The Sequester and Its Impact on Wayne State University

Submitted by the Offices of the Vice Presidents for Government & Community Affairs and the Division of Research

On March 1st, the federal government allowed sequestration to go into effect. Sequestration is a set of automatic federal budget cuts intended to reduce the budget deficit through spending reductions. The sequester triggers $85 billion in federal spending cuts to defense and discretionary programs.

It is unclear at this time how these cuts will affect Wayne State University. The impact of these cuts may not be felt immediately, as the effects of the sequester will phase in slowly over the next two months. However, it is certain that the university will be impacted.

The University is most vulnerable in the following areas:

Research

Basic scientific research – funded by the federal government and conducted in universities and laboratories across the United States – is the key driver of innovation, economic growth, and workforce development that keeps our country competitive.

Sequestration will have a severe impact on our nation’s research, ultimately affecting the ability for the U.S. to remain the leader of innovation. The Science Coalition has published reports indicating that sequestration will result in a “cut of 8.7 percent (or $12.5 billion) of federally-funded research and development (R&D) in 2013,” a loss of approximately 200,000 jobs, and would reduce the nation’s GDP between $203 billion and $860 billion by FY 2021, depending on what baseline is used.

WSU has the potential to lose an estimated $7 to 11 million – or more – in federal research funding depending on decisions made by federal agencies on how they will implement their budget cuts. These cuts may affect our graduate research assistants, and numerous research faculty and staff whose salaries are supported partly or wholly by federal grants.

“Although we don’t exactly how the budget sequester will be implemented, we do know that in the short- and long-term, it could be quite devastating to universities like Wayne State University that have a high volume of federally-funded research,” said Hilary Ratner, vice president for research at Wayne State. “We will have to work closely with our deans and faculty to assess and minimize the impact of sequestration challenges we are faced with.

Financial Aid

Sequestration may also impact financial aid including Supplemental Educational Opportunity grants and federal work-study programs. The information below is based on estimates from the Senate Appropriations Committee.

Supplemental Educational Opportunity Grants

Supplemental Educational Opportunity Grants (SEOG) are allocated by formula to qualifying postsecondary institutions to provide grants to undergraduate students with exceptional financial need. The program helps leverage additional resources for student financial aid by requiring participating institutions to contribute at least 25% of the student’s award.

In FY12, the State of Michigan received $25.9 million in SEOG funding; as a result of the sequester, the state will receive $1.9 million less in FY13, which will amount to 3,885 fewer students receiving SEOG financial aid. For WSU this could translate into a loss of approximately $50,000 and could impact about 100 students.
Federal Work Study

Federal Work study programs provide funding to colleges and universities to help low- and middle-income undergraduate and graduate students pay for postsecondary education through part-time employment at their college or university, public agency, private company, or nonprofit organizations. The program helps leverage additional resources for student financial aid by requiring participating institutions or employers to contribute at least 25 percent of the student’s part-time earnings.

In FY12, the State of Michigan received $32.2 million in Federal Work Study funding; as a result of the sequester, the state will receive $2.8 million less in FY13, which will amount to 2,031 fewer students participating in federal work study. For WSU this could translate into a loss of $115,000 which could impact around 50 students.

Pell Grants

Pell Grants are exempt from across-the-board cuts. However, as Pell Grants currently face a more than $50 billion shortfall in funds, the fact that Pell Grants are held harmless is seen as temporary at best. In all likelihood, while the level of Pell Grants may remain the same, the requirements may become even tougher, resulting in fewer students receiving Pell Grants.

Updates regarding sequestration and its impact will be shared as additional information becomes available.

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