Policy Forum

Subsidizing Research: Role of the University

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THE LATEST FLARE-UP IN THE EVER-SIMMERING CONTROversy over indirect cost reimbursement began with a notice in the *Federal Register* on 12 February that the Office of Management and Budget (OMB) intended to revise Circular A-21 to cap allowable recovery for the costs of administering university research. Predictably, cries of alarm and outrage arose from university administrations and their advocates, and they were countered by other voices, including some from their own faculties.

If there were nothing more at stake in a rules change than a few million dollars per university, or a small percentage of the National Institutes of Health budget, the indirect cost issue could not possibly generate so much steam. In fact, more is at stake, and understanding what it is can help place this issue in its proper context, that of education and science policy.

As an analogy we can think of the subject of indirect costs as the academic equivalent of the income tax. Like the income tax, it is for most people a crashing bore; however, a small number of professionals find indirect costs endlessly fascinating. Yet another group is convinced some perfect system will be fair to all and will lay all controversy to rest. No two members of the latter group agree on what that system might be. Finally, like the income tax, the rules that govern indirect cost recovery are desperately important to a great many people and institutions. They are also elaborate, detailed, technical, and ambiguous. In both cases, the auditing of returns by the government is likely to be incomplete, leaving room for suspicion that somebody is getting away with something.

In neither case do all of the above characteristics account for the fervor with which battles over change and reform are fought. To explain that phenomenon, we must see both the Internal Revenue code and Circular A-21 for what they are at their most fundamental level; namely, a set of rules that tell us who, at any given moment, is subsidizing whom.

Throughout history, hardly any form of intellectual work, including science, has been able to sustain itself financially without some kind of subsidy for the worker. Until the end of the 18th century, subsidies were typically provided by wealthy patrons to individuals they favored. This system, however, could not compete with the more powerful forms of social organization, government, and industrial concerns that developed in the 19th century. The great American philanthropists of the late 19th century were creators of institutions, such as libraries, museums, and universities, far more than they were patrons of individuals. As a result, and because of the imperatives of modern science itself, institutions have become an inextricable part of the fabric of science. With minor exceptions, modern science is hardly conceivable outside the walls of an

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The Case for a Return To Fixed Indirect Costs

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THE CURRENT TURMOIL ABOUT INDIRECT COST LEVELS FOR National Institutes of Health (NIH) research grants must be settled so that over the years the maximum research will be accomplished for the funds expended. I contend that this goal can best be reached by a return to fixed indirect costs for NIH research grants. This return is necessary to resolve a short-term funding crisis and to achieve a better long-term program. My perceptions are based on my many years as a principal investigator, on my experience as founder and director of a molecular biology institute, and on my current service with public affairs committees of professional societies.

Because of the present funding crisis, research highly recommended by peer groups is not being funded. As a result, needed research accomplishments are lost, trained scientists are underutilized, and many of our best students are discouraged from seeking science careers. The increase in indirect costs is a prominent factor in the decreased support of high-priority research grants. Over the past two decades, indirect costs have risen from an average of 20.5% to about 47% of direct costs on research grants, and for some institutions the rate is near 100%. Both direct and indirect costs come from the same total appropriations. The recent Office of Management and Budget proposal to move toward a lowered and fixed indirect cost deserves strong support from the research community, *provided that* the funds saved are used to support direct costs of biomedical research.

Yielding to the increasing pressure for full reimbursement of all research costs has been a prominent factor in shrinking the funds available for investigators. The case for full reimbursement overlooks the responsibility of universities to uncover new knowledge. Universities should help provide the resources necessary for basic research initiated by their faculty and supported by federal grants. If the cost burden of the proposed research appears too great, universities and research laboratories are free to decline research grants or to ask researchers to decrease their funding requests.

A policy of full reimbursement of research costs has led to the wasteful task of attempting to define and justify all costs. This task requires a plethora of administrators, accountants, and regulators. Their support and the regulations they develop take funds and time away from investigators. For example, what has been the value of the time and effort reports for faculty and postdoctoral fellows, and how is research helped by employing people to monitor these requirements?

A short-range move to fixed indirect costs that are lower than present average indirect costs could provide much-needed funds for direct research costs. However, in the long range, the level of

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