

U.S. academics call for reforms in research overhead payments, hoping to avoid drastic cuts

Coalition offers two models it says increase accountability and reflect the “true costs” of research

Former White House science director Kelvin Droegemeier will pitch a new way to calculate indirect costs to President Donald Trump's administration and Congress. Bill Ingalls/NASA via Alamy

In a desperate attempt to stave off the loss of billions of dollars every year, a coalition of higher education groups has agreed with the U.S. government that it's time to revamp how universities are reimbursed for the cost of supporting research on their campuses. But the group, led by a former science adviser to President Donald Trump, hopes to sell Congress on an alternative to a drastic cut in so-called indirect cost payments that the

Trump administration has attempted to impose.

“High-quality science requires adequate support, and our goal is to make it clear what those costs are,” says Penny Gordon-Larsen, vice chancellor for research at the University of North Carolina (UNC) at Chapel Hill and member of the Joint Association Group (JAG), which [presented its recommendations last week](#) at a closed webinar for its 10 organizations. JAG is holding a town hall tomorrow to solicit broader community reaction to the 39-page proposal, [first reported on by STAT](#), which aims both to recover the full costs of research and make the reimbursement process more efficient.

Under the current system, the government negotiates a repayment rate with each institution for the overhead costs of research, including building and maintaining labs and other facilities and general administrative expenses. The money—typically from 40% to 65% of the amount the government awards to pay for the research itself—goes into a school’s general coffers, and institutions are allowed to spend it on any legitimate expense, including those not directly connected to research.

Many legislators object to that provision, saying it has resulted in a “slush fund” that wastes taxpayer dollars. They have a point, admits Kelvin Droegemeier, special adviser to the chancellor at the University of Illinois Urbana-Champaign and leader of the JAG initiative. “Yes, there are many institutions that use the money to make [their annual budgets] whole rather than reinvesting it in their research enterprise,” Droegemeier, Trump’s science adviser during his first term, said during [a 12 May briefing](#) on the status of the project with members of the JAG coalition before the actual proposal was released. The Trump administration’s simple but unwelcome fix is to cap indirect cost reimbursement rates at 15% for grants from major research agencies including the National Institutes of Health (NIH) and the National Science Foundation.

Several courts have temporarily blocked the flat rate, saying the Trump administration failed to abide by federal rules and congressional directives in imposing it. At a 10 June hearing on Trump's 2026 budget request for NIH, the agency's director, Jayanta "Jay" Bhattacharya, declined to comment on the 15% flat rate but said, "I think we have an obligation to make sure institutions have the capacity to do [NIH-funded] research correctly."

The authors of JAG's alternatives say their approach to indirect costs is simpler, fairer, and more transparent than the current system, and would also hold universities more accountable for how they spend the money. Under one JAG model, rates would be set based on the type of institution and the nature of the research. Reimbursement rates would be higher for projects requiring labs that handle chemicals or biological samples, for example, and clinical research would get an additional boost because of the costs of working with patients.

Under the second proposed model, institutions would submit a detailed accounting of every expense incurred for each research project under eight different categories. All would be considered direct costs. A ninth, catch-all category called general research operations (GRO) would cover expenses that cannot be broken out by project.

Both models would dispense with the current periodic negotiations between institutions and funding agencies, an opaque process that critics say allows some institutions to game the system and requires considerable time and resources. "We have to drive down the cost of compliance if we want this [new system] to work," Deborah Altenburg, vice president for research policy at the Association of Public and Land-grant Universities, explained at the May webinar.

At the same time, both JAG models are intended to give institutions the

chance to collect every cent they feel they are owed. Current rates exclude certain expenses and cap administrative costs, for example. But whether institutions would receive full reimbursement would hinge on the final numbers used by either model.

For example, the first model assigns a base 35% rate for medical schools, 25% to research universities, and 40% to independent research institutions. It would then add 7% for lab-based projects and another 7% for clinical research. Another 10% could be claimed under GRO. (Those rates are based on the total cost of the funded research project, unlike current rates, which are a percentage of the direct research costs.) The JAG report says those percentages could be adjusted after feedback from institutions comparing the yields from the new models with what they are now receiving.

Gordon-Larsen says she's done the comparison at UNC, which last year received \$253 million in indirect cost payments from \$1.5 billion in campus research. The result was a wash, she says, with some research projects generating larger payments and others a smaller reimbursement. UNC is already doing the detailed accounting required under the second JAG proposal to comply with a directive from the university's Board of Trustees, she says. "We can show exactly what we're spending on research. ... It's not a black box."

Trump first tried to shrink indirect cost payments from NIH in 2017 but was rebuffed by Congress, which then began to insert language in spending bills blocking any such change without legislative approval. At the time, Droegemeier, who became Trump's science adviser in 2019, defended the status quo.

Now, Droegemeier says it's time for a change. He says JAG hopes to settle on one approach—perhaps a hybrid with elements from each model—before

it starts to sell the plan to the White House and Congress later this month. But he says he's already gotten positive feedback on the overall principles from key legislators. They include the chair of the Senate appropriations committee, Senator Susan Collins (R-ME), who at a 10 June hearing on Trump's proposed budget for NIH said the two models "are far fairer, make way more sense, and increase accountability."

Gordon-Larsen acknowledges the uphill political fight to fend off cost cutting. "If you don't understand why [supporting] research is expensive, and you have no idea where the dollars are going, then the system doesn't make sense," she says. But Droegemeier expects the government connections he formed when he worked in the first Trump administration to prove useful.

"We're the experts," he said at the May webinar. "And we plan to actually help Congress write the legislation and then sell it to the White House."