

**Congress of the United States
House of Representatives**

Committee on Science, Space, and Technology
Subcommittee on Research and Technology
The Honorable Barbara Comstock, Chairwoman
Subcommittee on Oversight
The Honorable Darin LaHood, Chairman

Oral Testimony
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Examining the Overhead Cost of Research

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Good Morning Subcommittee Chairwoman Comstock, Ranking Member Lipinski, Subcommittee Chairman LaHood, Ranking Member Beyer and members of the Research and Technology and Oversight Subcommittees. My name is Jim Luther. I am the Associate Vice President for Finance and Research Costing Compliance Officer at Duke University. I also serve as the Board Chair for the Council on Governmental Relations, an association of 190 of the Nation's major research universities, medical centers and research institutes.

I would like to start by expressing my appreciation for this opportunity to discuss the federal-university research partnership and how universities are reimbursed for the costs of conducting federally funded research. Academic institutions have been working in partnership with the Federal Government for decades to advance national security, health and prosperity. This partnership allows for significant cost efficiencies in the use of federal funds where the government is unbound from maintaining its own facilities and personnel, and it has yielded tremendous results. The United States leads the world in scientific innovation, which has led to significant economic benefits, job growth and advances in healthcare and defense that benefit all Americans.

The Federal Government contributes over 50% of funding for academic research. These funds include the "direct costs" of personnel, supplies, and equipment, as well as the facilities and administrative (F&A) costs that represent critical infrastructure that supports the research. F&A costs cannot be viewed separately from direct costs; together they represent the total cost of performing research. If direct costs are thought of as "gas" for the research engine, F&A reimbursements represent "oil" – the research engine requires both.

My remaining comments are summarized in 4 points:

1. There is a longstanding, time-tested commitment to the partnership by both federal partners and universities.
2. The effectiveness of the partnership is demonstrated by cures that have impacted human health, improvements in defense, infrastructure, engineering, biology, social science, and other areas.
3. The current system recognizes cost and infrastructure differences: some research is more expensive than others because of geography but more importantly, the type of research.
4. And finally, and most importantly, the current system recognizes that F&A is a real cost of doing research.

Research institutions provide the physical infrastructure where research is conducted. This includes construction and maintenance of specialized facilities and labs, which support diverse research such as the study of serious and potentially lethal agents, advanced robotics, and critical vaccines. F&A costs also provide key operations infrastructure such as utilities, high-speed data processing, human and animal research review boards, radiation and chemical safety, and other compliance activities required when accepting federal funds. It is as basic as turning on the lights and as complex as supporting the disposal of biohazardous materials like anthrax.

F&A costs are tightly regulated and audited by the government to ensure that the government funds only that portion of F&A costs that are attributable to the performance of federally funded research. F&A costs on Federal awards have remained relatively constant for the past two decades. At NIH, approximately 28% of all expenditures are attributable to F&A costs. This stability has been maintained, despite ever-increasing federal regulations and reporting requirements.

Universities are committed partners in our Nation's research enterprise, committing more than 24% of their own funds towards higher education research & development activities—\$16.7 billion in FY15

according to federal data. This commitment and partnership is being challenged, however, by a number of factors, among them declining state and federal funding and increasing regulations.

It is important to note that federal funding doesn't fully cover F&A costs apportioned to federal studies. This is due, in part, to a cap on administrative costs put in place for research universities in 1991, but also due to a significant increase in federal requirements that necessitate additional infrastructure and staff. A recent National Academies report noted that the federal government promulgated, on average 5.8 new or changed regulations and policies per year over the past decade, a 400% increase over the 1990's. As nearly all universities are over the administrative cap of 26%, all new costs associated with complying with these regulations are borne by the university. While F&A costs incurred by universities have increased, the rate of reimbursement for those costs generally has not. Of the \$16.7 billion in university contributions to academic research in FY15, \$4.8 billion was attributable to unreimbursed F&A costs.

With respect to research space, Duke's experience is that a modest size research building increases our institutional cost by approximately \$10 million per year even after accounting for F&A recovery. This is due to faculty start-up costs, on-going faculty and research support staff, subsidized animal operations and components of the building which are not designated as research.

In closing, I would emphasize 3 points:

- 1) The long standing commitment to the partnership works and has been time tested for many decades but is being jeopardized by declines in state funding for public universities, increasing regulations, and reduced F&A reimbursements
- 2) The current system recognizes cost and infrastructure differences and that some research is more expensive and for good reason. Different geographic regions and types of research can cause significant differences in cost (some examples include: biocontainment laboratories, translational cell therapy, genomic & proteomic analysis and sequencing, etc.)
- 3) And finally, and most importantly, it recognizes F&A is a real cost of doing research and without it, plain and simple, we could not turn on the lights!
 - a) I would suggest that the effectiveness of this Hearing would be reduced if we were sitting on the Capitol steps and didn't have lights, A/C, chairs, legislative aides, and A/V equipment to support this important hearing. That is analogous to the F&A support needed for university research.

Any reduction in federal funding, including funding for research infrastructure, will result in less research, slower scientific progress, fewer medical treatments, fewer jobs, and likely fewer universities conducting research and undergraduates and graduate students educated in a research setting.

Thank you.