To: Executive Officers, Deans, Chairs, Directors and Faculty

From: Kelvin K. Droegemeier, Vice President for Research

Date: 5 November 2012

Subj: Contingency Planning for Federal Budget Sequestration

As you are most likely aware, Congress passed, and President Obama signed into law, the Budget Control Act of 2011 (http://en.wikipedia.org/wiki/Budget_Control_Act_of_2011), which specifies a variety of steps for reducing the Federal deficit by some $3 trillion over the next decade. A component of the Act involved a six-member bi-partisan Joint Select Committee on Deficit Reduction charged with specifying roughly half of the reductions in a thoughtful, targeted manner. As an incentive for the committee to reach agreement, a severe enforcement mechanism, known as "sequestration," was developed. It imposes $1.2 trillion in automatic, across-the-board cuts (with some exceptions including Social Security, Medicaid and others) scheduled to begin 2 January 2013. Because the committee indeed failed to reach agreement, sequestration will begin on schedule unless other actions are taken.

We estimate that sequestration-induced reductions in Federally funded sponsored research on the Norman Campus could range, in the worst cases, from $10M to $17M in annual expenditures by FY15 (10% to 18% of current levels), with concomitant annual reductions in indirect cost recovery of approximately $3M to $5M (16% to 29%). Although the current sequestration law may not be implemented as written, some Federal research agency budgets may be reduced in 2013, perhaps significantly (more than 5% per year), regardless of the outcome of the Presidential and Congressional elections. Consequently, prudence requires careful consideration of actions to guide our planning.

With the above preface, the Office of the Vice President for Research will follow the principles enumerated below in the event significant reductions are made to Federal grants and contracts and/or to agency budgets. Although shown in rough priority order, all principles are considered important for meeting expected fiscal challenges while also seeking to maintain growth in research. The degree to which each is followed will depend upon the severity, timing and expected duration of Federal budget cuts, and of course no guarantees can be made owing to the uncertainty of future Federal appropriations. This document does not address how other organizations on the Norman Campus might alter their participation in research-related activities undertaken jointly with the VPR Office, e.g., start-up packages.

- Budget cuts will not be allowed to diminish the University's bold advancements in research and creative activity or its resolve to continue performing leading-edge scholarship;
- Graduate and undergraduate students funded by Federal grants and contracts should be protected and thus supported according to established practices in the unit(s) in which they are appointed. For students whose grant-funded stipends are reduced or
eliminated, temporary support (e.g., through the end of the semester or academic year in which Federal cuts are implemented) may be available from the VPR Office via the re-purposing of funds as described below;

- Existing core research areas will receive priority consideration as they represent the University's foundational strengths for the future;
- Institutional commitments will be honored on existing Federal awards as well as submitted proposals now under review;
- Support for new faculty start-up commitments that have been formalized by a signed memo will be honored; and
- Support for faculty retention packages that have been formalized by a signed memo will be honored.

The following actions, shown in rough priority order, will be considered by the Office of the Vice President for Research as a means to offset losses in Federal funds. The degree to which each is implemented again will depend upon the severity, timing and expected duration of Federal budget cuts. Additionally, funds made available via the actions below will be re-purposed to support the principles noted above.

- Capture carryover from all VPR internal organization accounts;
- Limit VPR organization travel that is sponsored by the University;
- Reduce or suspend internal discretionary commitments even if they have been confirmed via a signed memo;
- Re-capture all unspent funds from the Faculty Challenge Grant and Potentially Transformative Research programs;
- Suspend discretionary programs (e.g., Faculty Recognition Program);
- Suspend discretionary reduction of the indirect cost rate on specific proposals unless explicitly required by the funding source;
- Suspend cost sharing on all new proposals planned for submission to external funding sources, which means no proposals for which a formal cost sharing requirement exists may be submitted;
- Freeze and possibly reduce the yearly Research Council Faculty Investment Program budget;
- Reduce the Junior Faculty Fellowship Program budget by 25 to 50%;
- Reduce the Faculty Travel Program budget by 25 to 50%;
- Provide limited or no start-up for new faculty hires; and
- Reduce sponsored research incentive (SRI) distribution.

If Federal agencies reduce existing grant budgets by a significant amount, principal investigators likely will be asked to revise the associated project scope of work per existing Federal regulations. Those investigators are best equipped to make such decisions and in doing so, it is recommended they give top priority to both graduate and undergraduate students funded on the project and lower priority to maintaining salary release, travel funds and non-essential support costs. The Office of Research Services is available for consultation on all matters pertaining to Federal funding.

In summary, although sequestration is cause for concern, Norman Campus research has been growing dramatically during the past few years (e.g., Federal expenditures have increased 50% in four years, Department of Defense expenditures have doubled in just two years, and the number of post-docs has doubled in four years). New resources, such as CRPDE, have greatly improved our competitiveness and success rates, and will help mitigate possible negative impacts associated with agency budget reductions. *I remain very optimistic that sequestration or other budgetary challenges will not thwart our forward progress and in fact will stimulate us to grow even faster!*