

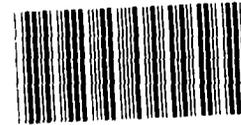
GAO

Briefing Report to the Honorable  
Phil Gramm, United States Senate

March 1987

# BUDGET REDUCTION

## Effect of 1986 Sequestration on National Institute on Aging



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Human Resources Division

B-226294

March 6, 1987

The Honorable Phil Gramm  
United States Senate

Dear Senator Gramm:

Your February 28, 1986, letter asked us to review the 1986 budget, pre-sequestration and post-sequestration, of the National Institute on Aging (NIA). You expressed concern about whether certain events, highlighted by the Director of NIA in his February 21, 1986, testimony before the Senate Special Committee on Aging, would materialize. The events related to the effects of sequestration under the Balanced Budget and Emergency Deficit Control Act of 1985 (hereafter referred to as the Gramm-Rudman-Hollings Act) on certain NIA programs and activities. To assess whether the events anticipated by the Director materialized, we reviewed NIA budget and grant information and interviewed various NIA officials.

Under the Gramm-Rudman-Hollings Act, NIA's fiscal year 1986 budget authority was reduced by 4.3 percent. In congressional testimony on the potential effect of this reduction, the Director of NIA anticipated that

- the reduction would result in each of NIA's seven budgetary line items being reduced by 4.3 percent,
- the total number of research grants would be reduced,
- the funding for the Alzheimer's disease research centers could not be protected, and
- delays would occur in funding certain Alzheimer's disease research projects.

Although the overall appropriation of \$156,491,000 was reduced by 4.3 percent, or \$6,729,000, the anticipated effects did not materialize. Because of reprogramming of funds approved by the House and Senate Appropriations Committees, the seven budgetary line items were not uniformly reduced by 4.3 percent each. For example, the research centers' budget line item was increased by 3.4 percent, and the intramural research budget line item was decreased by 4.3 percent. In addition, by

reprogramming funds and awarding some grants for periods of less than 1 year, NIA was able to award more research grants than anticipated in fiscal year 1986.

Also, NIA avoided reducing the monthly funding levels for its 10 Alzheimer's disease research centers by awarding the available fiscal year 1986 funds over 10-month, rather than 12-month, grant periods. Fiscal year 1987 grants will be made 2 months earlier to compensate for the shortened fiscal year 1986 period. Finally, funds for the Alzheimer's disease research projects that the Director anticipated would be delayed were included in the fiscal year 1986 research center grants.

We provided a draft of this briefing report to NIA program officials and considered their comments in finalizing it. As agreed with your office, unless you publicly announce its contents earlier, we will make no further distribution of this briefing report for 30 days from its issue date. At that time, we will send copies to interested congressional committees; the Director, Office of Management and Budget; the Secretary of Health and Human Services; the Director, National Institutes of Health; and the Director, National Institute on Aging.

If you need additional information on the contents of this document, please call me on 275-2854.

Sincerely yours,



J. William Gadsby  
Associate Director

BUDGET REDUCTION:  
EFFECT OF 1986 SEQUESTRATION  
ON NATIONAL INSTITUTE ON AGING

INTRODUCTION

The National Institute on Aging (NIA) was authorized by the Research on Aging Act (Public Law 93-296) on May 31, 1974. Although the National Institutes of Health had been conducting research on aging since 1940, the Congress believed a separate focus was needed to develop and support a national comprehensive plan for aging research.

While NIA carries on intramural (NIA-conducted) research, the bulk of its research on aging is extramural (grant-supported). In fiscal year 1986, only about \$20 million of its \$150 million budget was devoted to NIA-conducted research. NIA's grant-supported research includes project grants, grants for research centers, and grants to help individuals prepare for or advance their research or teaching careers in aging and geriatrics.

NIA is currently emphasizing research projects on the elderly in seven priority areas. Highest priority is placed on Alzheimer's disease, one of the most terrifying and life-altering illnesses facing the elderly today. The need for this research covers a wide area of concerns from early diagnosis and treatment to family support systems. To establish centers for Alzheimer's disease research, the Congress appropriated \$3.5 million in 1984 to initially fund up to five centers and \$5 million more in 1985 to initially fund five additional centers. Subsequent funding for 10 centers has been included in NIA's annual appropriations.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to determine whether the effects of the Gramm-Rudman-Hollings Act on fiscal year 1986 budget outlays, described in the Director of NIA's February 21, 1986, testimony before the Senate Special Committee on Aging, had materialized. Those anticipated effects were

- the reduction would result in each of NIA's seven budgetary line items being reduced by 4.3 percent,
- the total number of research grants would be reduced,
- the funding for the Alzheimer's disease research centers could not be protected, and
- delays would occur in funding certain Alzheimer's disease research projects.

