

Implications with the Proposed NIH Policy Change to Indirect Cost Rates

February 20, 2025 @ 2pm eastern

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**Research administration
consulting services
and solutions**

- Indirect Cost Rate proposals
- Space surveys
- Grants management
- Asset management

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Agenda

- **Then and Now-Similarities to 2017 Testimony – Jim Luther, Research Compliance Officer, Yale**
- **Insights from Mak Karim, Maximus Senior Consultant (Former National Director of HHS-CAS)**
- **Maximus Client Survey Results and Status of Submitted F&A Proposals – Caroline Beeman, Maximus Director**
- **Legal Issues with the Notice, Attorney Scott Sheffler, Partner, Feldesman Leifer LLP**
- **From the Institutions:**
 - **Jennifer Poulakidas, Associate Vice Chancellor, Government and Community Relations, UCLA**
 - **LaShawnda Hall, Assistant Vice President for Research Financial Operations, Northwestern University**
- **Maximus Client Survey Questions**

X Maximus Higher Education Practice

Consulting services

- F&A proposal assistance, Space Survey, Negotiations
- Reviews of service/recharge centers
- Sponsored Programs
 - Pre- and Post-Award Staffing Support
 - Organizational Reviews
 - Policy/Procedure Compliance
- Asset Management Services

Software Solutions

- Comprehensive Rate Information System (CRIS[®])
- WebSpace[®] — Space Inventory and Survey System
- Effort Reporting System[®]

40

Years of Experience

500+

Colleges and universities served

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Proposed F&A Cap - Spring and Early Summer

2018

House and Senate Appropriations Hearings

- HHS Secretary Price indicated that **changes to indirect costs could reduce budgets without negatively impacting science**

President's FY 2018 Budget Proposal

- NIH - includes a provision to **limit indirect cost reimbursement to 10% of the total award**
- Called out the Gates Foundation and 10%: *"... bring NIH's reimbursement rate for indirect costs more in line with the reimbursement rate used by private foundations, such as the Gates Foundation ..."*

Proposed F&A Cost Policy Statement

Supplemental Guidance to the 2024 NIH Grants Policy Statement: Indirect Cost Rates

2025

Notice Number:
NOT-OD-25-068

Key Dates

Release Date:

February 7, 2025

Related Announcements

None

Issued by

Office of The Director, National Institutes of Health (OD)

Purpose

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The National Institutes of Health (NIH) awards a large number of grants providing substantial federal funding for research purposes. These grants include significant payments for "indirect costs," defined as "facilities" and "administration." [45 CFR 75.414\(a\)](#). The "facilities" category is "defined as depreciation on buildings, equipment and capital improvements, interest on debt associated with certain buildings, equipment and capital improvements, and operations and maintenance expenses." *Id.* And the "administration" category is defined as "general administration and general expenses such as the director's office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of 'Facilities'" (including cross allocations from other pools, where applicable). *Id.*

6 In issuing grants, NIH generally uses the indirect cost rate negotiated by an "agency with cognizance for F&A/indirect cost rate (and other special rate) negotiation." Grants Policy Statement at IIA-68; see 45 C.F.R. 75.414(c)(1). NIH may, however, use "a rate different from the negotiated rate for either a class of Federal awards or a single Federal award." 45 C.F.R. 75.414(c)(1). NIH may deviate from the negotiated rate both for future grant awards and, in the case of grants to institutions of higher education ("IHEs"), for existing grant awards. See 45 CFR

The UN-Apologetic Advocacy

2018

The administration's budget proposals have led to engaged, energetic defense of research, and research universities, from a variety of allies:

Agency staff

NIH
OMB
NSF

National Associations

COGR
AAU
ACE & AAMC

Members of Congress



The UN-Apologetic Advocacy

2018

Jim Luther

May 2017 Testimony to Committee on Science, Space, and Technology entitled “Examining the Overhead Cost of Research”

- Written Testimony
 - [1 Testimony Written 5-24-17 FINAL.pdf](#) (this was provided in advance)
- Oral Testimony, including Q&A (102 pages)
 - [- EXAMINING THE OVERHEAD COST OF RESEARCH](#)
- Links to all speakers
 - [Joint Research and Technology Subcommittee and Oversight Subcommittee Hearing- Examining the Overhead Cost of Research - Hearings - House Committee on Science Space & Tech - Republicans](#)

