

A photograph of the University of Kentucky campus, featuring a large green lawn in the foreground, several trees, and a prominent brick building with a central tower in the background. The image is slightly faded to allow the title text to stand out.

Impact of Sequestration on Research

University Senate
08 April 2013



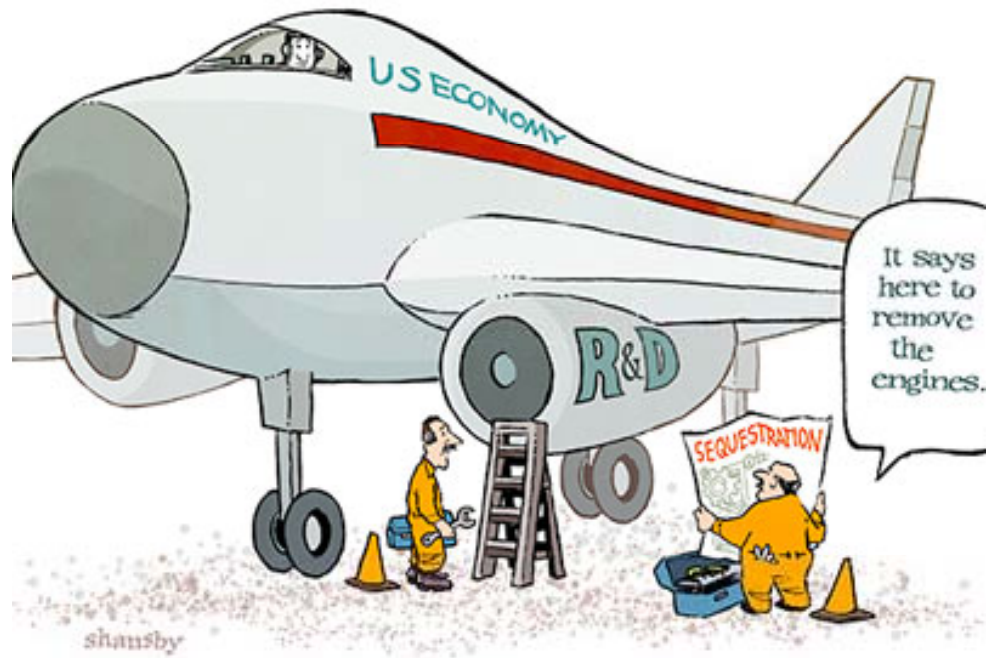
Jim Tracy
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Research

Sequestration

- Congress failed to devise a \$1.2T deficit reduction plan by March 1st.
- Triggered \$85.3B in automatic across-the-board cuts to discretionary spending
- Split 50:50 between defense and nondefense functions

Sequestration

- These reductions are *permanent*.
- Sequestration scheduled to continue through federal FY2021
- Annual \$109B reductions in FY2014 and beyond
- Cumulative reduction in R&D: \$94B



Forces in Play on March 1st

- **Government was operating under Continuing Appropriations Resolution (CR)**
 - **NIH provided up to 90% of approved budget**
- **Agencies slow to release new awards since October 1st because of sequester threat**
- **PIs conserving funds on existing grants**

H.R. 933

Consolidated and Further Continuing Appropriations Act of 2013

- Signed by President Obama on Mar. 26th
- Funds government through Sept. 30th
- Annual appropriation for some agencies (e.g., NSF, DOE Office of Science, DOD)
- NIH continues under a CR

Impact on R&D Agencies

- **NIH: \$1.55B reduction of \$31B budget**
 - Each IC has discretion to implement cut
 - May reduce number and/or scope of new grants
 - Continuing grants funded at no more than 90%
- **NSF: \$350M reduction of \$7.25B**
 - Maintain existing grants and preserve NSF jobs
 - Estimate 500 fewer new grants in FY2013

Impact on R&D Agencies

- DOE (Science): \$245M reduction of \$4.9B
 - May not issue continuation year funding
- Some agencies slow to provide guidance
- Updates are posted at:

