

GOVERNMENT RELATIONS UPDATE

March 2011

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STATE AND FEDERAL OVERVIEW

With the start of the state legislative and congressional sessions, things have been moving quickly. Looming budget cuts, redistricting and many fresh new faces in both Austin and Washington, D.C., make the upcoming months challenging. However, we are working to protect Rice's priorities and to position us for future legislative opportunities.

WASHINGTON UPDATE

At the end of 2010, the 111th Congress completed a busy lame duck session in which members of the House and Senate passed more laws with support from both parties than in all of the previous two years. After an omnibus appropriations bill offered by Senate Democrats was unsuccessful, Congress passed two continuing resolutions (CR) that extended funding through March 18 of this year. However, the failure to pass a funding bill for the duration of the fiscal year raises the specter of a government shutdown. While it appears for now that a shutdown may be avoided as both parties continue to debate the scope of budget cuts, anything could happen.

On the revenue side, Congress again found bipartisan compromise during the lame duck session. Spearheaded by President Obama and Senate Republicans, the Bush-era tax cuts, set to expire at the end of 2010, were extended in scope and duration. The agreement maintains the current tax brackets for another two years and also provides a few new provisions, including a one-third reduction of Social Security payroll taxes and extension of unemployment benefits, tax credits for college students and the research and development tax credit for businesses. To read more about these tax provisions, click [here](#).

Of special importance to our faculty, Congress approved the America COMPETES reauthorization. The COMPETES Act provides a framework for investment in research and education intended to strengthen the country's innovative capacity and lay the foundation for long-term economic growth. To read more, click [here](#). The lame duck Congress also passed the new START arms-reduction treaty with Russia and a long-awaited food safety regulatory overhaul. It also repealed the military's "Don't Ask Don't Tell" policy. Congress failed to pass legislation related to energy, climate change or oil exploration, or to pass a permanent FY11 budget.

The federal budget deficit is the top priority for the 112th Congress. The March 18 deadline for the current CR coupled with the expectation that the government will reach the federal debt limit as soon as April will necessitate dealing with the budget in short order. While the extent of the budget cuts remains unclear, the final FY11 budget will likely be less than what President Obama proposed last year. It is also likely that cuts will be targeted instead of across the board.

As soon as Congress finishes with the FY11 budget, it will turn to the FY12 budget. In his recent State of the Union speech, President Obama described ways to strengthen the economy and improve its ability to compete globally in areas such as education, clean energy, high-speed internet and high-speed rail. He also spoke about fiscal restraint and pledged a five-year freeze on some domestic spending that would save \$400 billion over 10 years. To read more about the president's FY12 budget and its impact on research, click [here](#).

Another unknown is the role of freshmen members and how they will interact with veteran members and handle the lawmaking process, which requires compromise. The midterm elections brought to Washington a wave of Tea Party candidates who campaigned heavily to reduce federal spending. Some Tea Partiers also made campaign pledges against raising the debt limit, which would prompt U.S. default. If they prove intractable, finding a compromise on the budget will be difficult.

Finally, the 2012 election cycle will play a role in the agenda of the 112th Congress. In addition to the presidential election, one-third of the U.S. Senate and the entire House of Representatives is up for election. There have already been several announcements of retirements, including Texas Sen. Kay Bailey Hutchison, which will affect the landscape of future Congresses.

AUSTIN UPDATE

The 82th state legislative session is off to a swift start as appropriators work hard to finish much of the state budget before taking on redistricting. The normal task of passing a budget will be even more challenging this session because Comptroller Susan Combs has announced that the state will have only \$77.3 billion in general revenue over the next two-year budget cycle. In addition, the comptroller estimated that the size of the deficit in the current biennium that ends in August will be \$4.3 billion. She said the rainy day fund will have a \$9.5 billion balance at the end of the upcoming biennium, which leaves lawmakers with a net of \$72.2 billion to spend for the coming biennium. While estimates vary, this translates to a budget deficit of from \$15 billion to \$27 billion. This session is likely to be the most difficult in many years as the size and scope of the deficit sinks in with legislators. To read more, click [here](#).

Speaker of the House Joe Straus announced committee assignments in February. Rep. Sarah Davis, R-Houston, won spots on both Public Health and Judiciary and Civil Jurisprudence -- her two top committee choices. Rice helped lead an effort in support of her committee assignments by sending a letter to Straus. Rice alumnus Scott Hochberg, D-Houston, was given the vice chair gavel of the House Public Education Committee and stays on the Appropriations Committee, which has jurisdiction over many of the important funding programs discussed below.

While Rice is a private institution, it receives close to \$10 million from the state of Texas. With the significant budget deficit, every discretionary program is potentially on the chopping block. Even student aid programs like the Tuition Equalization Grant (TEG) are in jeopardy. While we should anticipate severe budget cuts this session, Rice will continue to build bridges and relationships in an attempt to protect its priorities for now and in the future.

