FACT SHEET: SEQUESTRATION AND THE UNIVERSITY OF CALIFORNIA

Sequestration — a mechanism for automatic spending cuts — was included in the Budget Control Act of 2011 (BCA) as a fallback plan to reduce spending by $1.2 trillion over a 10 year period.

Sequestration was originally scheduled to take effect at the beginning of the year. However, in early January, Congress passed the American Taxpayer Relief Act of 2012 (ATRA), which postponed the start of sequestration for two months. For FY 2013, ATRA requires budget cuts of $85 billion by October 1. This is accomplished by across-the-board reductions. In addition to defense and non-defense discretionary spending cuts, the BCA law required a 2 percent cut to Medicare program payments.

Sequestration is not a one year event. Unless the law is changed or repealed, the BCA mandates further cuts to defense and non-defense discretionary funding, and some mandatory programs including Medicare, totaling $109.3 billion in each year from 2014 to 2021.

Research, education and health programs important to UC will be impacted. The discretionary cuts will be accomplished in future years by lowering the total funds available for annual appropriations, NOT through across-the-board cuts.

UC’S ADVOCACY
UC Federal Governmental Relations continues to advocate aggressively with Congress and the Administration to end sequestration.

• Through recent deficit reduction measures, Congress already has reduced discretionary spending by more than $1 trillion over nine years. The additional $1.2 trillion in sequestration reductions would amount to $85 billion in 2013 cuts and an additional $109.3 billion in cuts in each subsequent year through 2021.
• Sequestration, especially the across-the-board mechanism in effect for FY 2013, arbitrarily affects all programs critical to advancing our nation’s economy.
• An unstable fiscal future jeopardizes research and complicates students’ and parents’ ability to make wise financial decisions about their participation in higher education.
• UC strongly encourages Congress and the President to reach an agreement to avoid the devastating impact that sequestration would have on students, scientific research, health care and the economy.

IMPACT OF SEQUESTRATION ON UC
UC is an economic engine for California and the nation. Through a strong UC-federal partnership, we educate the workforce, advance scientific breakthroughs through research, provide world-class medical training and health-care services, and generate economic growth through new jobs, start-up companies and spinoff industries.

Sequestration would seriously damage UC’s ability to carry out these critical missions and further fuel the economic recovery of California and the nation.

Federal Research
UC researchers are among the leading recipients of competitively awarded funding from the National Institutes of Health, National Science Foundation, USDA, NASA, Department of Defense and Department of Energy and other research agencies. All of these programs are subject to deep sequestration cuts through 2021, which will disrupt UC researchers’ ability to contribute scientific discoveries and innovations, reduce support for graduate and postdoctoral students, and damage job creation and economic recovery in our state and nation.

Based on the latest available financial data from UC’s Office of the President, UC is experiencing a decrease in federal research awards as compared to last year. Other research institutions across the country are experiencing similar reductions. Unless sequestration is set aside and the budget situation stabilizes, agencies that fuel scientific innovation and discovery on UC campuses will be unable to maintain the necessary support that is so important to our economy and quality of life.

Student Financial Aid
Under sequestration, the Pell Grant program was not subject to cuts in FY 2013, which means there will be no cuts in the 2013-14 academic year. However, the
program could face deep cuts in FY 2014-2021 due to the lower annual funding caps, which would have devastating effects on the more than 80,000 UC students who receive Pell Grants. Other important education programs, such as Supplemental Education Opportunity Grants (SEOG), Federal Work Study, TRIO, GEAR UP, graduate and international education, and teacher preparation programs experienced across-the-board cuts in FY 2013 and will be subject to reduced funding in future years due to sequestration. In addition, unless the law changes, students will see an increase in the interest rates from 3.4 percent to 6.8 percent for new federal student loans taken after July 1, 2013. These combined losses will increase the cost of education for UC students and limit availability of other key educational opportunities.

UC is greatly concerned that an uncertain fiscal future for federal financial aid programs is a significant issue for students and parents who are making difficult and critical decisions about higher education. Students and parents need to know that there is strong and sustained financial aid for their entire academic future.

UC Health System
The UC Health System clinical services and medical education missions rely heavily on Medicare and Medicaid funding to provide world-class health services to thousands of Californians. While Medicaid is exempt from sequestration, Medicare program spending would be cut by 2 percent per year between FYs 2013 and 2021. Cuts of this magnitude to the Medicare program would have a profound negative impact on the university’s academic medical centers, faculty physicians, biomedical researchers, medical students and, ultimately, the communities and patients we serve.

CONTACT INFORMATION
For additional information about the sequestration process and how it will negatively impact the University of California, please contact Gary Falle, UC associate vice president for Federal Governmental Relations, at (202) 974-6319 or at Gary.Falle@ucdc.edu.