

CRS Report for Congress

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National Science Foundation: Major Research Equipment and Facility Construction

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Summary

The Major Research Equipment and Facilities Construction (MREFC) account of the National Science Foundation (NSF) supports the acquisition and construction of major research facilities and equipment that are to extend the boundaries of science, engineering, and technology. The facilities include supercomputer centers, earth simulators, astronomical observatories, and the South Pole Station. Currently, the NSF provides approximately \$1 billion annually in support of facilities and other infrastructure projects. The funding for individual facilities ranges from several tens of millions to hundreds of millions of dollars. While the NSF does not directly design or operate research facilities, it does have final responsibility for oversight and management. Recently, questions have been raised by many in the scientific community concerning the adequacy of the planning and management of NSF facilities. In addition, there has been considerable debate related to the backlog of approved but unfunded projects, and the criteria used to select projects for MREFC support. This report will be updated periodically.

Background. The Major Research Equipment and Facilities Construction (MREFC) account of the National Science Foundation (NSF) was established in FY1995 and supports the acquisition, construction and commissioning of major research facilities and equipment that are to extend the boundaries of science and engineering. Major research facilities are complex in their design, construction, and operation and require a large investment over a limited period of time. Examples of some of the funded projects include telescopes, research vessels, accelerators, networked high-tech research platforms, advanced computing resources, and earthquake simulators. These complex projects sometime involve the participation of international partners. Currently, the NSF provides approximately \$1 billion annually in support of facilities and other infrastructure projects. The funding for individual facilities ranges from several tens of millions to hundreds of millions of dollars.

With the significant exception of research facilities in the Antarctic, the NSF does not directly design or operate research facilities. Rather, it makes awards to other

organizations such as universities, consortia of universities, or nonprofit organizations which have the responsibility of construction, operation and management. The NSF enters into cooperative agreements with these external entities, and has the final responsibility for oversight of the development, management and performance of the facilities.

During the past few years, NSF's portfolio of facilities has expanded and diversified to include complex multidisciplinary projects and distributed projects. Because these major facility projects are multi-year, their accounting, management and oversight require more complexity and detail than the traditional average grant award. There are concerns from Congress and from some in the academic and scientific community about the adequacy of the planning and management of NSF facilities. Discussions have focused on how major facility projects are selected for funding. Other questions have centered on the types of costs to be funded through the MREFC account and NSF personnel involved in major facility projects. In the FY2002 budget submission, President Bush directed the NSF to develop clearer policies and procedures for managing all aspects of large facility projects, including funding controls and effective project management.¹ The FY2002 budget document, *A Blue Print for New Beginnings: A Responsible Budget for America's Priorities*, directed that "NSF will develop a plan to enhance its capability to estimate costs and provide oversight of project management and construction. This plan should help ensure that NSF is able to meet and stick to cost and schedule commitments for major facility projects."²

Definition of a Major Research Facility. The MREFC is an agency-wide capital asset account that funds major science and engineering infrastructure projects that cost more than one program's budget could support.³ Major research facility projects are defined as those awards made for establishing and/or operating a major tool or facility that will potentially benefit a community of researchers and/or educators. A project should "... [O]ffer the possibility of transformative knowledge and the potential to shift existing paradigms in scientific understanding, engineering processes and/or infrastructure technology."⁴ A research facility is considered "major" if its total cost of construction and/or acquisition constitutes an investment that is more than 10% of the annual budget of the sponsoring directorate or office. The majority of large facility projects are funded

¹ In December 2000, the Office of Inspector General (OIG) of the NSF released an audit of the Gemini Project, reporting that the Gemini Project had cost overruns exceeding its approved construction level of \$184 million. The OIG further stated that the NSF had used or was planning to use approximately \$52.8 million from the Research and Related Activities Account (RRA) to cover the excess construction and commission costs. NSF management refuted the conclusions of the OIG, maintaining that the excess costs were operational in nature and as a result, properly supported through the RRA as opposed to the MREFC account.