FEDERAL LEGISLATIVE UPDATE***Spending cuts and CR***

House Republicans have passed a long-term CR that cut \$61 billion over the remaining seven months of FY11. To view this CR, click [here](#). However, the cuts were viewed as too draconian by most Senate Democrats and the Obama administration, so it could be a nonstarter. With the latest FY11 continuing resolution set to run out on March 18, House Republicans and Senate Democrats are feverishly working to avoid a government shutdown.

Meanwhile, even though Senate Democrats have shown a new willingness to cut spending in the current short-term CR, the debate over the size of the cuts will continue over the next few weeks as the March 18 deadline approaches. The outcome of this debate will be a harbinger of what to expect as the size and scope of the budget cuts are discussed for the FY12 budget.

To read more about the compromise short-term CR and the implications of this debate, click [here](#).

Earmark update

The “cut spending” mandate of the 2010 elections also made a difference as earmarks were banned by the Republican leadership in the House and Senate and more recently by the Democratic chairman of the Senate Appropriations Committee. Click [here](#) to read about the Senate Democrat ban. The president has vowed to veto any bill containing an earmark.

Fresh from a trip to Washington, D.C., where we met with all the members of the Texas delegation serving on the Appropriations Committee, we can report that members and staff are still uncertain about the impact the earmark moratorium will have on certain projects. While some have indicated that congressionally directed spending in the six-year Transportation Authorization bill is not an earmark, other members still strongly believe that to should fall under the ban. As congress-members continue to debate the definition of an earmark, Rice is working on finding alternative funding paths for our research. Read about the Rep. Kay Granger visit to Rice below to hear one of those perspectives.

Pell Grants

The budget cuts in D.C. are also having an impact on student aid programs such as [Pell](#) grants. Nearly 600 Rice students receive close to \$2.5 million from this grant. As noted in previous [legislative updates](#), the student aid bill was inserted into the health care legislation. It increased eligibility requirements, raised the current \$4,860 per student to \$5,500 in 2011–12 and then tied the grant to the consumer price index plus 1 percent. Due to the concern over the cost of the health care bill, Congress only authorized the increase and failed to appropriate additional funding for the program. Coupled with the increases in the number of students enrolling in college and applying for Pell Grants, there is a \$5.7 billion shortfall in the FY12 budget and an even larger one over the next few years. Combined with the focus on cutting federal spending, Pell’s future appears uncertain. To read more, click [here](#).

In the meantime, the current CR fully funds the 2011–12 maximum Pell award at the previous \$4,850 level, but expires on March 18. We will continue to monitor the situation and work with our associations to remind congress-members how important this program is to the country’s college students.

STATE LEGISLATIVE UPDATE***Budget update***

The biggest issue dominating the legislative calendar in Austin is the state's budget deficit. Many Republicans contend that the budget shortfall could be filled with \$12 billion to \$15 billion in spending reductions and new revenues. However, others argue that there is a \$27 billion shortfall from what is needed to maintain the current services to Texas's growing population. While many disagree about the size of the budget shortfall, it is one of the largest Texas has faced in many years. Legislators need to agree on the size of the 2012-2013 biennial budget first before they can determine what specific programs will need to be cut or what additional revenues will be needed to fill the shortfall. To read more, click [here](#).

While there is some agreement that cuts are necessary, there is also disagreement over whether to tap the \$9.5 billion rainy day fund. In order to utilize the rainy day fund to balance the budget, a two-thirds vote is required in both the House and Senate. However, using the fund to balance the current budget in the middle of the biennial budget requires only a three-fifths vote in both chambers. It appears more likely that members will use the fund to fill the current \$4.3 billion shortfall in the 2010–11 biennium. In fact, Rep. Jim Pitts, chairman of the House Appropriations Committee, has introduced legislation to use the rainy day fund to fill the current biennial shortfall. To read more, click [here](#).

Despite the budget situation, many recognize that the two-thirds threshold is difficult to reach because many in the conservative caucus believe the state should not drain the rainy day fund to ease the shortfall, although more members are realizing the stark political realities of the budget deficit and seeing the need to use some of those funds. To read an article from the Texas Tribune on this debate, click [here](#). Click [here](#) on an article in which Rep. John Zerwas, R-Simonton, admitted the need to use these funds vs. the political liabilities if legislators fill the shortfall with cuts instead.

Shortly after the comptroller released her revenue estimates, the House and Senate introduced their budget plans. In both cases, the House and Senate proposed deep cuts that affect all agencies and programs. This was viewed by many as a way to show new members the realities of the budget situation. To read more about the proposed budgets click [here](#) for the House and [here](#) for the Senate version.

We will continue to update you as the budget process unfolds.

