obama Administration for a total savings of about \$4 billion. This short-term CR gives the House and Senate only two weeks to reconcile differences about the current budget.

The House earlier passed a CR for the remainder of FY11 that would reduce Federal spending by \$61 billion below FY10 levels and \$100 billion below the FY11 request. Since the government has already been spending money for the last five months under a CR that authorized spending at FY10 levels, the \$61 billion would reduce the unspent budget balance which is much smaller than the total annual FY10 budget or the FY11 request. The percentage reduction in the unspent budget balance would be almost double the percentage reduction of the annual budget.

What does this mean for NSF, NIH, Census, BEA and BLS? The good news is that BEA and BLS FY2011 requests were not reduced by the House CR. For NSF the House CR would cut the FY11 budget request for \$7.4 billion by \$857 million to \$6.5 billion. Under the existing CR NSF was authorized to spend at the FY10 levels of \$6.9 billion but under the House CR it would receive \$359 million or 5% less than authorized. If NSF were spending at authorized levels, then the \$359 million cut would reduce the authorized spending available for the remaining seven months by close to 10% of the unspent budget. If NSF spent less than authorized under the previous CR, then the House CR will not cut the money available for the remaining seven months by as high a percentage, but delays in spending due to uncertainty about the budget also are costly. For NIH the House CR would cut \$1.63 billion or 5.2% from the FY10 funding level of \$31 billion which also could have the effect of

reducing spending for the remaining seven months by almost 10%.

Support for economic research is a very small part of NSF and NIH, so it is not clear how cuts in the overall NSF and NIH budgets would translate into cuts in grants for economic research or funding for the databases used by economists. According to NSF and NIH staff who manage the programs that make grants for economic research, the budget situation was already severe before the proposed cuts in the CR. NSF Economics Program funded only one out of every five submissions last year. The NIA/Division of Behavioral and Social Research supported less than fifteen percent of submissions. Continued uncertainty about the current budgets and the prospect of mid-year or later budget cuts will make it even more difficult to get funding for economic research.

The House CR would reduce the Census Bureau's Periodic Censuses and Programs account from FY11 request of \$987 million to \$834 million, a reduction of \$153 million or 15.5%. The Periodics account covers post 2010 Census expenses and various periodic surveys including the American Community Survey (ACS) and the Economic Censuses. Since the ACS provides the detailed information about US households that used to be collected by the Census long form, cutbacks in funding for the ACS would affect both the quality and the quantity of data available from Census. ACS is also the planned testing ground for piloting ways to save money on the 2020 Decennial. The Economic Censuses are the backbone of the GDP accounts (critical for benchmarking GDP every five years, developing the Input-Output accounts and the like) and also critical for benchmarking all the economic (business) surveys.