

June 13, 2017

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

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

Dear Director Mulvaney and Secretary Price,

On behalf of our 1,700 member colleges and universities, representing every sector of American higher education, we write to express our strong opposition to the Administration's fiscal year (FY) 2018 budget request, which proposes a \$7.2 billion, or 21 percent, reduction for the National Institutes for Health (NIH) from current levels. This would significantly harm the important work being performed at colleges and universities, and threaten America's current leadership role in medical research.

It is not an accident that the United States is the world's leader in medical research and innovation. For decades, the federal government has partnered with colleges and universities to ensure that the most talented researchers could pursue the most promising lines of research. As a result, every American has benefited from the advancements made in medical health enabled by NIH-funded research. Cuts on the order proposed in the budget request would undermine this progress, and result in a competitive disadvantage with countries such as China and India, which have prioritized investments in medical and scientific research.

Beyond the overall negative impact of reduced funding of this magnitude, the budget seeks to find savings at NIH by capping facilities and administrative (F&A) costs on grants at 10 percent. This proposal will have profoundly harmful short- and long-term consequences, not just undercutting the research work being performed currently, but reducing the ability of institutions to perform this research in the future.

F&A costs are an essential part of performing scientific research. Coverage of these costs enables institutions to afford the research infrastructure and operating expenses necessary to perform critical scientific research. Without support for these costs, institutions would not be able to maintain state-of-the-art laboratories and high-tech facilities; data processing and storage; energy and utility expenses; security for dangerous chemicals and microbes; and the administration of a grant throughout its lifecycle. Institutions already cover large portions of these costs from their own budgets, but would likely be unable to do so in the absence of federal support.

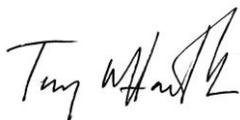
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As a justification for this proposal, the budget request notes that research grants from private foundations provide less funding for F&A costs. However, comparing federal F&A rates to those F&A rates used by foundations is misleading. Unlike the federal government, many foundations (including the Gates Foundation, which is specifically referenced in the budget proposal) allow for some F&A costs to be categorized as direct line items on the grant's budget. Foundations typically allow many expenses such as facilities, utilities, data storage, project management, regulatory compliance, and communications related expenses to be charged directly to the grant. These costs are considered indirect costs by the federal government under the rules established by the U.S. Office of Management and Budget and applied to all federal agency grants, including those awarded by the NIH. Thus, foundations are not paying a lower F&A rates, rather, they use different accounting systems to pay many of the same costs.

Investments in medical research have multiple, and far-reaching benefits. Medical advances save lives and improve peoples' quality of life. The innovative treatments and tools derived from university research drives economic growth and establishes American leadership on the global stage. Proposals to undercut these critical efforts are at best short-sighted, and at worst, irrevocable. We urge you to restore the \$7.2 billion cut in NIH's proposed budget, and prevent a significant reduction in total NIH research by fully funding the agency and not moving to implement the cap on F&A costs.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry W. Hartle". The signature is fluid and cursive, with a prominent initial "T" and a long, sweeping underline.

Terry W. Hartle
Senior Vice President