Members of the California Delegation

The University of California is the largest public research university system in the world and an engine for economic growth and innovation for California and the nation. As the third largest employer in the state, UC generates $46.3 billion in annual economic activity in California alone.

As Congress and the Administration work to reach agreement on a budget for FY 2014, the University requests that you contact the members of the House and Senate Budget Conference Committee and urge them to repeal sequestration and protect the education, research, and health-care programs that are critical to fulfilling the University of California’s mission.

As you know, unless Congress acts, sequestration will continue through 2021 having a severe impact on the University’s education and research enterprise. Sequestration, the government shutdown, and the absence of a timely FY 2014 budget have already created delays, reductions and, in some cases, termination of funding for grants in critical areas of scientific and technological research. Sequestration threatens our nation’s educational, research and economic competitiveness at a time when many countries, including China, Singapore and Korea, are making significant investments.

Education
Federal financial aid programs are critical to ensuring that students in California have access to affordable high-quality postsecondary education. More than 72 percent of UC students receive some form of federal aid, and systemwide, UC enrolls a higher percentage of low-income Pell Grant recipients—42 percent—than any comparable research university, public or private. In 2011-12, UC students received more than $1.7 billion in federal financial aid, including $469.3 million in gift aid and more than $1 billion in federal loans.

Sequestration cut Department of Education funding (non-Pell Grant discretionary) below the FY 2004 level. While the Pell Grant program was exempt from the across-the-board cuts in FY 2013, future funding is seriously at risk if spending caps are lowered significantly, or if the cuts proposed in the House Budget Resolution are
adopted. Sequestration has already cut funding for a number of student financial aid programs for low-income students as well as other programs of importance to UC. Nationally, the Supplemental Educational Opportunity Grants and work-study program were cut by $86 million; TRIO, GEAR-UP and other higher education programs were cut by a combined $129 million; and, funding for teacher quality grants was cut by $124 million. UC relies on these federal education programs to provide strong financial aid packages and to train California’s next generation of classroom educators.

As students and their families make important decisions about higher education, they need to know that there is strong and sustained financial aid from year-to-year to help finance the costs of college. In early March 2014, financial aid officers from across the University system will begin putting together financial aid packages for our incoming students. It is critically important that they have the necessary information about the federal allocations for key financial aid programs that our students depend upon to finance their education. Further cuts and delays in the FY 2014 budget could jeopardize our students from having competitive and beneficial financial aid packages for the upcoming academic year.

The University urges Congress to provide critical investments in student aid that would improve college access and completion. Reducing education funding jeopardizes our nation’s ability to educate and support a skilled workforce that can compete in the global market.

**Research**

Federal funds are the University’s single largest source of support for research. In 2011-2012, UC received roughly $2.8 billion in federal research funding, accounting for more than 65 percent of all UC research expenditures; and it is estimated that UC researchers annually attract nearly ten percent of federal basic research grants to universities. While the data is still preliminary and does not yet account for the final quarter of the federal fiscal year, UC appears to have experienced a significant drop in 2012-2013 federal research funding, due to sequestration and federal budget instability. These impacts are consistent with trends reported by other institutions across the country. Thus far, the University has seen:

- A $345 million drop in federal research awards for FY 2012-13, or roughly 12 percent below the amount awarded in FY 2011-12.
- There were 4.7 percent fewer National Institutes of Health (NIH) research awards and over 9 percent fewer National Science Foundation (NSF) research awards in 2012-2013; and,
- the average research award is smaller, and is not keeping pace with inflation.

Sequestration and budget instability are taking a toll on research activities across the UC system and at the UC-affiliated national labs--Lawrence Berkeley, Lawrence Livermore and Los Alamos. Promising science is being delayed or terminated. Labs are being forced to lay off highly trained staff. Perhaps most troubling, young researchers are questioning whether to pursue research careers because vital fellowships are threatened, and it is taking increasingly longer for them to obtain their first independent
research grants. Some examples follow:

- The UC San Diego Scripps Institution of Oceanography was affected by an NSF sequestration-related budget decision to reduce the number of new Science and Technology Centers to be started in FY 2013. NSF originally planned to support five new centers, and the NSF Blue Ribbon Panel recommended five proposals. However, due to sequestration, NSF decided it could support only three. As a result, Scripps learned in June that its research partnership in a proposed center for southern ocean observations and modeling would not be funded. The research funding impact on Scripps was nearly $5 million.

- A young UC Merced researcher reports that his newly awarded, five-year NIH grant for children’s health research has been cut by 17 percent due to sequestration. The cut has broad consequences that will affect the scope of the research that can be conducted, as well as the employment of a post-doctoral research fellow in his lab, and the education, training and mentorship of graduate and undergraduate students.

- In October, due to the federal government shutdown, a UC Davis researcher sponsored by the NSF, was told to cancel her three-month trip to Antarctica to continue her research on fossil microbial communities to understand the early evolution of life. While the project has resumed, the researcher estimates that the shutdown cost her research team a month of work, and distracted them from focusing on productive research.

The American Association for the Advancement of Science estimates that if the spending levels proposed in the FY 2014 House Budget Resolution are implemented, reductions nationwide will be as high as 33 percent for the NIH, 34 percent for Department of Energy programs and 12 percent for the NSF from FY 2012 levels.

Cuts of this magnitude will have a great impact on UC’s research enterprise and threaten our ability to continue to pursue scientific and technological breakthroughs and train the next generation of scientists and researchers, which are fundamental to economic growth and creating innovative, new industries in California and the nation. Furthermore, such dramatic cuts will cause negative economic effects to ripple through our communities--threatening our state and local economies, including private businesses that support and supply the University research enterprise.

**Health care**

Federal support and funding is critical to the continued vitality of the University of California Health System. The UC Davis, UC Irvine, UC Los Angeles, UC Riverside, UC San Diego, and UC San Francisco medical centers and schools rely on federal funding to assist in providing world-class health care and to support UC’s clinical and medical education training missions. In 2011-2012, UC Health received more than $2 billion in Medicare and Medi-Cal patient care reimbursements for the provision of clinical services. UC Health receives more than $230 million annually from Medicare to support the cost of graduate medical education (GME) training. This funding directly assists UC medical centers with teaching and training of nearly 4,500 resident physicians and it is critical that these funds are not reduced in order to maintain individuals’ access to care during a time of rising physician shortages in California and across the country.
UC recognizes that these are challenging fiscal times and that Congress may look to entitlement reform for savings. UC will carefully examine any proposed cuts to Medicare or Medicaid that could have significant impacts on the UC medical centers and our doctors. UC supports ongoing efforts to implement the Affordable Care Act (ACA) and opposes efforts to repeal the law. Although it is possible that more savings could be found in Medicare and Medicaid, we do not believe that Medicaid should be converted into a block grant program and would encourage careful consideration before structurally altering Medicare. It is critical that a final FY 2014 budget agreement does not further reduce federal support for our hospitals.

Through a strong partnership with the federal government, UC is educating the workforce, advancing scientific breakthroughs in research, providing world-class medical training and generating economic growth through new jobs, start-up companies and spinoff industries. It is critical that our nation maintain its investments in education, scientific research, and health-care to ensure California and our nation’s economic prosperity continues to grow.

If you have questions about the sequester’s impact or specific budget proposals on the University of California, please do not hesitate to be in touch with Associate Vice President for Federal Governmental Relations Gary Falle. He can be reached by email at Gary.Falle@ucdc.edu or by telephone at (202) 974-6319.

Thank you for your service to our nation.

Sincerely,

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