[http://www.research.uky.edu/vpresearch/seq
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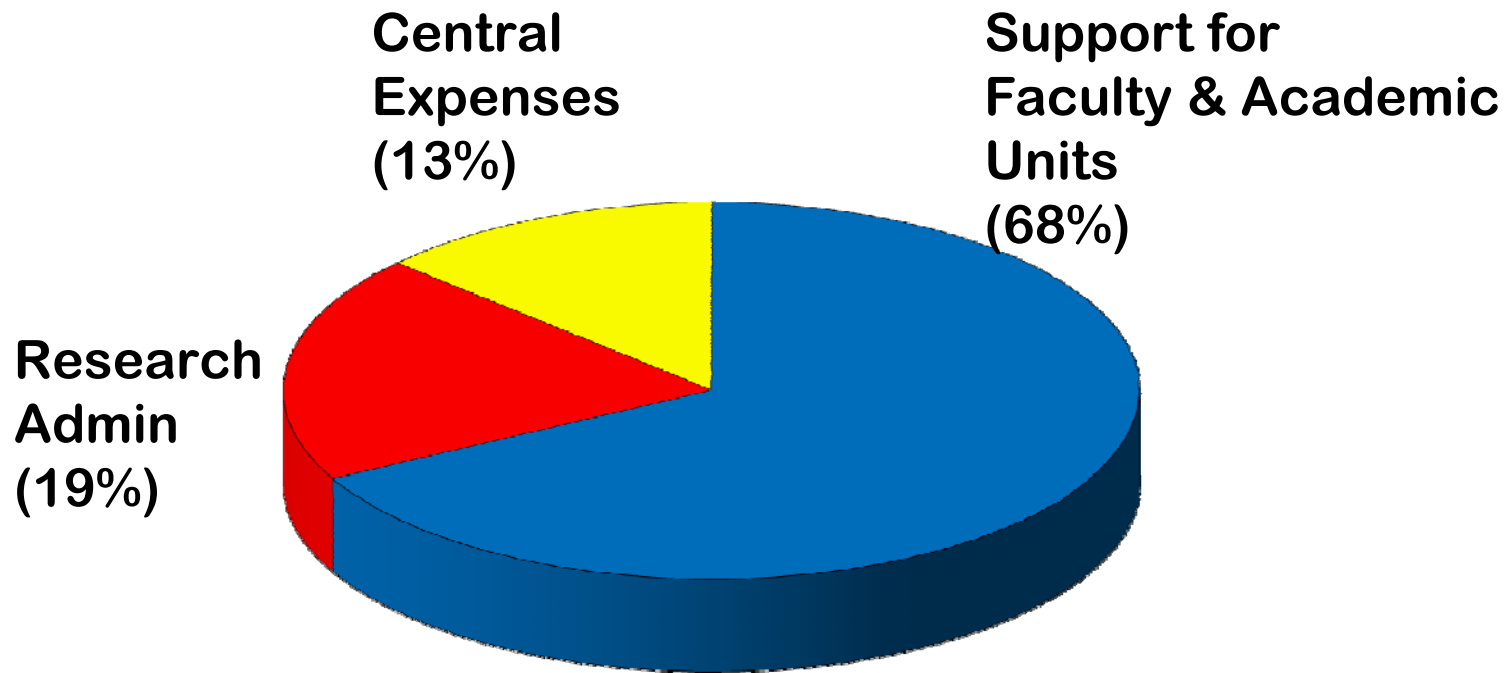
Federal Budget Outlook

