

## FEDERAL GOVERNMENT-UNIVERSITY PARTNERSHIP *AND COSTS OF CONDUCTING RESEARCH*

### KEY POINTS:

- **Facilities and administrative (F&A) costs are real and essential costs of conducting research.**
- **Cuts to F&A are cuts to research. Period.**
- **Capping or reducing F&A to NIH, or other federal research agencies, will damage the U.S. research enterprise and hamper these agencies' ability to fulfill their missions.**

### BACKGROUND:

- The enduring and successful partnership between the U.S. government and the country's research universities has produced tremendous returns on investment through improvements in human health, transformative technologies, new industries, and the development of the world's best research workforce.
- The administration's FY2018 proposed budget proposes to cut National Institutes of Health funding by more than 20 percent from the recently approved FY2017 level. Health and Human Services Secretary Tom Price has indicated that much or all of the reduction should come from payments to universities for their F&A costs, informally and misleadingly referred to as "indirect costs."
- Facilities and administrative costs are the research infrastructure and operating expenses essential for conducting quality research: laboratories, electricity, heating and cooling, hazmat waste disposal, human and animal subjects protections, security of select agents, and other necessary research operating expenses.

### FACTS:

- **University-based research is an investment that benefits all Americans.** It serves the dual functions of 1) providing the discoveries that are the foundation for progress toward achieving critical national goals in health, economic development and national security, and 2) training the next generation of scientists, engineers, and entrepreneurs.
- **Emerging from World War II, the U.S. government made a conscious decision to engage universities to conduct research to advance core national goals and federal agency missions.** As part of this partnership, the federal government agreed to provide universities with competitively awarded grants to support the people, tools, and physical and operational infrastructure necessary to conduct the highest quality of research for the nation in a safe, efficient and responsible manner.
- **This remarkable partnership has yielded significant dividends for our country:** the Internet, GPS capability, touchscreen phones, Doppler weather radar, new drugs and treatments for cancer, diabetes, and many other diseases are just a few examples of the countless innovations and technologies that have resulted from federally sponsored university research. Indeed, many of the most notable scientific and technological advances made during the last 70 years can be traced back to university research supported by the federal government.

- **F&A costs are essential research costs.** These include the construction and maintenance of sophisticated laboratories; high-speed data processing and storage; security for dangerous chemicals and microbes; disposal of hazardous waste; and regulatory compliance costs. It would be impossible to effectively and efficiently conduct research without incurring F&A expenses. Research institutions cannot conduct research for the federal government without sufficient government support for these F&A costs.
- **Suggesting that F&A costs are incidental or expendable to research is inaccurate and misguided.** Usage of the term “indirect costs” and “overhead” for F&A costs has perpetuated this falsehood with the insinuation that these costs are not fundamental to the conduct of research, when in fact, research could not be conducted without them.
- **Universities already provide a significant level of support for the research they perform on their campuses.** According to the NSF, behind only the federal government, universities are the second leading sponsor of academic research. They provide one-fourth of the total funding for research conducted on their campuses – significantly exceeding the combined total of state, industry and foundations which together equal less than 20 percent of all academic research funding.
- **The federal government already caps the amount it covers for administrative and compliance costs at universities.** Universities are the only entities – private, public, or non-profit – for which such a limit on recovery of these costs is imposed. The cap remains in place even as federal regulations and associated compliance costs required to conduct research have significantly increased.
- **Comparing federal F&A reimbursement rates to what foundations pay for F&A costs is comparing apples and oranges.** Foundations categorize and pay grant-related expenses very differently than the federal government does. For example, foundations often categorize some items as direct expenses that federal rules require to be counted as F&A expenses. This further underscores that direct and F&A costs are all part of total research costs and are inseparable when it comes to the actual conduct of research.
- **Further limiting the amount the government will pay for essential facility and research operating costs will cripple the highly successful government-university partnership by making it impossible for many universities to conduct research on behalf of the U.S. government.** Such cuts would greatly harm the United States’ ability to attract, educate and retain top scientists and engineers, grow the economy and create new jobs, and maintain our global competitiveness.