June 20, 2017

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

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

Dear Secretary Price and Director Mulvaney:

As President and Vice Provost for Research for the University of Washington (UW), respectively, of one of the largest public research universities in the country, we write to share our deep concern and opposition to the funding cuts being proposed to the National Institutes of Health (NIH) in the Administration’s FY2018 Budget Request as well as the proposed cap for Facilities and Administrative (F&A) reimbursements at 10 percent for NIH grants.

The UW is a public research university created to serve and educate the people of Washington state. Funds received from NIH made the discovery of BRCA1, the first gene found to cause breast cancer by Mary-Claire King in our department of Medicine. NIH funding is helping us to develop a wearable hemodialysis machine in the Kidney Research Institute headed by Jonathan Himmelfarb. NIH funding supports the development of new fMRI-based diagnostics for Alzheimer’s disease by looking not at the brain structurally, but at what is going on functionally. NIH funding allows our outstanding Department of Genome Sciences to develop entirely new genome sequencing methods and to understand what the “junk” DNA (the DNA that does not code for proteins) actually does (it turns on and off gene function, literally “driving the bus”). We build custom-made proteins that will prevent the symptoms of Celiac Disease (a severe form of gluten intolerance) and other custom-designed proteins that will improve diagnosis and treatment of a very wide array of diseases. We are now on the cusp of human trials to test
personally tailored, lab-grown heart tissue to replace dead or failing heart tissue following a cardiac incident. UW researchers have relied on competitively awarded NIH funds for decades to bring about profound positive changes in health and we continue to work hard to improve our future.

As you know, some of the costliest research for any organization to conduct is biomedical research – a field directly responsible for curing disease and saving lives – and that research has two components: direct costs and F&A costs. Direct Costs pay for the laboratory group and supplies. While direct costs are the expenses related to a grant that the public most associates with research, F&A costs are real and necessary expenses that are just as integral to the research work as direct costs. Many pay for federally-required or basic operational needs, such as utilities, secure computing systems, telecommunication and internet service, shared employees to conduct bulk purchasing, high-speed data processing and storage, human and animal research review boards, radiation and chemical safety activities, other infrastructure and compliance activities, and campus security to name only a few. These costs are complex to calculate or difficult to assign to individual projects or attribute to an individual grant, but are critical to support research and other sponsored projects. Without reimbursement for these supporting activities, research is simply not possible.

All universities negotiate their F&A reimbursement rates through an intensive and tightly regulated process that does not cover the full true costs those universities actually incur. In fact, the federal government developed the F&A negotiation process and system as a cost-efficient mechanism involving averaging these very real costs across all federally sponsored research grants at an institution, rather than seeking to determine the costs for each individual grant, which can number in the thousands at an individual institution. For instance, the UW was awarded over 5,000 grants in FY2016. In addition, the administrative costs are already capped to ensure that universities are good stewards of this funding. As a University, our Administrative Costs are already capped at 26 percent of direct costs, which is much less than the 36 percent spent by private industry. Since our actual cost for administering NIH funding is 31 percent, the University of Washington directly supports our NIH research portfolio with our own money. An even further decrease to F&A, without resources to reimburse institutions for these real costs of research, would drastically hamper UW or any federally-funded research organization’s ability to support the facilities and fulfill the federally-required security and compliance functions for biomedical research. Universities are already subsidizing a portion of federal research and have unrecovered F&A costs in the billions according to recent data from the federal government. At the UW, we spend on the order of $40 million per year in subsidies to NIH alone.

It is a common misconception that private research funding and federal research funding are interchangeable. First, the federal government funds significantly more research than private institutions – the size of the federal support is larger in magnitude by the sheer number of awards, the size of awards and the breadth of the research. Additionally, private grants allow very different charges as direct costs, such as rent and utilities, which the federal government allows only as F&A.
NIH research conducted at universities across the country has enjoyed overwhelming and robust bipartisan support in Congress. Much of this support is due to Congress’s recognition that strong federal support in basic research, like the biomedical research supported by NIH funding, is critical for the U.S. to maintain a strong economy as well as its global scientific and economic leadership. The robust system that was developed after World War II for supporting the nation’s federally funded research can evolve, but it cannot withstand the type of drastic cut and change which are being proposed in the President’s FY2018 budget.

Such a change in policy would require the UW to provide on the order of $100 million per year in additional support costs, which is simply not possible to immediately allocate or raise. As a public institution, we do not have the institutional flexibility to compensate for the cuts in the overall NIH budget and the reimbursements. Bluntly, this lack of available funding to support federal research would require us to close many of our labs. If the proposed cuts and caps to 10 percent were to be implemented, we estimate that the average NIH grant at UW would lose one-quarter to one-third of the support available to students and post-docs, due to increased costs incurred when current UW research resources have to be reallocated to pay for even minimum required support services. As a result, a substantial number of highly-trained, and highly specialized jobs would be lost immediately. Furthermore, closing labs and decreasing the number of available grant-funded positions means that hundreds of undergraduate and graduate students as well as post-doctoral fellows would lose the prospect of pursuing their chosen fields and would simply not be trained, essentially disrupting this critically important STEM pipeline, because we no longer could provide the opportunity to them. At the same time, the UW would need to close down programs that support Principal Investigators, research groups, and research facilities, and to cut hundreds of current staff positions. We expect our ability to support NIH-funded projects would erode over time, with a steady downward slide as we close facilities and are unable to provide required services such as financial accounting, building maintenance, and lab inspections.

Unfortunately, while the UW may be unique in its size, it is not unique in the impact these cuts would have on its mission. Implementation of this policy would inevitably impact public research institutions the most heavily, and shift the focus of NIH-funded research to a handful of elite private institutions. This change would devastate the national biomedical research community and the economy built on research discoveries. Since the biomedical work force of the future would no longer be trained in the US, the biomedical companies of the future would not be created domestically, either. At a minimum, discovery would be slowed, but more likely the loss in momentum nationally to our research breakthroughs would result in many lost lives that could be saved.

We implore you to work closely with universities and associations that understand the true cost of research, including F&A costs.

The University of Washington would welcome the opportunity to answer any questions or provide further information on this important topic.
Sincerely,

Ana Mari Cauce, Ph.D.
Professor of Psychology
President
University of Washington

Mary E. Lidstrom, Ph.D.
Vice Provost for Research
University of Washington

Cc: Senator Patty Murray
Cc: Senator Maria Cantwell
Cc: Congresswoman Suzan DelBene
Cc: Congresswoman Jaime Herrera Beulter
Cc: Congressman Derek Kilmer
Cc: Congresswoman Cathy McMorris Rogers
Cc: Congressman Dan Newhouse
Cc: Congressman Dave Reichert