Dr. Kelvin K. Droegemeier

The Role of Facilities and Administrative Costs in Supporting NIH-Funded Research
Tuesday, October 24, 2017,

<https://docs.house.gov/meetings/AP/AP07/20171024/106525/HHRG-115-AP07-Wstate-DroegemeierK-20171024.pdf>



*Quotes from Professor Richard K. Vedder,
Professor Emeritus of Economics at Ohio
University
during May 24th Testimony to House Subcommittee*



“It is revealing that at many schools, including my own, researchers getting federal grants **directly receive a kick back** of some of the overhead money for non-salary uses as an incentive to seek more grants. Schools likely would not do that unless they considered federal research grants to be at least somewhat financially lucrative”

“**Irresponsible past fiscal behavior imperils future generations**, so we have a moral as well as a financial obligation to seek to minimize outlays for any given provision of public service...”

“I think, in a sense, **universities make a profit** off these indirect costs, and indeed, the research grants incentivize universities to increase their overhead costs and utilize bureaucracies,”

F&A -- The Myths...

MYTH #1: F&A costs aren't real costs of research

MYTH #2: There is no reason for F&A rates to differ between institutions

MYTH #3: Institutions don't need F&A and can absorb a significant reduction

MYTH #4: Foundations are subsidized by federal sponsors and don't pay their fair share

MYTH #5: The F&A rate can be lowered if regulatory burden is reduced

MYTH #6: Universities hire people and construct buildings so

they can get more F&A.

MYTH #7: Universities (like Duke) get 59 cents of every dollar...

