

January 17, 2018

The Honorable Tom Cole  
Chair, House Appropriations Subcommittee on  
Labor, Health and Human Services, Education, and Related Agencies  
Washington, DC 20515

The Honorable Rosa DeLauro  
Ranking Member, House Appropriations Subcommittee on  
Labor, Health and Human Services, Education, and Related Agencies  
Washington, DC 20515

Dear Chairman Cole and Ranking Member DeLauro:

As we approach what we hope will be the conclusion of the FY2018 process, we wish to thank the Subcommittee for its strong, unfailing, bipartisan support for medical research and the National Institutes of Health. The research community greatly appreciates the Subcommittee's work to preserve this critical support in its FY 2018 spending bill and in the continuing resolutions enacted to date. We are especially grateful for the Subcommittee's diligent examination of the critical role that facilities and administrative (F&A) costs play in the lifesaving research NIH supports.

Our organizations further appreciate the Subcommittee's recognition that our nation's research enterprise reflects a longstanding partnership between the federal government and the more than 2,500 universities, medical schools, teaching hospitals, and independent research institutions that carry out NIH-supported research in all 50 states and the U.S. territories. The federal government relies on these institutions to conduct research in the national interest, and as a result, these institutions incur a variety of costs that they would not otherwise bear.

The Subcommittee's October 24, 2017 hearing on the role of F&A costs in supporting NIH-funded research was particularly important in reminding policymakers, taxpayers, and the media how F&A costs are vital to the research partnership that advances our health, security, and economy. As the witnesses ably demonstrated, F&A expenses are a fundamental and inseparable part of the costs of conducting research. Such reimbursements have been included in federal grants since the 1940s, demonstrating the long-standing recognition that institutions incur expenses related to research that may not be directly attributable project by project, but are essential to the effective and efficient conduct of research. As the witnesses also noted, private foundations that fund research may take different approaches to compensating research institutions for F&A costs and comparing federal F&A reimbursement rates to foundation rates is misleading and inaccurate. For example, many foundations recognize and allow for certain facilities and/or administrative costs to be charged as *direct* line items on each grant. Further, a foundation rate normally is applied to a much larger base of costs, compared to the smaller "modified total direct cost" base used for federal awards.

NIH grant policies support the government's interest to build and sustain a national infrastructure and capacity for scientific research. U.S. universities and independent research organizations are central to this national interest. This infrastructure would wither if F&A cost reimbursements were reduced. Current policies have been spectacularly successful, reflected in the variety, diversity, quality, and productivity of U.S. research institutions. Under these policies, research institutions, and not the government or taxpayer, assume the long-term risks of investment in facilities and infrastructure. The fiscal strength of these institutions also affects their long-term ability to recruit new scientists and to help them establish and sustain productive careers, a concern emphasized in the October hearing.

Our member institutions share Congress's commitment to see that resources available for scientific research are used optimally and most effectively. Attributing F&A expenditures line-item by line-item on every grant would be an arduous, expensive, and inefficient process, both for the federal government and for the grant recipients. For such reasons, the current government-wide policy of reimbursing F&A expenditures as a rate to be applied to a research project's (modified total) direct costs based on the audited real costs for such expenses is a practicable, effective, and efficient approach to supporting these necessary expenditures. These policies promote effective stewardship of limited resources and safeguard against wasteful or profligate spending.

On behalf of the thousands of patients, scientists, physicians, and students who are touched by or work within our member institutions, we thank the Subcommittee for its longstanding, historically bipartisan commitment to biomedical research funded by NIH and other agencies. This investment has yielded countless medical breakthroughs that touch every American, and has contributed to the nation's health security as well as job growth and economic security. Your continued efforts toward steady, reliable, and meaningful funding increases for federal biomedical research play a key role in advancing scientific progress toward new and improved medical treatments. We strongly commend and appreciate your work to build consistently and predictably on prior investments in research, which allows for the optimal pursuit of scientific opportunities.

Sincerely,

Association of American Medical Colleges

Association of American Universities

Association of Independent Research Institutes

Association of Public and Land-grant Universities

American Council on Education

Council on Governmental Relations

National Association of Colleges and University Business Officers