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Wrong Question

Among the federal agencies that make grants for the support of scientific research, the Department of Health, Education, and Welfare is the only one that is limited by law to paying a fixed percentage of each grant to cover indirect or overhead costs. Its limit is 15 percent. The National Science Foundation, which is not limited by law, recently raised its rate of payment for indirect costs from 15 to 20 percent. But even 20 percent fails to cover the legitimate indirect costs to universities and other nonprofit organizations.

An NSF study released last Wednesday gives the first solid basis for determining how great a burden the universities and colleges are bearing in doing research for the government. The study, based on analyses for 175 universities and colleges, showed that in 1960 the weighted average for indirect-cost rates for federal research and development grants and contracts was 28 percent of direct costs for large colleges and universities and 32 percent for small colleges and universities. The study estimates that in fiscal 1962 the indirect costs of federally sponsored research and development in educational institutions will be about \$175 million; of this amount, \$83 million represents the indirect costs for grants, and \$92 million represents indirect costs for contracts. The indirect costs for contracts are usually completely covered, but those for grants are not, even by the agencies that have no fixed limitations. Thus, for 1962 approximately \$47 million of the indirect costs for grants will be paid by the government and the remaining \$36 million will be paid by the universities.

Believing that the universities should not be asked to subsidize federally supported research, President Kennedy recently called for the removal of HEW's 15-percent statutory limitation on indirect costs. In spite of this request and in spite of the fact that the House of Representatives recognized the needs of universities by passing legislation to help them put up buildings and equip laboratories, the House, in passing the Department of Defense appropriation act (H.R. 11289) last week, included a provision placing a 15-percent upper limit on indirect costs for research grants. If this provision should pass the Senate and become law, what would happen? Most universities would simply be unable to continue to accept grants from the Department of Defense. The Department, which only recently took the progressive step of awarding grants as well as contracts, would be forced to support all of its outside research by contracts; these are less flexible than grants and are much more suitable for support of development projects than for support of basic research.

What is more ominous is this: the House Appropriations Committee reports that it is going to add this same limitation to all other appropriation bills—for the Atomic Energy Commission, the National Aeronautics and Space Administration, and so on. Since the government now pays, on the average, a larger proportion of the indirect cost of grants than would be allowed under this proposal, its adoption would shift an additional financial burden to the universities, a burden that will grow larger in dollar amount as the level of research expenditures goes up. The committee members have asked, "Why should the Department of Defense and other agencies exceed the payments made by the Department of Health, Education, and Welfare in this field?" This is the wrong question; what they should ask is, "Why should the hard-pressed universities subsidize the federal government's research?"—G.DuS.