MEMO TO THE NCI COMMUNITY

May 7, 2013

To the NCI-supported scientific community:

A message that I sent to you in March (appended below) outlined the general approach that the NCI planned to take to absorb an anticipated reduction in our FY2013 budget. At that time, I promised to provide more information once we received firm figures for the remainder of this fiscal year. Now that the Congress and the Administration (including the Office of Management and Budget, the Department of Health and Human Services, and the NIH Director's Office) have weighed in, the NCI has learned that our budget for the current year will be approximately $4.78 billion, $293 million less than in FY2012, a reduction of 5.8%. This decrease is attributable in large part to sequestration (a 5.1% decline), with the remainder due to further reductions mandated by DHHS to support various Departmental obligations.

As in the strategy I outlined previously, we have responded to this situation by reducing funds for virtually all sectors of the NCI portfolio in order to limit the impact of the reductions on the most vulnerable part of the budget---our capacity to issue new and competing research project grants. This is not easily accomplished. Over 20% of our budget is comprised of fixed costs---such as salaries for NCI personnel, rents, utilities, Clinical Center expenses, etc.---and cannot be reduced. (And we have also decided not to reduce salaries for NIH trainees.) That means that the other components of the budget must absorb the entire reduction, lowering their allocations by an average of over 7%. To do this, we have had to make appreciable reductions in ongoing (non-competing) grants (about 6%), centers and other research programs (6.5%), and research and development contracts (8.5%). Similar or even larger reductions were applied to the discretionary parts of other budgets, such as research management and support and the intramural program, in both of which salaries constitute most of the expense.

As a result of these decisions, we can now expect to fund slightly more than 1000 new and competing grants---less, but only a bit fewer, than the nearly 1100 funded in each of the past couple of years. The already low success rates for grant applicants (recently in the range of 13 to 14%) may decline a small degree, but we believe that we have achieved a fair compromise, given the size of the budget reduction overall, our commitments to current grantees, and our several fixed costs. As in past years, a fuller account of the FY2013 budget will soon be posted on the NCI web site to provide additional details.

Needless to say, no one at the NCI is happy about these reductions, but they are now unavoidable for FY2013. I believe that our goals should be to manage as best we can within these limits, to use the nearly $4.8 billion at our disposal as effectively as possible to make progress against cancer, and to look for opportunities to improve

our fortunes in the next year or two. Although I recognize that there may be resistance in Congress to returning our budget to FY2012 levels or better, it is encouraging to note that the President has proposed a significant increase above FY2012 for the FY2014 NIH budget.

Those of us who must govern the NCI in this difficult year thank you for your attention to this matter and ask for your support of our efforts to cope with it.

Harold Varmus
Director, NCI

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MEMO FROM MARCH 7, 2013

To the NCI-supported scientific community:

As you have heard and read, the Budget Control Act (aka "sequestration") has gone into effect as of March 1st. All components of the NIH, including the NCI, are working diligently to assess the impact of this unprecedented budget reduction on our ability to manage the current research portfolio and to continue to award new and competing grants in this fiscal year. Knowing the anxiety that we all share about these developments, I am writing to report to you on our objectives, progress, and prognostications, even though a full account is not yet possible.
First, I must emphasize that we cannot provide a definitive and detailed account of our plans for the year at this time because we are currently operating on a so-called Continuing Resolution that extends only through March 27th. Funding for the rest of the fiscal year (FY2013) will depend on Congress's ability to propose and pass appropriations measures that carry us through September 30th. This could be done through another Continuing Resolution, through a more typical appropriations bill, or through some kind of omnibus bill that bundles measures affecting many agencies.

At present, our Continuing Resolution provides funds to the NCI for the first six months of this fiscal year (October 1 - March 27) at 0.62% above last year's level for the same time period. Under these circumstances, as in many other years that have begun with Continuing Resolutions, we are paying both new and continuing grants at about 90% of expected levels---a conservative measure that acknowledges our uncertainty about the rest of the year. Even in this especially difficult year, we anticipate increasing the funding level for those awards (by an amount still to be ascertained) once our funding for the full year has been determined. As I have described in earlier messages and as is detailed on the NCI's web site (https://gsspubssl.nci.nih.gov/roller/ncidea/entry/2012_funding_patterns), we

continue to evaluate our applications for new and renewing grants by a careful combination of peer and programmatic review. I urge you to visit the site to see the outcomes of that process for the past two years.

One of the guiding principles in our plans for adapting to sequestration is to maintain the number of competitive awards ---new grants and renewals---at levels similar to that achieved in the past few years (over 1000 grants, with success rates of 13 to 14 percent). These are, of course, fewer grants than we would like to make, and the grant sizes are often smaller than they should be. Moreover, to achieve this goal, we need to make reductions, modest but significant, in virtually all of our extra- and intramural programs, including non-competitive (type 5) grant renewals, cancer centers, and research contracts. In addition, we do not expect to reduce salaries, place employees on furlough, or take other drastic steps in making these adjustments. Yet in the plan we envision, we hope to protect, as best we can, the potentially most vulnerable parts of our community: fully trained scientists who are applying for their first grants, experienced investigators who are renewing their grants and maintaining their research teams, and the trainees we will need for cancer research in the future.

I intend to send you more details about plans for FY2013 once budgets for the rest of the year have been defined. But I want you to know that those of us working on your behalf at the NCI are making every effort to sustain the functionality of our research enterprise in difficult times.

Harold Varmus
Director, NCI