Storm clouds gather over research costs

- Will Congress put a cap on indirect costs?
- Universities to conduct own audits

Washington

As the fallout of the US indirect costs scandal threatens a growing number of research universities, Congress and the White House are scrambling to rewrite the rules of science funding and to avoid such embarrassments in future.

Bruised by revelations that some schools may have improperly charged the government for millions of dollars of overheads in their research costs, both the executive and the legislative branch are considering radical changes, including possible caps or cuts in overhead levels. Last week, at a series of congressional and government hearings, officials and politicians disclosed half-a-dozen different reform initiatives.

The issue arose out of hearings that Representative John Dingell held into indirect cost charges at Stanford University where, he revealed, costs for a sail boat and for items in the university president's house had been allocated to research overhead. The situation took on a life of its own when Stanford chose to defend many of its allocations as legal under complex accounting rules, even though common sense said they have nothing to do with research.

Now, research universities across the country are taking a quick look at their own indirect cost records in anticipation of extensive federal audits. Many of the universities say they are unfairly tarnished by Stanford's brush and hope to prove that their indirect cost charges are legitimate. Nonetheless, many agree that it is high time to review the regulations. The question is how far revision of the rules will go.

Among the more worrying signs are hints that the House of Representatives Appropriations Committee may put a ceiling on indirect cost rates when it makes up the 1992 budget of the National Institutes of Health (NIH) in June. Last year, the committee capped agricultural research overhead at 14 per cent (see *Nature* 348, 184; 1990). By comparison, indirect costs in biomedical research range from about 60 per cent of direct research costs to nearly 100 per cent — one dollar to overhead for each dollar to science. Under indirect cost reimbursement, universities get federal funds to support libraries, administrative costs and basic services such as heat and light. Perhaps most important, the indirect cost pool, which for NIH totals about \$2,000 million, has become a *de facto* source of funds for new buildings and laboratory renovation.

At a hearing last week, William Natcher (Democrat, Kentucky), chairman of the House Appropriations subcommittee that

sets the NIH budget, asked NIH officials what they would think of an across-the-board cap. Although the officials responded by strongly discouraging the move, the suggestion sent tremors throughout the university community, which fears that the committee may use the Stanford scandal as an excuse to cut as much as \$250 million out of the NIH budget. A congressional staff member says that while it is too early to consider such draconian measures, "people should not ignore the fact that these questions are coming up more often".

In another telling development, the White House Office of Management and Budget (OMB) last week broke off negotiations with the Association of American Universities (AAU) on new indirect cost accounting methods. The two had been working since last year to implement the recommendations of an 1988 AAU panel headed by Cornelius Pings, provost of the University of California. While the Pings report had proposed a more uniform accounting method than the present arcane system, the recent controversy has convinced OMB to expand the reforms even further, towards eliminating all items that can not be obviously linked to research, even if they can legally be charged to overhead under current practices.

In other developments in the indirect cost row last week:

- Harvard Medical School withdrew about \$500,000 in indirect costs that had been "mistakenly" billed as research overhead after an outside audit conducted by a private accounting firm. In addition, the medical school, which has argued for an indirect cost rate of 104 per cent, now says it will temporarily lower its requested rate to 65 per cent.

- The Department of Health and Human Services announced that it is expanding its probe of indirect cost charges at major US universities from four to about 20 schools.

- One of them, Johns Hopkins University, like the others on the list, has begun its own audit in tandem with that by federal officials. According to a statement from Hopkins officials, the university has always opted to exclude from its indirect cost pool items such as maintenance of the president's house and administrative costs of such offices as public relations and community affairs.

- Representative George Brown (Democrat, California), chairman of the House Science Committee, told reporters that he was working with the White House Office of Science and Technology Policy (OSTP) on a mechanism to protect research facilities from cuts in indirect costs.

Christopher Anderson

FETAL TISSUE RESEARCH

Tissue ban under fire

Washington

BERNADINE HEALY, the new director of the National Institutes of Health (NIH) and the official charged with enforcing the Administration's controversial ban on fetal tissue research, faced a strong challenge from the liberal chairman of the House subcommittee on health and an outspoken opponent of the ban, Representative Henry Waxman (Democrat, New York), at a congressional hearing early this week.

The two played out their respective roles with aplomb, as Waxman orchestrated a four-hour attack on the ban, while Healy neatly sidestepped the most difficult questions.

Waxman managed to dig up two perfect witnesses — a Baptist pastor and his wife — who despite fervent anti-abortion sentiment, had saved the life one of their children with a rare genetic disease (mucopolysaccharidosis type I) by allowing researchers to transplant fetal tissue into the child.

In rationalizing the use of bone-marrow tissues taken from an aborted embryo, the couple searched scripture, eventually finding reference to God making Eve out of Adam's rib. "It was clear to us that God was not opposed to tissue transplants," Rev. Guy Walden explained to the committee.

Turning to Healy, Waxman zeroed in on her explanation of the role of science in the political debate over fetal tissue.

Although Healy had voted to support fetal tissue research three years ago when she served on the NIH panel on the subject, she has been forced to defend the Administration ban since her nomination as NIH director last year.

"Sometimes science has to take a 'time-out' when its goals collide with the moral and ethical concerns of society", she said.

"When can we expect this 'time-out' to be over? Waxman asked.

Healy responded: "I view it as a 'time-out' in the sense that science is an evolving story. As more information comes in, it will be made available to the Department [of Health and Human Services (HHS), which is the parent agency for NIH and, in the person of conservative assistant secretary for health James Mason, the locus of the ban]."

In other words, she hopes to work from within to convince HHS of the error of its ways. Meanwhile, Healy said that NIH continues to do fetal tissue research that does not involve transplantation, and to study the broad area of human transplantation of non-fetal cell lines.

"The ban is razor sharp," she said. "Dr Mason wants to avoid the one-to-one relationship between abortion and therapy. But outside of transplant [of fetal tissue] research, the science is moving on."

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