2018
2025



What Research Really Costs

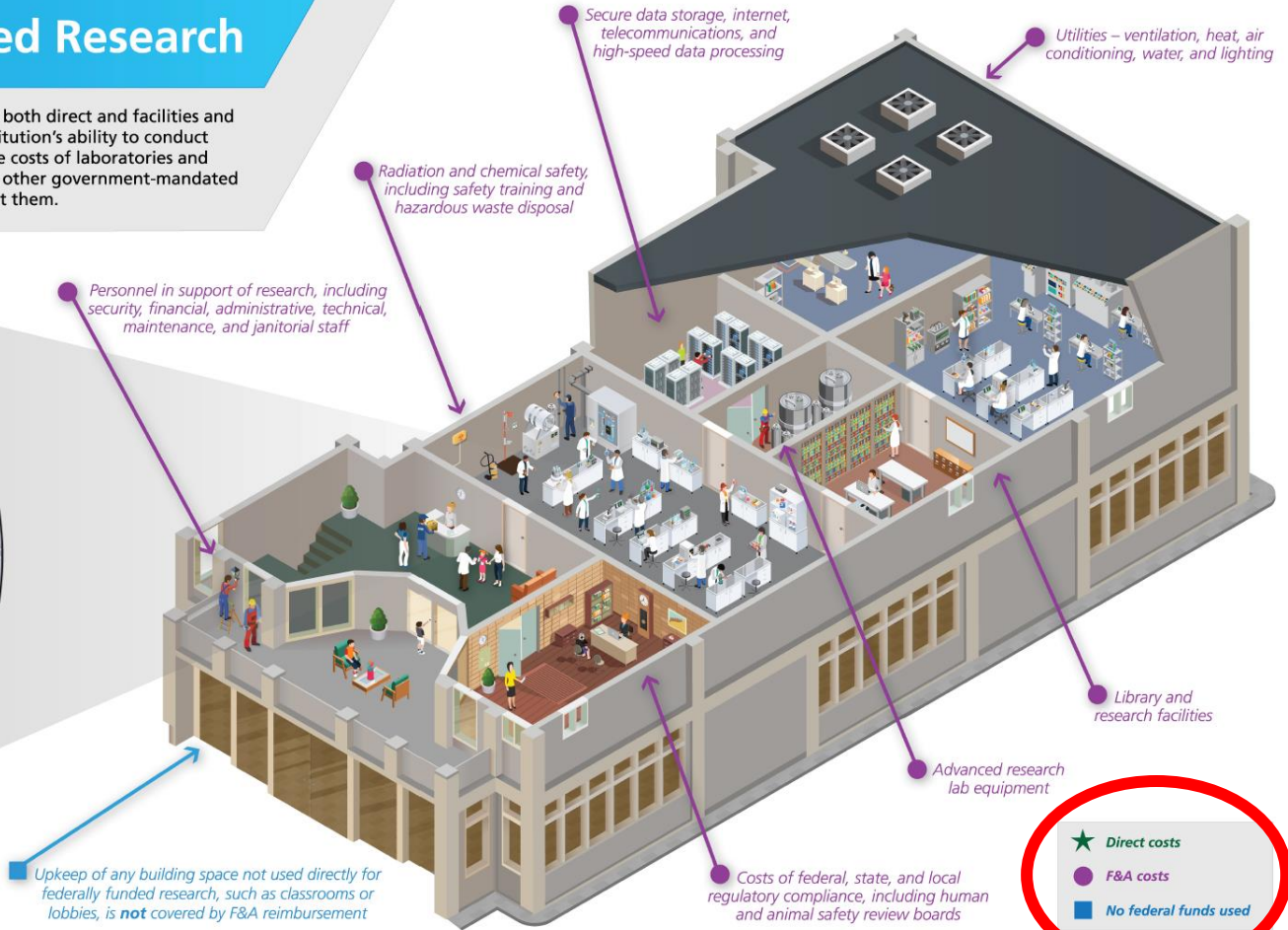
2018 → 2025

Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct and facilities and administrative (F&A) costs. Both types of expenditures are key to an institution's ability to conduct cutting-edge research. F&A consists of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. These costs are real and research cannot be conducted without them.



★ **Direct costs** - These expenses solely cover research and include lab supplies and equipment; salaries and stipends for researchers and graduate students; and travel costs for conducting and sharing research



- ★ **Direct costs**
- **F&A costs**
- **No federal funds used**

LHHS (Labor, Health & Human Svcs) Appropriations Bill Language

“The Administration’s proposal to drastically reduce and cap reimbursement of facilities and administrative (F&A) costs to research institutions is ***misguided and would have a devastating impact on biomedical research across the country.***”

“The bill includes a new general provision directing NIH to continue reimbursing institutions for F&A costs according to the rules and procedures described in 45 CFR 75 (with the exception of existing waivers for training grants). This provision also prohibits funds in this Act from being used to implement any further caps on F&A cost reimbursements.”

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- Legal issues
- Possibility of expanding across agencies
- What can we do
- How are universities dealing with this

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Legal Issues with the Notice


- Are the Temporary Restraining Orders (TROs) on solid legal standing?
- How feasible is it for this administration to continue pursuing IDC reductions through proper channels? What would that look like?
- Is the 15% rate guide notice consistent with rulemaking under the Administrative Procedure Act and Uniform Guidance (UG)?
- Will the 15% rate be retroactive or only apply after the TRO is resolved?

Possibility of Expanding Across Agencies


What might happen to NSF's F&A rates following its budget cuts?



Will NIH's head Bhattacharya or Congress support what is required to lower IDC by statute?



Will other HHS and non-HHS agencies pursue additional rate reductions, and if so, how might that be implemented?



Will administrative requirements decrease with the reduced IDC?



Will this eliminate the need for rate proposals, negotiations, and agreements?

What Can We Do?

Will agencies allow for direct charging of administrative support under the new guidelines?

Some institutions may be selecting specific NIH proposals to submit given the IDC deficit?

How Are Universities Dealing With This?

How will institutions manage administrative complexities in adjusting the F&A rate for ongoing awards?

Will adjustments to F&A be required for allowable cost transfers within the institutional 90-day window?

How will institutions adjust F&A rates on existing NIH awards? Will this be an adjustment to the draw amount or a formal system change?

How will schools manage the administrative challenge of adjusting rates in financial systems?

How are institutions covering the IDC not reimbursed by NIH (e.g., the 35% difference when NIH only reimburses 15%)?

X Contact Information

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