

EXECUTIVE SUMMARY
FINANCES OF RESEARCH UNIVERSITIES

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The Council on Governmental Relations (COGR) is an association of leading universities and research institutions. Member institutions conduct over \$60 billion in research and development activities each year and play a major role in performing basic research on behalf of the federal government. COGR brings a unique perspective to regulatory and cost burden and focuses on the influence of federal regulations, policies, and practices on the performance of research and other sponsored activities carried out at COGR institutions.

***Finances of Research Universities* describes the financial landscape of research universities and calls for active collaboration among all stakeholders to address financial risks to the research enterprise in a productive manner.**

The paper is divided into three parts:

- *Part I, Overview of the Financial Landscape*, presents a snapshot of the common revenue sources, expense categories, and assets and liabilities of research universities. Key takeaways:
 - Both public and private research universities struggle with constraints on revenue sources, including grants and contracts from federal and non-federal sponsors, private gifts, and tuition and fees.
 - Steeply declining state appropriations are an additional challenge for public institutions. State appropriations as a percentage of total revenue sources fell from 31% in 2001 to 17% in 2012 for leading public research universities, according to a recent annual survey.
 - With an uncertain financial outlook, research universities must continually assess their ability to fully support programs and, potentially, make difficult decisions to reduce service levels and/or eliminate critical programs.
- *Part II, Research Funding and Financial Implications*, spotlights the cost of conducting research, contributions by sponsors, reimbursement limitations made by sponsors, university contributions, and the resulting impact on university finances. Key takeaways:
 - The federal government is the primary funder of the research enterprise at both public and private research universities. At the same time, research universities contribute significant institutional funds to cover both direct and indirect costs of federally-sponsored research.

- The future of the federal government contribution to the research enterprise is highly uncertain in light of deep discretionary spending cuts. According to the National Science Foundation 2012 Higher Education Research and Development (HERD) survey, for the first time since the 1950s, the federal government contribution to the research enterprise dipped below 60%. As the percentage of total research expenditures funded by federal sources trends downward, research universities bear the additional expense. The university contribution exceeds \$13 billion, according to the 2012 HERD survey, and continues to grow.
- Federal caps on facilities and administrative (F&A, or indirect) rates and sponsor limitations on F&A reimbursement force universities to fund unreimbursed costs through non-federal sources. As a result, institutions may be forced to reduce investments in core missions and infrastructure, ultimately hindering strategic planning for the future of the research enterprise.
- *Part III, Future of the Government-University Partnership*, closes the paper with comments on the importance of maintaining a viable and healthy collaboration between the federal government and research institutions. Key takeaways:
 - The financial uncertainties troubling research universities, combined with the increased costs of performing research, threaten the nation’s basic research capability.
 - The imbalance between the outlays required in conducting research and the resources available to research universities needs to be addressed in the context of the historically productive federal government–university research partnership.

The complete paper is available at www.cogr.edu.

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