



June 12, 2017

The Honorable Thomas Price
Secretary, U.S. Department of Health and Human Services
200 Independence Ave., SW
Washington, DC 20201

The Honorable Mick Mulvaney
Director, White House Office of Management & Budget
725 17th St., NW
Washington, DC 20503

Dear Secretary Price and Director Mulvaney:

I write on behalf the Association of American Universities (AAU) to express our strong opposition to the funding cut proposed for the National Institutes of Health (NIH) in the Administration's FY 2018 budget. Specifically, AAU strongly opposes the proposed 10-percent cap for facilities and administrative (F&A) costs on NIH grants.

AAU consists of the 60 leading U.S. and two Canadian research universities. AAU members advance society through education, research, and discovery; collectively help shape policy for higher education, science, and innovation; promote best practices in undergraduate and graduate education; and strengthen the contributions of research universities to society. The U.S. government looks to universities to conduct cutting-edge biomedical research to spur discoveries and innovations, and to create new treatments, cures, and technologies to improve public health. AAU's 60 U.S. member institutions are major performers of NIH-funded research – they successfully competed for 60 percent of NIH extramural research funds in 2015.

We are deeply concerned about the debilitating impacts the proposed F&A costs cap would have on the ability of universities to continue to conduct research on behalf of the NIH and Department of Health and Human Services. If implemented, the proposed cap would literally turn off the lights and shut down research at some of the nation's best biomedical research laboratories, many located at AAU's public and private universities, because they would have no other funding sources available to pay for these essential research costs.

F&A costs are the infrastructure costs of conducting research. These costs have been labeled 'indirect costs' because they pay for research costs at the institution that do not go directly to scientists and engineers. F&A costs include some of the expenses required to build and maintain high-tech biomedical laboratories, as well as the costs to pay for the utilities to light, heat, and cool these unique facilities, dispose of hazardous waste, protect human research subjects, and comply with the multitude of federal regulations required to conduct research.

After World War II, instead of building government laboratories and hiring even more scientists and researchers to fill them, the U.S. government made a deliberate decision to use universities and their talented faculty and students to conduct research to advance public health and welfare, the economy, and national security. In return, the federal government agreed to share the costs of supporting research by providing universities with competitively awarded grants to support the people, tools, and *infrastructure* necessary to conduct the highest quality research for the nation. To this day, universities compete for these grants. It is the universities – not the federal government – that assume the risk of building and maintaining research facilities. Universities advance funds to build the necessary research facilities that enable their faculty to be competitive for federal research grants without any guarantee that they will ultimately be successful.

The historic partnership between the federal government and universities has produced tremendous returns on investment through improvements in human health, transformative technologies, and the development of the world's best scientific workforce. Decoding the Human Genome, improving treatment for inoperable brain cancers, new treatments for diabetes, the internet, GPS technology, touch screen phones, and lasers are just a few examples of the countless innovations resulting from federally sponsored university research.

If enacted, the proposed NIH F&A cap would all but destroy this historic partnership. The cap would devastate the ability of universities to conduct NIH medical research in search of tomorrow's cures. I would like to address two myths about F&A costs that appear to have factored into the Administration's justification for proposing the 10-percent cap.

The first myth is that F&A costs – particularly those relating to research administration – are increasing and have been allowed to grow out of control, and that universities profit from F&A costs reimbursements. This could not be further from the truth. In fact, the amount of administrative expenses that universities can be reimbursed for has been capped by the OMB since 1991. As a result, universities have been bearing the costs of complying with increasing federal regulations since that time. According to data collected by the National Science Foundation, in FY 2015, universities paid \$4.8 billion to subsidize unreimbursed F&A costs associated with the conduct of federally sponsored research on university campuses. Meanwhile the overall percentage of funding going to support F&A costs, according to OMB's data, has remained essentially flat at approximately 28 percent for the last fifteen years.

The second myth is the false comparison of F&A costs policies between the U.S. government and private foundations like the Bill and Melinda Gates Foundation, which limit F&A costs payments on their grants to 10 percent. This justification misrepresents the facts. The Gates Foundation policy makes it clear that comparing their F&A costs policies to the federal government is an apples-to-oranges comparison. The Gates Foundation allows many costs to be directly charged to grants that the federal government prohibits. This led the Gates Foundation to recently make the following statement:

The administration's proposal does not reflect the Bill & Melinda Gates Foundation's process for determining direct or indirect costs. Our policy is based on our specific programmatic approach, which is tailored to meet needs across sectors and organizations. Research institutions such as the National Institute of Health operate under a different set of costs and demands.

With these facts in mind, we strongly urge you to reconsider the proposed F&A costs cap. We request that you study the dramatic adverse impacts this proposal would have on the ability of U.S. universities to conduct important biomedical research on behalf of NIH. We believe a comprehensive study will clearly illustrate that the current way F&A costs are calculated and reimbursed to universities is fair and a good bargain for both the U.S. government and the American taxpayer.

Please feel free to contact me should you have additional questions on this matter. I and representatives from our AAU universities would welcome the opportunity to meet and discuss this matter in person with you.

Sincerely,

A handwritten signature in black ink that reads "Mary Sue Coleman". The signature is written in a cursive, flowing style.

Mary Sue Coleman
President
Association of American Universities