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The Overhead Headache

Fundamental research grant overhead (more properly, indirect costs) constitutes a national headache. To the researcher, overhead may seem an unconscionable diversion of funds, limiting the scope and progress of his research. Program officers in Washington often hold a similar view. Accounting for overhead is complex and mystifying. Frequent changes in the rates disrupt research planning. Prediction of institutional overhead income and hence its effective budgeting is difficult. There is a running conflict between those who must collect the funds and the researcher who sees overhead as a "profit" to the institution obtained from the fruit of his own intellectual ability.

Indirect costs are *not* set arbitrarily by university administrators. They are *not* a profit to the institution. Rather, they represent recompense for real expenses which cannot be allocated uniquely to individual projects, but which are attributable as a whole to research supported by external grants. Indirect costs are scrutinized in minute detail by large staffs of federal audit agencies. Consequently, every university must maintain its own large staff of accountants to keep appropriate books. For the university the question is not one of profit, it is one of minimizing loss. Administration, faculty, and program officers alike should be working together to obtain adequate funding for the true costs of research, and thereby to maintain the financial viability and integrity of our universities.

The current indirect cost recovery system is subject to misunderstanding and abuse. In asking that indirect costs be waived, the faculty becomes arrayed against the administration, creating unnecessary strains and distrust. Program officers sometimes make invidious comparisons between institutions based on the varying negotiated indirect cost rates. The choice of research projects to support may even be made not on the quality of the proposed research, but on the basis of which project will buy more research because it carries a lower indirect cost rate. Federal auditors can and do pry into every aspect of a university's affairs, including such sensitive areas as faculty teaching loads and consulting activities. Such prying may be a precursor to further harmful controls.

The intimate connection between graduate education and research has been demonstrated in the United States to be an outstanding success. That connection needs preservation. Adequate funds should be provided to cover the true costs, not only of education, but also of research. Indirect cost reimbursement is intended to cover the true costs of research. However, the dangers implicit in the present indirect cost process, the antagonisms, and the misunderstandings are too great to be tolerated any longer. A new way is needed to accomplish the same goals.

A simple solution to the indirect cost problem exists. We should, in my opinion, return as soon as possible to a fixed indirect cost allowance, proportionate to carefully defined allowable direct costs of research and collected uniformly from all granting agencies at a rate uniform for all universities. The savings in auditing costs and in the simplified accounting that would result from uniform collection procedures would permit a rate lower than that in general use. A rate of perhaps 30 to 35 percent of total direct costs might currently be reasonable. An appropriate figure might be set by Congress based on a recommendation from an expert commission.

Such a uniform rate would alleviate much of the overhead headache. In addition, it would constitute a first step toward a badly needed genuinely enlightened program for support of our research universities. It is high time that we embark on a more ambitious program of planning for the future to ensure that our research universities can fulfill their optimum role as a national resource in American society.—HARRISON SHULL, *Quantum Chemistry Group, University of Uppsala, S-751 20 Uppsala, Sweden*