As discussed with a representative from your office, we agreed to defer work on your request until after September 1986, when the final fiscal year 1986 NIA grants to research centers were completed.

We reviewed NIA budget information and testimony for the fiscal year 1987 House and Senate appropriations hearings, which included information on fiscal year 1986 sequestration actions, and for the February 21, 1986, hearings before the Senate Special Committee on Aging. We interviewed NIA officials and reviewed NIA budget documents and grant files. We compared information contained in documents from the hearings, including the Director's testimony, with information available in NIA budget documents and grant files. We analyzed information in NIA documents on the number and amount of grants awarded in fiscal year 1986 by budget line item.

BUDGET LINE ITEMS NOT UNIFORMLY  
REDUCED BY 4.3 PERCENT

In his testimony before the Senate Special Committee on Aging, the Director of NIA anticipated that the 4.3-percent reduction required by the Gramm-Rudman-Hollings Act would be applied to each of NIA's seven fiscal year 1986 budget line items. However, NIA's actual outlays for each of the budget line items were not uniformly reduced by 4.3 percent because of an NIA request to reprogram funds, which was approved by the House and Senate Appropriations Committees. As can be seen in table 1, the amounts reprogrammed were minor in comparison to NIA's total budget.

Table 1:

Comparison of Actions Affecting NIA's  
Fiscal Year 1986 Budget Line Items

<u>Budget line item</u>	<u>Sequestration allocation</u>		<u>Reprogrammed</u>	<u>Revised</u>
	<u>Pre-</u>	<u>Post-</u>		
	----- (thousands) -----			
Research projects:				
Noncompeting	\$ 60,130	\$ 57,544	\$(1,706)	\$ 55,838
Competing:				
Registry	0	0	2,393	2,393
Other	31,119	29,781	0	29,781
Administrative support	128	123	0	123
Research centers <sup>a</sup>	10,396	9,949	800	10,749
Other research:				
Careers	4,759	4,554	392	4,946
Minority biomedical research support	373	357	0	357
Other	1,079	1,033	(91)	942
Training	5,507	5,270	405	5,675
Research and development contracts:				
Registry	2,500	2,393	(2,393)	0
Other	11,233	10,749	0	10,749
Intramural research	20,915	20,016	0	20,016
Research, management, and support	<u>8,352</u>	<u>7,993</u>	200	<u>8,193</u>
 Total	 <u>\$156,491</u> =====	 <u>\$149,762</u> =====		 <u>\$149,762</u> =====

<sup>a</sup>The research centers budget line item provides funding for 10 Alzheimer's disease research centers and 2 non-Alzheimer's disease research centers. In addition, it provided funding, jointly with other institutes of the National Institutes of Health, for five centers for primate research and one center for general clinical research.

The largest reprogramming action related to the Alzheimer's disease registry, for which the Congress specifically appropriated \$2,500,000. NIA transferred the post-sequestration amount of

\$2,393,000 from the research and development contract budget line item to the research projects budget line item, which was considered a more appropriate mechanism to support the registry. NIA also reprogrammed \$1,797,000 (\$1,706,000 from research projects and \$91,000 from other research) to support higher priority activities. Specifically, these activities were Alzheimer's disease research centers (\$800,000), training (\$405,000), research careers (\$392,000), and research management and support (\$200,000).

REDUCTION IN NUMBER OF RESEARCH GRANTS AVOIDED

Fiscal year 1986 data provided by NIA show that the number of research grants it awarded increased rather than decreased as anticipated in the Director's testimony. NIA was able to increase the number of grants awarded by reducing some award amounts below the levels recommended by its initial review groups, reprogramming the amounts initially allocated to some of its budget line items, and awarding some grants for less than the customary 1-year period. Table 2 shows the increases in the number of grants awarded for fiscal year 1986.

Table 2:

Comparison of Number of Research Grants  
Awarded in Fiscal Year 1986 to  
Number of Anticipated Awards

<u>Budget line item</u>	<u>Number of grants</u>		<u>Increase</u>
	<u>Anticipated awards</u>	<u>Actual awards</u>	
Research projects:			
Noncompeting	303	309	6
Competing	193	209	16
Other research:			
Careers	70	84	14
Other	<u>11</u>	<u>29</u>	<u>18</u>
Total	577	631	54
	===	===	==

Research Project Grants

In his February 21, 1986, testimony before the Senate Special Committee on Aging, the Director anticipated that, after sequestration, 303 noncompeting research project grants could be supported at a level of \$57.5 million and that 193 new and renewal competing research project grants could be supported at a level of \$29.8 million. Subsequently, \$1,706,000 was reprogrammed from this budget line item to other budget line items. Notwithstanding a

reduction in funding from that anticipated in the Director's testimony for research project grants, NIA increased the number of noncompeting grants awarded to 309 and competing grants to 209.