² Office of Management and Budget, *A Blueprint for New Beginnings: A Responsible Budget for America's Priorities*, Washington, February 28, 2001, p. 161.

³ The proposed facilities are too large to fit within the account of any one directorate or program. The concern is that support for such large projects would "disrupt" the budgets of other programs and jeopardize NSF's traditional support of "core" research programs.

⁴ National Science Foundation, *Facility Plan*, September 2005, Arlington, VA, p. 6

through the MREFC, but some are also supported through the Research and Related Activities Account (RRA) and the Education and Human Resources (EHR) account.⁵

Congressional Hearing on Planning and Management Issues. On September 6, 2001, the House Committee on Science, Subcommittee on Research, held a hearing on planning and management issues associated with major research facilities at the NSF. These hearings grew out of concerns expressed by some in the academic and scientific community and in Congress about the management and oversight of major projects selected for construction and the need for prioritization of potential projects funded in the MREFC. In testimony before the Subcommittee on Research, then NSF Director, Rita R. Colwell, stated that the draft of the *Large Facility Projects Management and Oversight Plan* codifies practices already in place and develops new guidelines for oversight of financial and business functions. She responded to criticism that the lines of authority for project management included in the draft plan were ambiguous and that those with oversight functions for the projects were program officers who may not have the expertise necessary for overseeing a complex project. Colwell described the *Plan* as one that did ensure lines of authority and responsibility. The *Plan* established a new position — Deputy Director for Large Facility Projects. Under the *Plan*, the Deputy Director would be responsible for implementing and managing guidelines and procedures for facility management and oversight, maintaining lines of authority for facility management, and providing project management training for NSF staff engaged in large facility projects.

There has been considerable debate concerning the selection of major research facility projects for funding. In testimony before the Subcommittee on Research, Anita K. Jones, then Vice Chair, NSB, stated that because not all facilities can be built at the time they are considered, the NSB established guidelines for approving major facility projects.⁶ She emphasized that there is a prioritization process for selecting major projects, one that involves the NSF and the community, with the NSB actually making the priority decisions. The NSB, she asserted, reviews the need for the facility, the research that will be enabled, the readiness of plans for construction and operation, construction budget estimates, and operations budget estimates before making its decisions. Another issue brought before the Subcommittee was that of maintaining distinct records of spending activities in the MREFC. Subcommittee members questioned the types of costs to be funded through the MREFC account because the differentiation between

⁵ Since its establishment, the MREFC has funded the following projects: Atacama Large Millimeter Array (ALMA), IceCube Neutrino Detector R&D, High-Performance Instrumented Airborne Platform for Environmental Research (HIAPER), Large Hadron Collider, Terascale Computing System and Distributed Terascale Facility, Laser Interferometer Gravitational Wave Observatory (LIGO), George E. Brown, Jr. Network for Earthquake Engineering Simulation (NEES), Polar Support Aircraft Upgrades, South Pole Safety Project and South Pole Station Modernization, EarthScope, National Ecological Observatory Network (NEON), the Gemini Observatory, and the Scientific Ocean Drilling Vessel (SODV). The FY2007 budget request provides funding for two new starts – the Alaskan Region Research Vessel and the Ocean Observatories Initiative. The FY2007 request also requests funding for one new start in FY2008 – Advanced LIGO.

⁶ National Science Board, *Guidelines for Setting Priority for Major Research Facilities*, NSB01-204, Arlington, VA, November 15, 2001, 2 pp.

construction and operation is not always clearly defined.⁷ The Subcommittee noted that internal mechanisms needed to be created in order to prevent the combining of MREFC and RRA funds.

Audit of Funding for Major Research Equipment and Facilities. In May 2002, the NSF's Office of Inspector General (OIG) released a draft report, *Audit of Funding for Major Research Equipment and Facilities*.⁸ The report noted that the current policy for major research equipment and facilities projects is limited to only the MREFC and does not include major facilities for other programs in NSF. In addition, the existing guidelines stipulate a single financial review and do not offer directives on how the review should be conducted. Also, according to the audit, the current policies did not provide direction to NSF program managers on how to address the problem of potential cost overruns. While federal guidelines require that the total cost of major research facilities be tracked through all stages of a project, NSF's policies and procedures did not provide full accounting costs in its financial reports in accordance with federal standards.

