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Chairman of the Board of Directors, National Ecological Observatory Network, Inc.
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Oversight and Research and Technology
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Distinguished Chairwoman Comstock and Chairman Loudermilk, Ranking Member Johnson and members of the Committee on Science, Space, and Technology, my name is Dr. James Collins. I serve as Chairman of the Board of Directors of NEON, Inc., a 501(c)(3) corporation established to implement NEON, the National Ecological Observatory Network project. This project is supported by the Major Research Equipment and Facilities Construction (MREFC) program of the NSF. From 2005 to 2009, I served as Assistant Director for Biological Sciences at the National Science Foundation. Since 2010, I have had no formal affiliation with the agency.

I appreciate the opportunity to come before the House Science, Space, and Technology Committee, which has taken the lead in Congress in ensuring that the United States remains the standard-bearer in cutting edge scientific research.

We appreciate very much that this Committee has been a strong supporter of NEON from its inception. As many of you know, NEON is an advanced research infrastructure for the study and analysis of the biosphere on a regional to continental scale. Living systems are experiencing some of the greatest rates of alteration caused by multiple changes in the environment. These changes affect biodiversity, air quality, water resources, agriculture, and other goods and services that healthy ecosystems deliver to humans. Understanding how these changes impact our natural resources requires a fully integrated, multi-scale research infrastructure to detect, understand, and forecast changes. The datasets collected by NEON will allow us to understand, at an unprecedented level of detail, the impacts of large-scale environmental changes on our ability to sustainably meet society's food, fiber, energy, and water needs.

NEON is a system of 106 field sites plus airborne assets that observes the pulse of our Nation's ecosystems. NEON represents the first scientific enterprise to measure a carefully selected suite of hundreds of variables in the same manner across an entire continent. Through NEON, the United States has the unique distinction of possessing the only scientific infrastructure capable of quantifying the environment on such a massive scale. Moreover, NEON is not only an essential investment for continued U.S. scientific leadership, but it also helps fuel our Nation's long-term competitiveness and innovation by advancing basic and applied ecological research.

You have asked that I address three specific topics in my testimony. The first two are "reimbursement for unallowable costs" and "terms, conditions, and use of management fees." Because I am not a lawyer, I will not attempt to delve deeply into the legal issues relating to unallowable costs and management fees, which are better addressed by the NSF in any event. But let me offer the following.

There are a number of items that constitute "unallowable costs" under NSF and Office of Management and Budget rules. My understanding is that, under OMB regulations, unallowable costs are those costs of a business that are not allowed to be charged either as a direct cost or an indirect cost to a federally-funded project. These costs generally include normal business costs such as fees for termination of contracts, late fees, and general advertising costs. Costs associated with government outreach, alcohol, and social events are also deemed "unallowable". Unallowable costs cannot be paid with appropriated funds intended for the direct or indirect costs of a project and must be paid by other funds of the organization. With the exception of very limited membership fees and management fees from the NSF, NEON does not receive any other funds to pay for unallowable business expenses.

NEON has received a management fee from the NSF for the management of the NEON project since 2009. It is our understanding that OMB has long held that fees in the case of a non-profit like NEON or profit in the case of a private business are *not* considered appropriated funds and are outside the scope of OMB Circular A-122 and the Byrd Anti-Lobbying Amendment. Moreover, NSF has consistently indicated to NEON that management fees constitute discretionary or unrestricted funds and can be used to pay for business costs that are considered unallowable. I have attached to my testimony a legal memorandum prepared by

outside counsel considering the legal issues associated with the use of management fees for unallowable costs.

NEON has used management fees to cover a variety of costs, including those associated with contract terminations, late fees, and other normal business expenses. NEON also has used management fees to cover costs associated with government outreach activities, providing amenities, including coffee, for its employees, and meals and social functions that included the purchase of alcohol. We are aware that NSF is proposing to establish a new policy that would prohibit the use of management fees for these aforementioned categories. Let me say that we understand the NSF's desire to change its policy relative to management fees and we appreciate the Committee's concerns with these types of expenditures.

In retrospect, we could have done better when it came to determining how to spend management fees. Moving forward, regardless of what the law allows, NEON will not seek management fees for the expenses that NSF proposes to prohibit, including expenditures for alcoholic beverages, meals for non-business purposes, and government outreach. Indeed, NEON has already *implemented* the restrictions that the NSF has *proposed*.

The third issue you asked us to address is "calculation and use of contingency cost allowances." NEON is supported via a cost-reimbursable assistance award between the NSF and NEON, Inc., which means that NEON maintains a contingency pool fund to support the base cost of the program. NEON developed a contingency cost proposal consistent with the NSF's Large Facilities Manual. NSF's guidelines include levels of reporting, approval, and review. NSF awarded NEON contingency funds consistent with its proposal.

Let me conclude by saying that NEON has tried to be as transparent as possible in terms of how it plans to use management fees. But we will not stop there. Instead we pledge going forward to redouble our efforts to be good stewards of the taxpayer funds we receive. We owe as much to the American people and will do what it takes to retain their trust, and yours.

Thank you, and I welcome your questions.