

RESEARCH

Lawmakers Show Sympathy for Trump Plan to Squeeze Research Costs

By *Paul Basken* | MAY 25, 2017

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When the Ohio University economist Richard Vedder thinks of his counterparts at Harvard, he sees more than just a great research university.

He sees shiny marble floors.

Such high-end decor is a signal, Mr. Vedder told lawmakers Wednesday on Capitol Hill, that the federal government spends too much money on the extraneous costs surrounding university research.

As talk of extreme budget-cutting is again in vogue in Washington, that argument appears to have resonance. But an attempt to reduce research overhead could pose the most serious threat not to well-endowed institutions like Harvard, but to state research universities and cash-strapped private colleges.

At issue are grant payments known as indirect-cost reimbursements. Those are the additional amounts that agencies such as the National Institutes of Health and the National Science Foundation provide to universities that win research grants, to help cover administrative and facilities costs.

Such overhead payments account for a third or more of the total amount paid by the NIH or NSF for university research activities. But in its budget recommendation for the 2018 fiscal year, presented to Congress on Tuesday, the Trump administration proposed sharply cutting indirect-cost payments to NIH grant recipients, suggesting the money could be better spent on "direct science."

Lawmakers from both parties panned the Trump budget proposal, especially in areas such as federal spending on research, which has traditionally enjoyed bipartisan support.

But Republicans leading the House science committee, at a hearing on Wednesday with Mr. Vedder and other experts, made clear that the suggestion to drastically cut indirect-cost payments could find political traction.

Several demanded that Mr. Vedder and the other expert witnesses — Dale Bell of the National Science Foundation, John Neumann of the nonpartisan U.S. Government Accountability Office, and James Luther, an associate vice president of finance and compliance at Duke University — explain why universities really need the additional payments.

The Republican lawmakers at the hearing cited GAO findings that showed that indirect-cost payments by the NSF have increased steadily as a percentage of overall grant value over the past six years. They also noted that research funders

not affiliated with the government tend to provide little or no indirect-cost payments, typically not more than 10 percent of their grant values.

Mr. Vedder suggested the government follow the lead of those funders by paying a flat 10-percent rate — an idea reportedly endorsed by the Trump administration. Alternately, he suggested, it could craft a system that would give researchers a slight advantage on their grant applications if their universities have relatively low indirect-cost payment rates.

The current system, he said, does nothing to deter universities from demanding ever-higher indirect-cost rates. "The more you spend, the more you get," said Mr. Vedder, an emeritus professor at Ohio and director of the Center for College Affordability and Productivity.

'Race to the Bottom'

University representatives and Democratic lawmakers pushed back. Indirect-cost rates are set through negotiations every few years between individual universities and government analysts, with the intent of reflecting the actual costs of administering research.

Those costs can vary among institutions due to factors like local economic conditions and the types of research that each university conducts, said Mr. Luther, who is also chairman of the board of the Council on Governmental Relations, an association of research universities.

The GAO noted that the uptick in NSF indirect cost payments is smaller when viewed over a longer time scale, and that indirect-cost payments by the NIH have remained steady for at least a decade. And universities have repeatedly pointed

out that overall indirect payments fall short of actual costs.

Duke also has some buildings with marble floors, Mr. Luther told Mr. Vedder. But Duke's research costs are driven instead by the need for equipment such as a \$2-million DNA-sequencing machine. "It's not the marble when you walk in the building; it's everything else that goes to conducting that top-notch research," he said of his university's indirect-cost payment rate.

Mr. Luther described a case in which a colleague tried to save costs by accepting a low bid on some genomic-testing work, and found the results so poor that Duke had to pay to rerun all the tests in-house.

"Sometimes you get what you pay for," he said.

One of the committee's Democrats, Rep. Daniel Lipinski of Illinois, agreed, warning of a potential "race to the bottom."

With a sharply reduced flat rate, Mr. Luther and other experts warned, only the wealthiest universities could afford to keep participating in government-funded research. Low indirect-cost rates might benefit universities such as Duke, he said, "but I don't think it benefits the broad research mission."

Outside the hearing, however, some experts said universities may be willing to accept more cuts in their indirect-cost rates than they'd admit in public. That's because a strong program in federally-sponsored science may be providing universities with benefits that outweigh the associated administrative and facilities costs of hosting the research.

A top research program helps institutions enroll high-quality students, own patents and intellectual property, and develop industry alliances and philanthropic support, said Richard A. Hesel, a principal at the Art & Science Group, a higher-education consulting firm.

For some universities, said Gregory C. Wolniak of New York University, those advantages could clearly compensate for lower indirect-cost payments. Mr. Wolniak, a clinical associate professor of higher education, said that tuition accounts for a very high share of the revenue for NYU's Steinhardt School of Culture, Education and Human Development.

"All we hear about is the need to bring in more grant money," said Mr. Wolniak, director of the Center for Research on Higher Education Outcomes. "But at the end of the day, attracting students does a lot more for the finances."

Both Mr. Hesel and Mr. Wolniak cautioned, however, that circumstances may vary widely between universities. The institutions most likely to be hurt by a cut in indirect-cost payments, they said, are probably those struggling the hardest to compete.

That's a theme emphasized by the Association of American Universities, which represents leading research institutions. The AAU's vice president for policy, Tobin L. Smith, said he wouldn't deny that AAU members enjoy some side benefits from their research activities. But that value to universities is "impossible to quantify" and probably very small, he said.

The AAU is similarly skeptical toward the notion that the Trump administration's promises of regulatory relief, while welcome, would generate meaningful savings for universities that could be counted against any losses in indirect payments.

Such regulatory savings would be "difficult if not impossible to calculate," Mr. Smith said.

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