

October 14, 2003

Subcommittee on Research and Business Models  
National Science and Technology Council  
c/o Dr. Michael Holland  
Office of Science and Technology Policy  
1650 Pennsylvania Avenue, N.W.  
Washington, D.C. 20502

Dear Subcommittee Members:

On behalf of the Association of American Universities (AAU) and the National Association of State Universities and Land-Grant Colleges (NASULGC), we write in response to the request for comments from the National Science and Technology Council (NSTC) published in the *Federal Register* on August 6, 2003. This notice requested input from stakeholders to assist the NSTC Subcommittee on Research Business Models in its current review of policies affecting the "business relationship" between federal agencies and research performers.

Together our two associations represent the nation's leading public and private universities. As you know, academic institutions have had a longstanding partnership with the federal government that has generated new knowledge and discoveries that have improved human health, helped secure our nation, and created jobs and economic growth. We therefore commend NSTC for its efforts to enhance the efficacy of the university/federal partnership and offer the following general observations and specific points for your consideration.

#### GENERAL OBSERVATIONS

**Use of the phrase "Research Business Models"** - We are concerned about the use of the term "research business models" by the NSTC. It has caused some confusion within our community, since this phrase is not one regularly used with reference to research universities. Moreover, the regular transactions that occur between universities and the federal government are not typical business transactions. We prefer looking at our relationship with the federal government as a mutually beneficial partnership rather than a traditional business relationship. Therefore, while we have a number of specific points to make in response to the NSTC request, they will not be placed in the context of a business model, per se.

**Research and Education are Intertwined** - As your review moves forward, we urge you to assess the university/government relationship in the context of the intricate interconnections that exist between university research and education programs. In this sense, research universities are unique federal research grantees. Federal research funding not only advances the frontiers of knowledge but also educates and trains the next generation of researchers and societal leaders. The fact that teaching and research are so inextricably linked also complicates accounting and accountability, a fact that should be recognized and carefully considered in your review.

**Federal Investment in Basic Research and Core Academic Disciplines Remains Critical to the Long-Range Scientific Enterprise** - Agencies target different kinds of research, ranging from NSF's focus on non-mission-oriented basic research to more mission-driven basic and applied research such as that conducted by the Departments of Defense and Energy, NASA and NIH. While the benefits of applied research often are more immediately apparent, especially at a time of growing fiscal constraints, it is important to remember that non-mission- and mission-based basic research forms the foundation on which applied research and development are built. As agencies review the ways they use research to accomplish their missions, the benefits of investing in fundamental research need to be kept in mind, lest immediate research needs crowd out research that is more likely to produce fundamental breakthroughs over time. This is not an idle concern. The Department of Defense research portfolio is trending away from basic toward applied research, and the funding mix at the new Department of Homeland Security appears heavily tilted toward applied research. These trends could jeopardize our innovation system at its roots and should be reviewed.

## SPECIFIC POINTS

Using the topics raised in the August 6 *Federal Register* notice as organizing principles, we believe that the following specific points are deserving of the attention of the NSTC Subcommittee on Research Business Models:

**Growing Regulatory Requirements** -- A RAND report in 2000 concluded that the federal government could reduce its own payments for university facilities and administrative costs if it streamlined regulatory requirements, which would enable universities to lower their costs. But instead of reducing regulations, the federal government has added new regulatory and other requirements in such important areas as the privacy of health information, the protection of biological agents and toxins, and the protection of human subjects. Many of these requirements serve important public purposes. But when the government adds responsibilities without providing additional resources to pay for their implementation, productivity suffers, as does the partnership.

As noted in the section below on cost recovery, the problem of insufficient reimbursement for administrative costs created by both new and existing government regulation is an ongoing concern. Universities believe in accountability – whether to federal, state and local agencies or to their own governing bodies. However, government needs to be aware of the costs imposed by regulations and the impacts of those costs on the quality of research and education.

**Consistency in Agency Practices** – Inconsistent agency reporting requirements exacerbate the problems universities confront in providing effective, efficient reporting. A case in point is electronic grant applications, which hold promise for administrative simplification but have yet to be implemented in a common fashion. The Common Rule, which governs human subjects research, is an example of the benefits of providing cross-agency consistency.

We also note the need for more consistency and uniformity in grant sizes, durations and success rates across federal agencies. For example, NSF's relatively small grant size forces principal investigators to spend more time writing grants, leaving them less time to conduct research and train students than researchers supported by larger grants through some other agencies, including NIH. NSF's efforts to increase the size of grants, lengthen their duration and increase success rates deserve continued support.

**Research Infrastructure** – As reports for NIH and NSF have recently documented, the research infrastructure requires additional funding to ensure that the federal government’s investments in research are utilized as effectively as possible. Cutting-edge facilities and equipment are necessary to advance the frontiers of knowledge. NIH’s Working Group on Construction of Research Facilities reported in June, 2001, that this country’s biomedical research infrastructure was inadequate to meet emerging needs. The National Science Board also recently concluded that "... there is an urgent need to increase Federal investments to provide access for scientists and engineers to the latest and best S&E infrastructure, as well as to update infrastructure currently in place." Moreover, as research becomes increasingly complex and interconnected across disciplines, the tools and support systems necessary to conduct cutting-edge research become ever more complex and expensive. If we consider some major new scientific breakthroughs—imaging technology, advanced animal models, improved facilities to protect against the release of harmful agents, to name a few – all are important and all are costly. Meeting our growing infrastructure requirements and the accompanying costs will require innovative new federal programs and mechanisms through which to support cutting-edge scientific infrastructure.

**Limitations on Cost Recovery** – In 1991, the Office of Management and Budget placed a cap on the administrative costs for which universities can be reimbursed. However, as noted earlier, the government has not stopped adding regulatory burdens that increase these expenses, making it harder for universities to meet the costs of conducting high-quality research. A recent study by the Council on Governmental Relations (COGR) concluded, "Continued increases in these substantial compliance costs cannot be borne by the universities without impairing the research enterprise. At the same time the universities recognize the need for compliance programs that address valid societal concerns. To balance these competing demands, a new, comprehensive strategy for dealing with compliance costs is necessary."

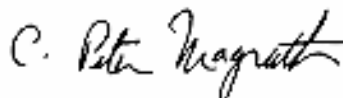
Given the critical importance of the nation’s research enterprise and the mutual commitment of government and research universities to the success of that enterprise, there is a clear need to improve the balance between regulatory requirements and reimbursement of universities' compliance costs. The future success of the longstanding partnership between research universities and the government depends on it.

Again, we appreciate this opportunity to comment on these important matters. We look forward to continuing communication with you on these issues as your review moves forward.

Cordially,



Nils Hasselmo  
President  
Association of American Universities



C. Peter Magrath  
President  
National Association of State Universities and Land-Grant  
Colleges