Because of NSF's inconsistencies in tracking costs and funding sources of its major research and equipment and facilities, the OIG recommended that NSF review and revise its policies and procedures by complying with the directives that were detailed in the FY2002 appropriations bill. The recommendations called for NSF to: 1) track the full costs of major research equipment and facilities throughout the life cycle of the project in accordance with federal accounting and management guidelines; 2) define a process that makes clear and consistent distinctions in types of costs to be funded - - construction (MREFC-funded) as opposed to research (R&RA-funded); 3) establish a procedure for addressing costs overruns and approving subsequent funding; and 5) provide training on revised or updated policies to all personnel involved with review agreements and awards.

Congressional Activity. In June 2002, Congress requested the National Academy of Sciences (NAS) to review NSF's management of its large facility projects.⁹ The study began in February and examined how the NSF sets priorities in determining which competing projects to fund, and offered recommendations on how to strengthen the process. The recommendations are contained in a January 2004 report prepared jointly by the NSB and the NSF - *Setting Priorities for Large Research Facility Projects Supported by the National Science Foundation*.¹⁰ At an October 2004 meeting of the NSB, the NSF was directed to begin implementation of the proposed large facility project review and prioritization process outlined in the report. The report revealed that in

⁷ Acquisition, construction and commissioning are funded through the MREFC. Planning, design, and development are supported through the RRA and/or EHR, in addition to operations and maintenance upon completion of the project.

⁸ National Science Foundation, Office of Inspector General, *Audit of Funding for Major Research Equipment and Facilities*, OIG02-2007, May 1, 2002, Arlington, VA, 17 pp.

⁹ The NSF Authorization Act of 2002 (P.L. 107-368, H.R. 4664) contained language directing the NAS to conduct the study of NSF's priority-setting process of its large facility projects.

¹⁰ National Academy of Sciences, Committee on Science, Engineering, and Public Policy, and Global Affairs Division, Board on Physics and Astronomy, *Setting Priorities for Large Research Facility Projects Supported by the National Science Foundation*, Washington, DC, January 14, 2004, 215 pp.

addition to there being a backlog of approved but unfunded projects, there was a lack of support for disciplines conducting idea-generating activities, and lack of funding for conceptual development, planning, and design.

Planning and Management Issues. In September 2005, NSF released its first *Facility Plan*, with a second annual *Facility Plan* scheduled for release in 2006.¹¹ The Plan covers pre-award and implementation phases and places increased emphasis on post-award oversight of construction and management. The *Facility Plan* describes NSF's goals and strategies for incorporating the existing approaches and practices into a system for selecting, managing, and overseeing large facility projects so as to make certain that a large facility is both built right and is the right facility to build. The *Plan* employs a team approach and details the cooperation between the scientific and technical staff and the business operations staff. The lines of authority and responsibility are defined for the NSF Director, the participating Division Director, the NSF Program Manager, and the awardees' project director. In every large facility project, the NSF Program Manager, with the support of the participating Division Director, has primary responsibility for all aspects of management. In addition, the NSF Program Manager is responsible for determining whether the project director and project management staff have the necessary training and skills for working on the project. A Project Advisory Team (PAT) is to be convened for all large facility projects. The purpose of the PAT is to "... provide advice and assistance on planning, review and management of the project to assure the establishment of realistic cost, schedule and performance goals and to develop terms and conditions of awards for constructing, acquiring and/or operating the facility."¹² The PAT is to be composed of individuals with the necessary expertise in the relevant science and engineering fields, in addition to those with extensive knowledge of the management, business, and legal aspects associated with the project.

