TALKING POINTS AND BACKGROUND REGARDING FY 2014 BUDGET AND A FEDERAL GOVERNMENT SHUTDOWN

KEY UC MESSAGES

• The University of California urges Congress to complete action on FY 2014 appropriations and fund the government. It is critical that the Congress also repeal sequestration and fully fund UC’s education, research and healthcare related priorities.
  o Short-term, stop-gap budgeting, combined with the threat of additional sequestration cuts, creates uncertainty, lost opportunities, and in some cases higher costs that can have damaging, long-term effects on California and the nation.
  o Students and their families need to know that there is strong and sustained financial aid from year-to-year to help finance the costs of college.
  o The precarious budget situation threatens to disrupt – even terminate – vital research. Furthermore, we risk a national scientific brain drain if brilliant young researchers become discouraged from pursuing science careers – just when other nations are increasing their research and innovation investments as never before.

• Congress must repeal sequestration. The University is greatly concerned that the continuation of the sequester greatly threatens our ability to remain internationally competitive, maintain our continued excellence in education and research, and could lead to cuts in student financial aid programs that are of significant importance to our UC students.

• UC recently sent a letter to the California congressional delegation urging the repeal of sequestration, the completion on the FY 2014 budget and strong funding for UC’s priorities. A copy of the letter can be found here.

BACKGROUND AND QUESTIONS AND ANSWERS

How will a government shutdown impact the University of California?
• The impact will depend on the length of a federal government shutdown. We expect limited impact in the first week or so. If the shutdown goes on longer than a week or two, we will likely feel some disruption. We are monitoring the situation closely and continuing to urge Congress to fund the government, complete the FY 2014 budget process and provide strong funding for UC's federal priorities.

Additional Background:
The White House posted shutdown contingency plans from agencies across the federal government that provide additional details on how each agency is implementing the shutdown.

In addition, the Office of Management and Budget (OMB) issued a memorandum ((OMB guidance (M-13-22)) to federal agencies on Sept 17, titled “Planning for Agency Operations during a Potential Lapse in Appropriations”. This document includes guidance for agencies regarding a shutdown.
Please note that due to the shutdown, most federal agencies are not updating their websites.

How will a government shutdown impact research at UC?
• We expect little to no immediate impact on current research funding during a short government shutdown. Of course, our assessment will change depending on how long a federal government shutdown lasts. In general, with the federal government shutdown, new research grants would not be awarded.

Additional Background:
UC received $3.1 billion in federal research awards in 2012 systemwide, including the Lawrence Berkeley National Laboratory.

In general, federal employees are not allowed to conduct routine activities in oversight, inspection, accounting, administration, etc. In addition, according to recent OMB guidance (M-13-22) from September 17, 2013, in general, no new grants or contracts are expected to be issued during a government shutdown. (Please see the Questions and Answers from OMB guidance (M-13-22) below.) It is important to note that agencies have the discretion to halt activity on individual grants or contracts but the grantee/contractor would be notified by the agency and normal termination provisions would prevail.

From OMB Guidance M-13-22, Planning for Agency Operations during a Potential Lapse in Appropriations (September 17, 2013, page 6)

“Incurring New Obligations for Contracts or Grants.
Q: When an appropriation has lapsed, may an agency incur a new obligation-by signing a new contract or grant, or by extending a contract or a grant, or by exercising a renewal option-when the funding source for that obligation would be the lapsed appropriation?
A: No-except in very limited circumstances. The Antideficiency Act prohibits agencies from incurring obligations that are in advance of, or that exceed, an appropriation.”

