

Written Testimony of

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Health and Human Services and Education

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Chairman Cole, Ranking Member DeLauro and Subcommittee Members, I thank you for the opportunity to testify today before the Subcommittee regarding the Administration's proposal to drastically reduce and cap reimbursement of facilities and administrative (F&A) costs to academic research institutions. My name is Bruce Liang, I am the Dean of the University of Connecticut School of Medicine and a cardiologist in Farmington Connecticut. Let me begin by thanking the Subcommittee for acting on July 13<sup>th</sup> to soundly reject this misguided attempt to reduce the costs associated with cutting edge medical research, and for its bipartisan proposal to actually increase the nation's investment in the NIH by \$1.1 billion in fiscal year 2018.

I want to briefly outline the detrimental effects a 10% capped F&A rate would have to our nation's leadership in developing medicines and cures, as well as the specific impacts on biotechnology innovation in Connecticut. As you know, F&A costs are the shared expenses related to the building and use of research facilities, and the administrative backbone functions that make such places run. F&A reimbursements pay for building depreciation and maintenance, shared equipment, academic library materials, departmental administration, office supplies and grant oversight activities such as pre-award application and hopefully post-award work – not very exciting stuff, but absolutely critical funding to keep academic medical centers and research facilities operating efficiently.

F&A reimbursement for costs incurred by academic institutions is tightly regulated and audited by the Federal Government to ensure that it funds only that portion of costs that are attributable to federally funded research. The methodology for negotiating indirect costs has been in place since 1965, and rates have remained largely stable across NIH grantees for decades. The Administration's proposal was in part premised on the argument that the current indirect rate setting process requires each grantee to provide hundreds of pages of documentation to negotiate their indirect rate with the government, and the proposed 10% flat rate would "release grantees from the costly and time-consuming indirect rate setting process and reporting requirements".

However the burden of the indirect rate setting and reporting process is minor in comparison to the costs associated with applying for and administering federal research grants, which requires significant personnel investment. UConn faculty submit over 2,000 research proposals each year, which requires staff to support the submission process, as well as staff to manage the required fiscal and compliance oversight once the awards are made. So this is not a "trade-off" that any of us would make – the value of proper F&A reimbursements far exceeds the costs associated with applying for our indirect rate.

The administrative component of F&A is capped at 26%, however, the actual costs to administer grants substantially exceed the 26% recovery. Greatly reduced reimbursements for administrative costs, as proposed, would require the university to rely on other sources of funding, such as tuition dollars or state appropriations. Reallocating these costs to other funding sources would have a detrimental impact on not only student support but also the university's overall ability to recruit highly talented students and faculty.

In 2016, UConn's total research enterprise totaled \$260 million, which includes approximately \$38.7 million of F&A support from Federal agencies including the NIH. UConn's current indirect rate is 59.5% which has been critical in supporting our academic enterprise. Under the proposed changes to F&A in the President's FY18 Budget Proposal, the following negative impacts would be felt at UConn:

- The loss of more than \$26 million in annual federal research support, which would shrink numerous research teams, as well as force some entire research programs to shut down.
- Fewer research proposals would be generated and fewer awards won, which would significantly hamper professional and educational opportunities for the next generation of faculty and medical, dental and graduate students;
- The on-going and potential discovery of many innovative technologies would also be hindered (and new start-ups not created) - as support costs shrink, so would the ability to secure other public and private sources of research funding.

Because of such harmful potential effects, all the major associations of higher education such as the AAMC, APLU, and AAU oppose the Administration's indirect rate cap proposal. In Connecticut this proposal would also negatively impact The Jackson Laboratory for Genomic Medicine at the UConn Health campus in Farmington, the Mount Sinai Genomic Research Center in Branford as well as Yale University and New Haven's growing base of bioscience businesses.

I want to close on a point that might be overlooked when debating the minutiae facilities and administration costs, and that speaks to my experiences helping teach the next generation of academic researchers. Without federal support that shares with states and universities the cost of

building the innovative cardiology and genomics research centers we have at UConn, and training the next generation of researchers, we cannot attract great scientists like Dr. Travis Hinson, who studies the genetics of diseases of the heart muscle that can lead to early heart failure or Dr. Se-Jin Lee who elucidates a new protein target to treat frailty.

They have attracted talented students to work with them and are the true beneficiaries of federal F&A reimbursements – without them, the clinical research opportunities and early investigator grants, as well as the buildings to conduct the research in, would not exist. They are the future of medical discovery and innovation in this country, and your steadfast support of the NIH again this year gives me great hope in their, and our future.

Again, I thank the Subcommittee for the opportunity to testify, and am happy to answer any questions you may have.