The November 2005 report, *Guidelines for Planning and Managing the Major Research Equipment and Facilities Construction Account (MREFC)*, details the procedures by which large facility research projects advance through a multi-phase internal and external review and approval process.¹³ According to the *Guidelines*, a MREFC Panel evaluates the projects based on, among other things, project definition, intellectual justification, connection to NSF strategic goals and priorities, life-cycle cost profile, partnerships, and project management plans, schedules, and reviews. Based on the review, the MREFC Panel submits to the NSF Director its recommendation on the project's relative importance, eligibility, and readiness, with readiness defined as its ability to be included in the upcoming budget request. The Director then makes the selection of projects based on: 1) strength and substance of the information; 2) the appropriate balance among various fields, disciplines, or directorates; and 3) opportunities to leverage MREFC funds. The Director submits his selections to the National Science

¹¹ National Science Foundation, *Facility Plan*, September 2005, Arlington, VA, 61 pp. NOTE: A draft *Facility Plan* was released in September 2001. Currently, the second *Facility Plan* is scheduled for review by the NSB in the fall of 2006.

¹² National Science Foundation, *Large Facility Projects and Management and Oversight Plan*, September 10, 2001, Arlington, VA, p. 4.

¹³ National Science Foundation, *Guidelines for Planning and Managing the Major Research Equipment and Facilities Construction (MREFC) Account*, Arlington, VA, November 22, 2005, 29 pp.

Board (NSB) for project approval. After the NSB approves a project for future budget cycle funding, it prioritizes among the projects.¹⁴ On an annual basis, the NSB reviews all NSB-approved projects that have not been funded as yet to determine if any changes are necessary to the priority order of the projects.¹⁵ If a project is not approved, or if a project's plans are no longer determined to be "clearly and fully construction ready," the project will be returned to the preliminary design/readiness phase for additional work. A project can be resubmitted to the NSB the following year.

While the NSB may approve a project for inclusion in a future budget request because it has been deemed meritorious and its planning is "sufficiently advanced," approval does not necessarily mean that the NSB will recommend its inclusion in the upcoming budget request. It does indicate that the project is to be considered for inclusion, depending on current budget levels and constraints. Those large facility projects that the NSB includes in a budget request and submits to the Office of Management and Budget (OMB) must be accompanied by a Capital Asset Plan.¹⁶ The Capital Asset Plan is to provide a summary of spending for project stages; justification and information on program management and acquisition strategy; and cost, schedule, and performance goals and milestones.

Termination of a Major Research Project. The Rare Symmetry Violating Processes Project (RSVP) was initially NSB-approved for funding in October 2000, and was included in the Administration's FY2005 budget request as a new construction project. The RSVP was composed of two experiments – to examine the differences in the behavior of matter and antimatter, and to investigate the relationship between the electron and the muon. This experiment would involve the incremental use of the existing Alternating Gradient Synchrotron at Brookhaven National Laboratory. In the fall of 2004, while the RSVP was in the design phase, an analysis revealed that there could be significant increases in both construction and operating costs.¹⁷ The cost overruns generated considerable interest by several congressional committees and the international scientific community. An evaluation was conducted, involving scientific personnel both internal and external to NSF, in an attempt to resolve the cost increases in various elements of the project. In August 2005, on the recommendation from NSF management, the NSB terminated the RSVP. NSF determined that "[C]ontinuing the RSVP project would lead to the unacceptable loss of opportunities in research in elementary-particle physics, other areas of physics, and across all disciplines in the [Mathematical and Physical Sciences] directorate as well as in the construction of large facilities across NSF."¹⁸ The RSVP underwent a series of phase-out activities.

¹⁴ First priority is given to projects under construction. Second priority is for NSB-approved new starts. There are projects that are classified as being in the readiness stage or recommended for advancement to the readiness stage. Also, there are projects classified as being under exploration.

¹⁵ The Office of Management and Budget (OMB) may reject or change the NSF's prioritizations.

¹⁶ OMB Circular A-11, Part 3: "Planning, Budgeting, and Acquisitions of Capital Assets" and its supplement "Capital Programming Guide".

¹⁷ RSVP was to be funded at \$145 million for FY2005 through FY2010.

¹⁸ *Facility Plan*, p. 31.