



October 3, 2003

Dr. Michael Holland
Office of Science and Technology Policy
1650 Pennsylvania Avenue
Washington, D.C. 20502
mholland@ostp.eop.gov

Dear Dr. Holland,

The University of Washington, as the nation's leading public research university in federal research funding, has a deep institutional interest in the notice of September 5, 2003, in which the Office of Science and Technology Policy calls for advice on policies and procedures relating to business models for federally funded research.

We strongly endorse the letter to OSTP from Katharine Phillips on behalf of the Council on Governmental Relations (COGR) [<http://206.151.87.67/docs/whatsnew.htm>]. It eloquently summarizes and thoroughly documents the main issues of concern to us.

We would also like to comment here briefly on a particularly ironic story that illuminates the unfortunate and counterproductive consequences of current practice.

One critical deficiency of the current system, as pointed out in the COGR letter, is that administrative overhead rates for universities are arbitrarily capped at 26% of modified total direct costs. This limit requires universities (but not other types of organizations doing the same kinds of research) to find nonfederal funds to support many costs of doing federal research, including rapidly rising, federally mandated regulatory expenses. At universities, the only other sources of funds are those for education, so this practice has the effect of draining the educational resource of the nation's top higher-education institutions. In the long run, it is not sustainable; universities will have to stop those research activities where the costs are not recoverable from some source.

In addition to these ill consequences, the cap has contributed to a community response that has actually spawned a new set of administrative inefficiencies. Because full indirect costs can be recovered by non-university organizations, there is an incentive for university researchers to take their research work outside universities, where a better research environment can be sustained. For example, university researchers affiliated with certain Veterans Administration hospitals across the country (who cannot apply for NIH funding through their VA affiliation) are running their grant funding through new, independent VA-allied foundations created solely to act as hosts for their grants. Universities can oppose this practice but in doing so, they reduce the research support available to their faculty at VA hospitals. Thus, a new and wholly redundant national administrative apparatus is being set up, for no other reason than to accommodate misguided federal business policies that were presumably intended to increase efficiency. This situation makes no sense from the point of view of optimizing the use of national research resources.

We appreciate the opportunity to comment and are eager to contribute to the national conversation led by OSTP to advance and reform the way our nation conducts its research business.

Thank you for your kind attention.

Yours sincerely,

Craig J. Hogan
Vice Provost for Research