

Strategic Partnership Projects Policy in the Office of Science

Background. The Office of Science (SC) defines Strategic Partnership Projects (SPP) as research/work undertaken by an SC national laboratory or research facility (e.g., Oak Ridge Institute for Science and Education (ORISE)) for a client other than the Department of Energy/National Nuclear Security Administration (DOE/NNSA) or the Department of Homeland Security (DHS)¹. The Atomic Energy Act of 1954 allows DOE/NNSA to make its national laboratories and facilities available to others when private sector facilities are unavailable (and thus the laboratories would not be in competition with private industry) and on a non-interference basis (ensuring that accomplishment of the DOE mission is not hindered). Under current legislation, DHS missions at DOE laboratories are considered to have equal status with DOE missions, and thus DHS work is technically not SPP.

SPP customers at SC laboratories include private companies (foreign and domestic), universities, other Federal government agencies, and state and local institutions. In FY 2008, SC laboratories received approximately \$701.3 million of SPP funding and an additional \$314.1 million of DHS funding².

All SPP conducted by DOE/NNSA laboratories and facilities is governed by a standard DOE policy (DOE Order 481.1C), which provides a consistent set of guidelines for the conduct of SPP. This policy outlines the overall “rules of engagement” for SPP activities by providing the criteria for DOE/NNSA approval and acceptance of SPP projects and the roles and responsibilities of the relevant DOE/NNSA offices. Under DOE O481.1C, SC may allow SPP project at its labs if the project meets the following criteria:

- Must be consistent with or complementary to missions of DOE/NNSA and the facility to which the work is to be assigned;
- Must not adversely impact programs assigned to the facility;
- Must not place the facility in direct competition with the domestic private sector; and
- Must not create a detrimental future burden on DOE/NNSA resources.

In addition, SC laboratories follow cost accounting standards and DOE Order 522.1 “*Pricing of Departmental Materials and Services*,” on every SPP project, for full cost recovery to the laboratory and the Department. This includes a 3% Federal Administrative Charge (FAC) to defray costs of the Federal workforce that monitors/oversees the SPP program/projects, unless the project is granted an exception by the DOE Chief Financial Officer (CFO). SC Headquarters (HQ) approves the overall funding level of SPP at its laboratories on an annual basis; the SC Site Offices review and approve each proposed project in accordance with the above criteria and monitor -the laboratory contractors’ compliance with SPP policies and procedures.

¹ SC does not include NNSA work in its definition of SPP; by contrast NNSA historically has not considered SC to be a SPP customer.

² *Source:* Annual SC Site Office SPP funding level and mix reports submitted for FY 2010. The funding levels include ORISE.

Philosophy. SC is fully supportive of use of its laboratories by SPP customers, *within the constraints described above*. These laboratories are major national scientific and technical assets whose contributions to the Nation at large, and in areas beyond the DOE/NNSA missions, are well-documented. Further, SC believes that SPP plays an important role in strengthening core capabilities at the laboratories that, in turn, enable the laboratories to better serve the Department. Examples of this include life sciences work funded by the National Institutes of Health, computational research and capacity at SC labs funded by many other Federal agency sponsors, and the interaction with private sector businesses that ultimately allows DOE and its laboratories to meet their technology transfer mission. Finally, SPP funding also provides an additional source of revenue for the laboratories to use to help defer some of their fixed overhead costs.

SC is also aware of the potential negative impacts that SPP projects and programs can have on its laboratories. These include:

- A job-shop mentality in which a laboratory takes in many SPP projects that do not materially contribute to the laboratories capabilities and that can become a distraction to the laboratory.
- The risks associated with single large SPP projects whose abrupt termination could trigger lay-offs and other disruptions in the laboratory and its local community, and that DOE would have to address.
- The potential for laboratories to try to divert infrastructure investments (overhead dollars) to build capability already in existence at other DOE laboratories to attract more SPP customers.
- The potential for legacy issues resulting from SPP customers' use of space and/or facilities.

For these reasons, SC pays close attention to the overall amount of SPP an SC laboratory expects to conduct in any given year relative to its total budget, and even more attention to any laboratory whose SPP program approaches or exceeds 20% of the laboratory's total operating budget. Increasingly, SC also is driving its laboratories to develop strategic views that are explicit about how the laboratory's SPP portfolio contributes to the core capabilities SC had defined for that laboratory, and that the laboratories are considering SPP as a strategic tool available to them to use to shape/strengthen their laboratory to best deliver against DOE/NNSA missions.