

Joint Southern Region ASRED/SAAESD Formula Funds Taskforce

Background: The President's FY 06 budget proposed 50% cuts in Hatch and McIntire-Stennis formula funds, with elimination in FY 07, and elimination of Animal Health funds. Significant cuts in Smith-Lever funds have also been proposed in recent past President's budget. Compensating increases in the FY 06 USDA competitive funds indicate that this was a decision directed at how funds are allocated, not how much funding is available.

The continuing battle to maintain formula funds and the slow increase in competitive funds over many years has generated discussion about the relative merits of federal funding allocated by formula and by competition. The BAA Policy Board of Directors is currently considering how to initiate a system-wide discussion on this issue. Therefore, it was timely to take the opportunity to discuss this issue from our region's point of view when the southern region extension and experiment station directors met jointly April 4-6, 2005.

Both ECOP and ESCOP have commissioned investigations on formula funds in recent years. In addition, ESCOP and ECOP appointed the joint Formula Funds Task Force to make recommendations on how to most effectively advocate for federal formula funds. This Task Force has begun its deliberations and has not issued a report, however two members, Wendy Wintersteen (Iowa State Experiment Station Director) and Tom Fretz (NC regional experiment station Executive Director) have written a draft thought piece that draws upon some of the Task Force's discussions.

Action: Following discussion of the status of formula funds for Research and Extension at the joint ASRED/SAAESD meeting in April 2005, a joint regional formula funds taskforce was appointed to develop a rationale and strategy to enhance formula funding. The work of this TF is to be in concert with and complement the work of the national ECOP/ESCOP formula funds taskforce¹. Members of the JSR - FFTF are Ed Smith (TX), Paul Warner (KY), Jon Ort (NC), David Boethel (LA), Greg Weidemann (AR), and Tom Klindt (TN).

From discussion during the joint meeting of the two regional associations and from other current discussions, it is apparent that there is a need for proposed rationale and strategy to address:

- FY06 Appropriations strategy
- FY07 Budget Request strategy
- On-going general education with select groups regarding the value of formula funding

¹ Members of the national TF are Wendy Wintersteen (IA) and Nancy Bull (CT), Co-Chairs, William Trumble (NH), Leroy Daugherty (NM), Jack Payne (UT), Zane Helsel (NJ), Orlando McMeens (WV), Tom Fretz (ED - NERA), and Dick Wootton (NASULGC).

Position Statement on Formula and Competitively Allocated Federal Funding
Southern Region Directors of Research and Extension
May 2005

The Smith-Lever, Hatch, and McIntire-Stennis Acts authorize the use of federal funds for direct payment to each state to support agricultural and forestry research and extension. These Acts also specify how the allocations are to be made and the requirement for state matching funds.

In addition, many federal competitive peer-reviewed funding sources have been established by Congress that provide funds for agriculture and forestry, including NRI, NSF, and NIH. These funding agencies have a highly evolved scientific-merit based selection process that determines allocation of funds within identified priority areas, most of which focus on more basic research. A small percentage is applicable to applied research and an even smaller percentage to Extension.

A balanced portfolio of funding sources for agricultural research and extension in the Land Grant university system is essential. Federal, state, local and private funds that support public research and extension programs combine to address a broad range of stakeholder interests that demand significant impacts and high-value return to society. It is also critical that these funds be allocated through both formula and competitive decisions as a way to ensure continuation of local user-guided and locally relevant research and extension.

Competitive peer-review mechanisms for funding decisions, that are scientific-merit focused and curiosity driven, help to maintain high program quality and creativity, but provide little assurance that an optimal value return will be derived by society from the investments. By contrast, administratively driven highly consultative processes involving federal, state, local and agribusiness stakeholder interests that make most decisions on the use of formula allocated funds, help to ensure local societal relevance, but depend on the administration to maintain high quality.

Research and extension programs that receive broad support from public and private sources can truly offer the entire spectrum of discovery through application, but it requires a stable base of support to maintain focus on specific outcomes over a long time frame. Research and development is inherently an uncertain enterprise of exploring the unknown, testing hypotheses, and trial and error applications, frequently over many years, followed by the extension of technology to stakeholders through the adoption-diffusion process. Federal funds allocated by formula provide the foundation and continuity from year to year that is required to sustain this process. For example, in the case of hybrid corn, it took 40 years for the insights into hybrid vigor to become widely commercialized and a number of additional years to obtain widespread adoption of the technology. Formula funds allow for research and extension work that requires a longer time horizon and addresses specific priorities of local, state and regional stakeholders. Furthermore, formula funds support a discovery and dissemination capacity that is capable of responding quickly to new problems and issues.

Ideally, the LGUs want to maximize both the quality of their research and extension programs and the value-returns to society from public investments. A balanced combination of long-term formula allocated base support and short-term competitive funding makes this possible. Both competitive and formula funds have distinct advantages:

- Competitive mechanisms ensure high quality research but do not ensure relevance. The customers of competitive funding mechanisms are the recipients' professional peers and the granting agency.
- Formula funds promote engagement of the LGU system with its customers -- producers and consumers, while competitive funds encourage interaction with professional peers.
- Research and extension programs that utilize formula funds increase relevance and quality through stakeholder input and review, while competitively funded programs depend on peer review.
- Competitively allocated funding cannot maintain research and extension infrastructure (buildings, scientific equipment, trained people) essential to sustainable programs. Stable formula allocated funds provide a continuous base of support necessary for these long-term investments. Few, if any, large institutions have the local funding base that enables them to maintain essential infrastructure without federal funding and still meet the locally prioritized needs of the state/nation.
- Formula funds allow continuation of a system that can provide flexible and timely responses to immediate problems. For example, LGU personnel were able to address the recent Soybean Rust outbreak rapidly without waiting on a competitive funding cycle. Formula funds allow maintenance of a response system to address this type of emergency.
- Formula funding facilitates multi-state collaboration that is more efficient, systematic, inclusive, and sustainable than does competitive funding mechanisms (e.g., eXtension and multistate research activities).
- Formula funds leverage other funds at a rate exceeding 4 to 1, while competitive funds rarely have matching funds of more than 1 to 1.
- The loss of formula funds, even with an equal increase in competitive funds, will further disadvantage smaller institutions and will have a detrimental impact on regional and national networks of research and extension programs. All states and LGUs will be negatively impacted, but smaller states and institutions will be impacted disproportionately. Competitive-only mechanisms create or exacerbate the "have's and the have-not's".