

From: [Ben Polak, Provost](#)
To: [Yale University Faculty](#)
Subject: Update on Federal Sequestration
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To: Yale University Faculty, Deans, Directors, and Officers
Cc: Provosts, Lead Administrators, Operations Managers

On March 1, President Obama issued formal notice that federal agencies must reduce their spending for the fiscal year ending September 30, 2013, by a total of \$85 billion. These reductions, known as sequestration, entail a 5% cut to the Department of Education, the National Institutes of Health (NIH), the National Science Foundation (NSF), and other agencies of interest to Yale. They also require a 7.8% reduction for many programs in the Department of Defense, including its programs that support university research.

Yale and other universities have advocated against sequestration, and will continue to urge Congress and the Administration to restore the cuts and to avoid further reductions to funding for student aid and research in future years. Nonetheless, we now face the challenge of managing a significant reduction in federal support for research and scholarship at Yale.

I am writing to share our current understanding about how federal agencies will implement sequestration. Agencies have so far provided relatively little information about how they will manage extramural programs to comply with the mandated spending reductions. Hence it may take time for the full picture to emerge.

Effect on Student Aid. Pell Grants are exempt from sequestration for fiscal year 2013 (FY2013), meaning there will be no change in the size of the awards for eligible students in academic year 2013-14. However, funding for Federal Work Study and Supplemental Educational Opportunity Grants will be reduced by 5%. We therefore expect that Yale's allocation for the two programs will decline by about \$125,000 in academic year 2013-14.

Under Yale's longstanding policy of meeting full demonstrated financial need of students in Yale College, the University will provide additional institutional aid to any undergraduate who loses federal aid due to sequestration.

In addition to the changes in federal student aid programs, the origination fees for federal Direct Loans will increase to 1.05% (from 1.0%). The origination fees for Direct Plus loans, which some parents use to meet their portion of expected family contribution, will rise to 4.2% from 4.0%.

Effect on Research and Scholarship. All of the federal agencies that sponsor research and scholarship at Yale are subject to sequestration. NIH, NSF, National Endowment for the Humanities, and other agencies will give up 5% of their budgets.

Each agency is required to apply the spending reductions to all of its major programs. For example, we expect that all of the Institutes and Centers within the NIH will face a similar 5% reduction. However, each Institute and Center will have some discretion in setting priorities in applying its share of NIH's cuts to the NIH budget.

Agencies have some flexibility in managing the impact of sequestration on grants and contracts to universities. They have the option of reducing the number or size of new awards (or both); they also have leeway in seeking savings from continuing or new awards. We anticipate that agencies will reduce spending on graduate fellowships and traineeships, as well as research grants. This is what we know at this time about agencies plans:

- NIH expects to make fewer competing awards and to reduce the size of non-competing awards. NIH has already been issuing non-competing awards with funding at 90% of levels previously committed in the project budget. Unless sequestration is repealed, it is unlikely that NIH will restore any of the 10% of funds held back from continuation awards already made.
- NSF has indicated that it expects to make 1,000 fewer new grants in FY2013 (relative to an estimated base of 7,850 new grants in FY2012).
- NASA is expected to reduce new research grants by 5% and slow down spending on space exploration. Continuing projects begun before October 2012 would not be affected.
- The Department of Energy has announced that it may elect to reduce funding of continuation awards, may renegotiate the scope of work of existing awards or may not fund new awards.
- The National Endowment for the Humanities will fund all grants already approved, and will maintain current deadlines for new applications. It expects to make fewer new awards and at smaller amounts.

The University will provide additional guidance as funding agencies clarify their plans for implementing sequestration. The Office of Grant and Contract Administration will send updates through GCAAlerts. I encourage principal investigators to inform the Office of Grant and Contract Administration about adverse decisions involving grant and contract awards.

The Office of Grant and Contract Administration will also be available to assist principal investigators in accommodating any change in federal funding, including adjusting scope of work if necessary

Effect on Government Services. You may have read press reports about furloughs of air traffic controllers which may cause delays in air travel. Other government services affecting faculty, students, and staff, such as processing of applications for visas or permanent residency, may also take longer than usual. We encourage faculty and departmental business managers to contact the Office of International Students and Scholars about any extraordinary delays in processing of visa or permanent residency applications.

Next Steps. Yale will continue to advocate for budget policies that protect high-value investments in education and research.

Comments and Questions. For more information, contact Michael Glasgow, Executive Director, Grant & Contract Administration, at michael.glasgow@yale.edu or (203) 785-3680.