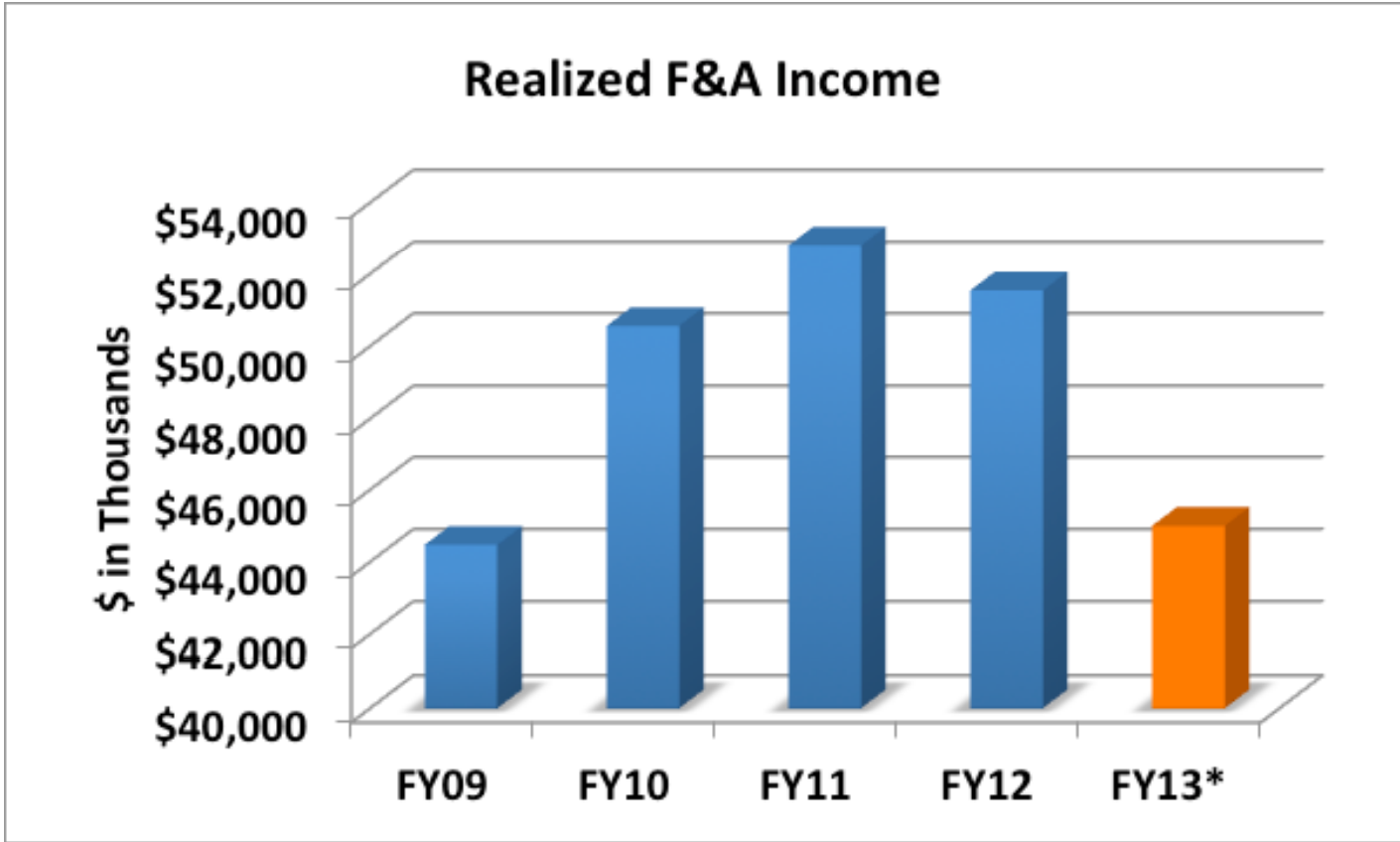
- President Obama expected to deliver FY2014 budget request to Congress on April 10th
- Budget battle looming in Congress
- Another CR possible for FY2014
- No relief in sight for R&D

The UKRF Budget

- UKRF budget depends on Facilities & Administrative (F&A) costs income
- F&A income is reimbursement for expenses already incurred
- F&A is realized only after direct costs are spent.
- Future F&A income is imputed from recent awards.
- Federal funds \approx 90% of F&A income (~50% = NIH)

UKRF Expenditures





Where are we now?

- **FY2013 (July-March): F&A income on budget (~\$45M annualized)**
- **FY2013 non-ARRA federal awards are 6-8% below FY2012 levels.**
- **Sequestration may lower FY2013 awards by an additional \$5M to \$8M.**

FY2014 Estimates

- Anticipated F&A income: \$38 - \$42 M
- Obligations & Commitments
as of 28 Feb 13: ~\$46 M
- Anticipated F&A shortfall: \$4 - \$8 M

Interim Actions

- Honor all formalized commitments
- Pause making new commitments until we have a better sense of FY2014 revenue
- Continue providing research support services
- Limit expenditures in research administration and operations

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Questions & Comments

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