How will a government shutdown impact federal education funding to UC, including federal financial aid?
• It is important to underscore that for federal financial aid programs the budget that the government is working to finalize now applies to FY 2014 which is Academic Year 2014-2015 that starts on July 1, 2014. The final funding totals would impact Pell Grants that are issued after July 1, 2014. The University of California urges Congress to preserve Pell Grant funding.
• If the federal government shutdown is brief, there would not likely be a negative impact on our educational services and financial aid programs. However, UC is concerned about a prolonged shutdown, or cuts that may be made if Congress agrees to further spending reductions. UC supports strong and sustained funding for education programs.
• UC will do all it can to shield UC students from harmful effects of a short government shutdown, including – if need be – advancing UC funds to substitute for federal financial aid so that financial aid reaches the students when promised. Again, we do not expect a short federal government shutdown to have an immediate impact on our students or educational services.
Additional Background:

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<thead>
<tr>
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<th>2011-2012</th>
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<tbody>
<tr>
<td>Federal Financial Aid Support</td>
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<tr>
<td>Pell Grant recipients (systemwide)</td>
<td>81,720</td>
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<tr>
<td>Supplemental Educational Opportunity Grant recipients (systemwide)</td>
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<td>13,101</td>
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<td>Federal Work-Study</td>
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<td>Undergraduate (systemwide)</td>
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<td>Graduate (systemwide)</td>
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<td>Total (systemwide)</td>
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According to the Department of Education’s contingency plan – “Program funds for Pell Grants and Direct Student Loans are provided through mandatory and carryover appropriations. Over 14 million students receive student aid, in the form of grants and loans, at over 6,600 schools through these programs. As a result of the permanent and multi-year appropriations, Pell Grants and student loans could continue as normal. Staff and contractors associated with these areas will continue to work, and only skeletal program operations would continue under the ‘significant damage’ standard.”

How will a government shutdown impact healthcare at UC?

- UC is committed to providing services to the many Americans who we have contracted with the federal government to provide services to, such as Medicare and Medicaid beneficiaries, among others. This commitment will continue. However, we are among the largest providers of these services in California and we need to pay our bills, including paying doctors and nurses. While we can help ensure services continue, there is no precedent for a prolonged shutdown.

Additional Background:

UC received $1.4 billion in Medicare and $848 million in Medicaid patient reimbursements in 2011-12.

The Department of Health and Human Services contingency plan can be found here. Please note the following:

- HHS reports that it would furlough 52% of its employees but that “activities authorized by law, including those that do not rely on annual appropriations, and activities that involve the safety of human life and protection of property are to be continued…”
- The NIH will continue patient care for current NIH Clinical Center patients, minimal support for ongoing protocols, animal care services to protect the health of NIH animals, and minimal staff to safeguard NIH facilities and infrastructure. NIH will not, however, admit new patients (unless deemed medically necessary by the NIH Director), or initiate new protocols, and would discontinue some veterinary services. NIH will not take any actions on grant applications or awards.
- CMS “would continue large portions ACA activities, including coordination between Medicaid and the Marketplace, as well as insurance rate reviews, and assessment of a portion of insurance premiums that are used on medical services. In the short term, the Medicare program will
continue largely without disruption during a lapse in appropriations....CMS would be unable to continue discretionary funding for health care fraud and abuse...Fewer recertification and initial surveys for Medicare and Medicaid providers would be completed, putting beneficiaries at risk of quality of care deficiencies.” Other, non-discretionary activities including the Health Care Fraud and Abuse Control, Center for Medicare and Medicaid Innovation, and Pre-existing Condition Insurance Plan activities will continue. States will have funding for Medicaid on October 1st, due to the advanced appropriation enacted in the FY 2013 appropriations legislation, as well as for the Children’s Health Insurance Program.

• HRSA will continue activities funded through sources other than the annual appropriations process including the Community Health Centers and the National Health Service Corps. HRSA will be unable to make payments for the Children’s Graduate Medical Education Program.

How will a government shutdown impact the national laboratories UC is affiliated with?

• Media questions regarding the impact of a shutdown on Berkeley, Los Alamos and Livermore National Laboratories should be directed to their respective public affairs offices.
  o Lawrence Berkeley National Laboratory: (510) 486-7292 or (510) 486-4014
  o Lawrence Livermore National Laboratory: (935) 422-4599
  o Los Alamos National Laboratory: (505) 667-7000