



## Potential Impact of Federal Sequestration on Higher Education in Utah

Education Interim Committee | September 19, 2012

### Background

- "Sequestration" is a process of automatic, largely across-the-board, spending reductions under which resources are permanently canceled to enforce federal budget policy goals.
- Included as an enforcement tool in the Budget Control Act of 2011 (BCA) enacted August 2, 2011
  - Required Congress to reduce deficit by at least \$1.2 trillion by January 15, 2012.
  - Congress did not meet the deadline.
  - Triggers automatic spending reductions across the board, with some exceptions.
- First cuts scheduled to take place January 3, 2012 for federal FY2013.
- Mandatory percentage reduction is either 8.2% or 7.6% depending on the type of funding, discretionary or direct spending/mandatory respectively.

### Potential Impact to Higher Education

- Utah System of Higher Education (USHE) Institutions receive federal funds from more than 25 federal agencies for over 3,000 projects.
- Funds are primarily awarded through grant programs. Additionally, aid programs such as Work Study and Head Start are awarded to USHE institutions.
- Direct Student Loans are excluded from the percentage reduction. However, the originating fee for student loans face a small mandatory percentage increase (0.076%).
- Pell Grants are excluded during the first year of sequestration. Following years, Pell would be reduced 8.2%. Utah students receive over \$400 million in Pell Grants (USHE: \$235 million).

### Approximate Fiscal Impact of Sequestration to USHE Institutions (Federal FY 2012)

University of Utah	\$27.4 million
Utah State University	\$11.7 million
Weber State University	\$1 million
Southern Utah University	\$600,000
Snow College	\$700,000
Dixie State College	\$200,000
Utah Valley University	\$600,000
Salt Lake Community College	\$1.4 million
<b>APPROXIMATED USHE REDUCTION</b>	<b>\$43.6 million</b>

#### Additional References:

Congressional Research Office (<http://www.fas.org/sgp/crs/misc/R42050.pdf>)  
 OMB Report Pursuant to the Sequestration Transparency Act of 2012 (<http://goo.gl/JbBy4>)