Budget impact to Rice

While the debate over the budget has only begun in the House and Senate, here are the Rice specific programs that could be impacted.

Tuition Equalization Grant (TEG)

TEG is a program that provides grant aid to financially needy students to enable them to attend private, nonprofit colleges or universities in Texas. The TEG budget for current biennium was \$212 million, of which nearly 600 Rice students received \$2.6 million in FY10. Both the House and Senate budget bills for the coming biennium reduced the program by 41 percent to \$126 million. In addition, the funds are to be used only for existing students and not new students.

We are working with students across campus and the Independent Colleges and Universities of Texas (ICUT) institutions on an aggressive strategy to advocate for TEG. This will include a visit to Austin by several Rice TEG recipients to advocate from a personal perspective about the benefits of the program.

Norman Hackerman Advanced Research Program (NHARP)

In 1987, the 70th Texas Legislature created the Advanced Research Program as a peer-reviewed, competitive grant program to provide Texas faculty with basic research grants in specified target areas. The program is intended to support basic research and help attract and retain the best undergraduate and graduate students and researchers to Texas higher education institutions. During the 2009 legislative session, due in large part to Rice's efforts, private and independent institutions became eligible for the first time to compete for these funds. In 2010, NHARP received \$16.1 million, of which Rice received eight awards for \$1.2 million. In current budget proposals for the coming biennium, NHARP is eliminated in the House and receives \$12 million in the Senate.

Led by Dr. Robert Curl, Rice is leading an effort by students and faculty to make the case for continued ARP funding. Prospects for success are dim.

Cancer Prevention and Research Institute of Texas (CPRIT)

Texas voters overwhelmingly approved a constitutional amendment in 2007 establishing CPRIT and authorizing the state to issue \$3 billion in bonds over 10 years to fund groundbreaking cancer research and prevention programs and services in Texas. In FY10 CPRIT invested \$216 million from its initial bond offering, of which Rice received five awards totaling \$5.745 million. CPRIT's budgetary impact is for debt service on the bonds, which is paid from general state revenues. While the budget bills do not offer any debt service that is because, historically, the initial budget rarely if ever includes debt service for bonds. CPRIT has a commitment from state leaders that debt service will be included as the budget process unfolds.

TexShare

Rice is one of 700 members of TexShare, a consortium of Texas libraries that share print and electronic materials, purchase online resources and combine staff expertise. TexShare services are available to patrons of participating member libraries all across Texas, regardless of institution type, size or location. The consortium is administered by the Texas State Library and Archives Commission. Currently, TexShare provides access to 49 databases that translates into 42,571 journals and NetLibrary e-books. Rice currently pays \$37,450 to have access to these databases, but it would cost \$299,974 if subscribed directly. Unfortunately, no state funding is included in either the House or Senate bills.

Handguns on Campus

There has been a repeated effort in the Texas Legislature over the past few years to allow students to possess concealed weapons on public campuses. With the new makeup of the Legislature, it appears increasingly likely that some form of the concealed weapon mandate will pass. Fortunately, the proposals most likely to progress include an opt-out option for private institutions like Rice. The state's public institutions are working to make the case that concealed weapons would make their campuses more dangerous, not safer, and we understand and support their efforts. We will continue to monitor these proposals.

IN CASE YOU MISSED IT

Rice Day in Austin

President David W. Leebron joined Rice faculty members, staff and alumni in Austin March 2nd and 3rd for Rice Day at the State Capitol. The House and Senate both passed resolutions commemorating Rice's centennial in 2012 and its many contributions to the state over the past 100 years. President Leebron accepted this honor on behalf of Rice. Rice's Rep. Sarah Davis, Sen. Rodney Ellis and alumnus Scott Hochberg '75 sponsored the resolutions. An estimated 100 alumni, legislators and

staffmembers gathered to celebrate Rice's centennial at reception at the Austin Club on March 2. Pictures and a video are available [here](#). Copies of the resolutions are available [here](#) and [here](#).

Energy Forum draws political leaders, industry experts

President David Leebron, Provost George McLendon and Trustee L.E. Simmons hosted Rice alum Rep. Pete Olson, R-Texas, industry experts and Rice faculty for an energy round table on campus February 25. To see a picture of the event, click [here](#).

Rep. Kay Granger meets with President Leebron

President David Leebron, Vice President of Public Affairs Linda Thrane and Government Relations Director Cory Kennedy hosted Rep. Kay Granger, R-Texas, on campus February 24. Granger serves on the House Appropriations Committee and is interested in finding ways to support Rice research. Of special interest to our faculty, Rep. Granger made the point to say that the earmark moratorium was a "temporary" ban until members of Congress could develop a more transparent and fair process for deciding how such projects are funded. We will continue to educate our Texas delegation in D.C. about the world-class research taking place at Rice and are working to identify additional opportunities for funding.