To fund the increased number of grants, NIA reduced some grants below their recommended levels and awarded 15 new or renewal grants for periods of less than 1 year. For these latter grants, the total project periods included a partial year--for example, 3 years, 4 months--and NIA chose to award the partial year period in fiscal year 1986.

#### Other Research Grants

The Director anticipated that, after sequestration, a total amount of \$5.6 million<sup>1</sup> for the other research budget line item would support 70 research career grants plus 11 other grants. Instead, 84 research career grants and 29 other grants were awarded in fiscal year 1986.

NIA was able to award the additional research career grants partly because available funding was increased by reprogramming \$301,000 from research project grants and \$91,000 from the other research sub-budget line item. In addition, reimbursements of \$480,000 from other institutes of the National Institutes of Health were used to fund some of the other research grants. Also, five of the new or renewal research career grants were awarded with total project periods that included a partial year, and NIA chose to award the partial year period in fiscal year 1986.

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Although the Director in his testimony did not indicate any change in the number of grants planned for training, he did anticipate that the post-sequestration amount for the training budget line item of \$5,270,000 would fund 230 trainees (195 noncompeting and 35 competing). However, NIA actually funded 288 trainees during fiscal year 1986. Funding for about half of the additional trainees was obtained through reprogramming. Also, eight of the competing institutional grants were awarded with a partial year in their project periods, and NIA chose to award the partial year periods in fiscal year 1986.

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<sup>1</sup>An additional \$357,000 of the other research budget line item was allocated to minority biomedical research support grants made jointly with other institutes of the National Institutes of Health.

REDUCTIONS IN FUNDING LEVELS FOR ALZHEIMER'S  
DISEASE RESEARCH CENTERS AVOIDED

The Director provided information showing that fiscal year 1986 sequestration actions would reduce funding for the research centers budget line item by \$447,000--from \$10,396,000 to \$9,949,000. However, NIA avoided reductions in funding levels for its Alzheimer's disease research centers by awarding their initial fiscal year 1986 grants for 10-month, instead of 12-month, periods. As a result of this action, fiscal year 1987 grants will be made 2 months earlier to compensate for the shortened period of the fiscal year 1986 grants.

Awarding the initial fiscal year 1986 grants to the 10 Alzheimer's disease research centers for 10-month periods allowed NIA to stay within the post-sequestration allocation of funds for the research centers budget line item as well as avoid reducing the centers' funding levels. The total amount recommended to be awarded to the 10 research centers by one of NIA's initial review groups for fiscal year 1986 was \$10,376,389, an average of about \$864,700 per month. The total amount initially awarded for 10 months was \$8,605,431, an average of about \$860,543 per month. Consequently, the monthly funding level for the centers was close to the level initially planned.

In addition to the initial awards to the 10 centers totaling \$8,605,431, NIA made a supplemental award of \$80,000 to each center covering the same 10-month period as the initial award. The total of \$800,000 was obtained by reprogramming funds from its research projects budget line item (see table 1). However, the supplemental awards had no immediate effect on the level of funding of the centers' activities for the 10-month periods because the use of the funds from the supplemental awards was restricted by NIA and no expenditures or commitments were authorized. The supplemental awards will be available to fund the centers' activities only when approved by NIA.

DELAY IN FUNDING CERTAIN ALZHEIMER'S  
DISEASE RESEARCH PROJECTS AVOIDED

The Director anticipated that there would be delays in funding some Alzheimer's disease research projects because of the Gramm-Rudman-Hollings Act. He cited two projects where delays were anticipated, but these delays did not materialize and funding for the projects was included in the total funding for the applicable Alzheimer's disease research center.

The Gusella project for the Harvard Medical Center's Alzheimer's disease research center was one example where funding delays were anticipated. This project was one of four projects recommended for the Harvard Medical Center in fiscal year 1984 that were not funded. Subsequently, in fiscal year 1985, one of the

four projects was initially funded for \$34,852. In fiscal year 1986, NIA funded all four projects for a total of \$186,662.

The second example where delays were anticipated related to a project to perform autopsies on Alzheimer's disease victims. In 1984, the University of Southern California's Alzheimer's disease research center implemented a study with 13 patients per year, including clinical assessment and follow-up autopsy of deceased patients. The project was expanded to 40 patients during the first year. The university made a supplemental request to NIA for \$126,362 in 1984 to fund the expanded project. This supplemental request was approved in 1984 but not funded until August 1986, when it was funded for \$111,958.

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