



COMMITTEE ON
SCIENCE, SPACE, & TECHNOLOGY
Lamar Smith, Chairman

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Media Contact: Kristina Baum
(202) 225-6371

Statement of Chairman Lamar Smith (R-Texas)
Examining the Overhead Cost of Research

Chairman Smith: Congress allocates more than \$6 billion per year of taxpayers' money to the National Science Foundation (NSF) to support scientific research and education at universities and non-profits.

This investment contributes to American innovation, economic competitiveness and national security.

Congress also authorizes the NSF and other federal science agencies to reimburse universities and non-profit research institutions for the overhead expenses they incur for federally supported research projects – called indirect costs.

Indirect costs are allowed in order to pay for such expenses as light and water bills for university laboratories, security services, and compliance with federal regulations.

However, indirect costs have expanded and expanded again. \$1.3 billion of NSF's current annual research budget is now consumed by indirect cost payments to universities and research institutions. That is almost one-quarter of NSF's research budget.

\$1.3 billion would pay for 2,000 more scientific research projects in critical areas like physics, biology, computer science and engineering. Science and innovation in these fields will improve our future economic and national security.

Universities and non-profits should certainly be reimbursed for reasonable costs of sponsoring federal-funded research.

However, as we will hear today from the GAO, ongoing indirect costs consume a larger and larger share of funds for scientific research and many universities are pressing to raise indirect costs even higher. In fact, some indirect costs rates have now reached 50 percent of the grant and higher.

There is no question that there are legitimate costs associated with carrying out the best research in the world. The question is, are taxpayers paying for these costs in an efficient and transparent manner, or are we unnecessarily subsidizing excess, bureaucracy and waste? Or is the NSF becoming just another source of revenue?

I recently met with a university president who described having to spend \$1 million to build a new lab in order to recruit a high-profile scientist from another institution. Why should taxpayers foot the bill for this scenario?

Another ongoing investigation of a researcher, who received millions in NSF grants over the years, revealed that he used indirect funding to pay his salary as president of the non-profit institution as well as administrative salaries for his family members. Why was this allowed to happen, and how does NSF monitor the use of indirect funds?

Our challenge is to ensure America remains first in the global marketplace of ideas and products, without misusing taxpayer dollars.

We must conduct research efficiently and responsibly so that taxpayers know they are getting good value for their investment in our nation's scientific research and innovation effort.

I look forward to hearing from our panel of witnesses about how indirect cost rates are negotiated and monitored, how the funding is used, and how we can better control overhead costs, including possible caps or other limitations.

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