



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

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Statement of Oversight Subcommittee Chairman Darin LaHood (R-Ill.)
Examining the Overhead Cost of Research

Chairman LaHood: Good morning and welcome to today's hearing: "Examining the Overhead Cost of Research."

I would like to welcome today's witnesses to our hearing and thank each of you for your attendance today. The purpose of today's hearing is to examine opportunities to stimulate innovative research at universities and non-profit research institutions, while assessing measures to reduce overhead costs of conducting research.

As part of our hearing today, we want to foster a discussion regarding whether we are directing precious taxpayer resources toward research in the most efficient and effective manner. Part of our discussion today will include learning more about how the National Science Foundation, charged with administering federal grant funds for countless research institutions, negotiates indirect costs rates, as well as the share of indirect costs in cumulative grant funding.

We will hear from GAO today about a new study, finding that the growth of indirect costs at NSF has exceeded the growth of direct research costs and recommending improvements for better cost controls. As part of its study, GAO found that from 2000 to 2016, indirect costs represented 16 to 24 percent of NSF's total grant awards. In total, GAO found that for fiscal year 2016, NSF awards included about \$1.3 billion for indirect costs, representing approximately 22 percent of the total \$5.8 billion in grant awards for fiscal year 2016.

Further, during its analysis of NSF's fiscal year 2016 grant awards, GAO found that 90 percent of NSF's awards included indirect costs. GAO also discovered that the proportion of indirect costs ranged from less than one percent of the grant award to 59 percent of the grant award, in some cases. GAO analyzed the types of awardees that budget for indirect costs, including federal, industry, small business, and universities, identifying universities as having some of the highest indirect cost rates.

As part of its review, GAO identified potential areas for improved oversight of awardees' use of indirect grants, including reporting information about indirect costs when awardees request reimbursement, enhancing NSF's online approach to award payments to include collecting information on indirect costs, and consistently following NSF's own guidance for tracking and setting indirect cost rates. In light of GAO's study, we want to ensure we are doing our due diligence to further innovative research initiatives, while ensuring taxpayer dollars are expended in the most efficient way possible by directly furthering research.

As many in this room know, encouraging innovative research, like that conducted at universities and non-profit institutions across this nation, is vital to the long-term success of our economy and our nation. Close to my own district, I have seen this work first-hand at truly outstanding research institutions, like the University of Illinois-Urbana and Western Illinois University.

My district is also located close to the National Center for Supercomputing Applications (NSCA), located on the campus of the University of Illinois, which houses the Blue Waters supercomputer. This is one of the most powerful computers in the world, and it is capable of algorithms that can help inform a broad range of research, ranging from tax and budget-based research to cybersecurity. Western Illinois University, along with other research institutions, use the Blue Waters supercomputer to conduct innovative research that helps empower scientists and researchers across the world by informing novel research initiatives.

During my time in Congress, I have made it my priority to help support these endeavors. In fact, last Congress, I sponsored the Networking and Information Technology Research and Development (NITRD) Modernization Act, which was designed to help bolster policies for research related to high-end computing, cybersecurity, and high capacity systems software. This legislation aims to reduce bureaucracy and red tape that so often hampers innovative research initiatives, while ensuring that taxpayer dollars are spent effectively.

It is my goal that the NITRD legislation, which was passed by the House of Representatives last Congress, as well as similar pieces of legislation, will be a core part of the 115th Congress's agenda and assist universities and research institutions in pursuing much-needed and potentially revolutionary new research.

As we are conducting this ground-breaking research, we cannot forget whose money we are spending. We must all strive to be good stewards of taxpayer dollars. I hope that today's hearing will help us examine some of the issues that may be hampering innovative research, such as rising overhead costs.

Universities and non-profit research institutions are at the forefront of innovative inquiries and studies that often result in lasting implications to help better our society technologically. Understanding that research is essential to furthering U.S. innovation, we as Congress want to learn how we can increase the effectiveness of taxpayer dollars used to fund research.

I know each of the witnesses here today will help encourage a fruitful and engaging discussion and provide insight on ways we can improve the efficiency of university research by examining overhead costs. I thank each of the witnesses for their testimony today and look forward to an informative discussion.

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