

MEMORANDUM

To: University Research Community

From: Andrés G. Gil, Vice President for Research

Date: February 28, 2013

Re: The Impact of FY 2013 Sequestration Order on Federally Funded Research Grants & Contracts

As you may know, since passage of the American Taxpayer Relief Act of 2012, the Executive Branch of the federal government and Congress have been working to reach an agreement on a deficit reduction plan. If an agreement is not reached by the end of this month, the President will be required to issue an order on March 1, 2013 that will implement across-the-board spending cuts known as sequestration (also known as the “fiscal cliff”). Many have asked what will be the consequences of sequestration to research and development (R&D). Sequestration will reduce the federal government’s R&D budget across all federal grant-making agencies. However, we expect the impact to be gradual, with the possibility that the full impact of sequestration will be over a nine-year period, if implemented in the manner stipulated in current legislation.

The reality is that this gradual impact has been occurring during the current FY, since federal agencies have been operating under a continuing resolution, without a budget for FY 2013, and have been taking steps in anticipation of a possible sequestration. These anticipatory actions have taken the form of: 1) across-the-board reductions of budgets for newly funded grants (NIH has been making 10% cuts to all grants funded the previous year since October 2012); 2) delays in the release of new awards for grants that have been recommended for funding; 3) delays and reductions in issuing requests for grant proposals, and 4) greater scrutiny of slow expenditures, carry-forward funds and no-cost extensions. FIU researchers have been impacted by all four of these actions, and this has been impacting universities across the country. For example, three days ago, the *Chronicle of Higher Education* reported that the University of California system has received 25 percent fewer research dollars thus far this FY compared to the same period last year <http://chronicle.com/article/Threat-of-SequesterHas/137533/?key=SG9wclQ7Z3ZBbXEwYDYQYzdSanI4Y0shanUQay0kblFWew%3D%3D>.

We have received notifications from several federal agencies in which they provide initial information on their plans to implement the budget cuts if sequestration occurs. Below are summaries from several of our key sponsors:

➤ **National Science Foundation (NSF):**

- As a result of the sequestration order, the FY 2013 appropriations of the NSF will be reduced by 5 percent. The NSF informed universities that they intend to make the necessary FY 2013 reductions with as little disruption as possible to established commitments, and are using the following set of core principles to guide their sequestration planning activities:
 - Protect commitments to NSF’s core mission and maintain existing awards;
 - Protect the NSF workforce; and
 - Protect STEM human capital development programs.
- Because the sequestration order takes effect at mid-year, its impact is somewhat greater than might otherwise be the case. At NSF, the major impact of sequestration will be seen in reductions to the number of new research grants and cooperative agreements awarded in FY 2013. The NSF anticipates that the total number of new research grants will be reduced by approximately 1,000.

- **National Institutes of Health (NIH):**
 - The NIH continues to operate under a continuing resolution and, therefore, all non-competing continuation awards are currently being funded at a level below that indicated on the most recent Notice of Award (generally up to 90% of the previously committed level). Final levels of FY 2013 funding may be reduced by a sequestration. Despite the potential for reduced funding, the NIH remains committed to their mission to seek fundamental knowledge about the nature and behavior of living systems and the application of that knowledge to enhance health, lengthen life, and reduce the burdens of illness and disability. Should a sequestration occur, NIH will likely reduce the final FY 2013 funding levels of non-competing continuation grants, and expects to make fewer competing awards to allow the agency to meet the available budget allocation.

- **Air Force Office of Scientific Research (AFOSR):**
 - The Air Force continues to function under a continuing resolution and faces the possibility of sequestration and budgetary shortfalls. Timely expenditures are more essential than ever for retaining their present funding and receiving new dollars in the future. Consequently, AFOSR is making every effort to obligate their grants in a timely fashion. Monthly billings and steady expenditure rates from institutions are essential. When billings or expenditure rates are not up to date, AFOSR is at risk of losing the funds. AFOSR Program Officers will be reviewing all grants, and AFOSR will be directly contacting those whose billings and expenditures are not timely.

Information we have received from the Association of Public and Land-grant Universities (APLU) and the Council on Government Relations (COGR) appears to indicate that the NSF and the Department of Defense (DOD) will have less flexibility implementing the budget reductions, while the NIH will have more flexibility. For the NSF, the challenge will be that reductions will have to be equal across all of their divisions. For DOD, the reductions will impact R&D at higher levels because there can be no reductions in salaries of active personnel. The NIH may have more flexibility because each of its twenty-seven institutes and centers will be allowed to manage the budget reductions separately.

As the impact of sequestration will likely be gradual and possibly long-term, DOR will take the following steps and make the following recommendations to the University research community:

- It is critical that Principal Investigators (PIs) regularly communicate with their Program Officers.
- It is critical that PIs communicate with their colleges and DOR regarding any difficulties or delays they encounter with actions in their grants that may delay the expenditure of funds.
- DOR will continue efforts to increase research development support in various forms. In April, as part of discussions with Deans about greater strategic research focus, DOR will launch a new initiative that aims to provide more grant-seeking support, will focus on improving the quality of grant applications from FIU researchers, and find more targeted grant opportunities.
- Funding of the internal grant awards for the application deadline of March 1, 2013 will be suspended since those funds may be needed for bridge funding of existing grants.

Finally, it is important to keep in mind that the impact of sequestration will be gradual, and is in line with the reduced R&D federal budget that we have been experiencing over the past few years. This trend has been manifested in reduced pay lines, as federal agencies have had to manage flat or reduced budgets and ongoing continuing resolutions. In this current financial climate, it is important to be strategic and to increase our efforts to assist our outstanding faculty and graduate students to achieve success in their research endeavors. I am confident that this extraordinary situation will drive us to be more creative and focused in our endeavors to support research and to greater future achievements for FIU.