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NIH Indirect Costs: Guidance for Our Affiliates

THE ISSUE: The National Institutes of Health cut billions of dollars in biomedical funding. The Trump administration announced late Friday, Feb. 7, that the indirect cost rate for all NIH grants is now capped at 15 percent for both current and future grants: “In accordance with 45 CFR 75 and its accompanying appendices, this Guidance implements and makes publicly available NIH’s updated policy deviating from the negotiated indirect cost rate for new grant awards and existing grant awards, effective as of the date of this Guidance’s issuance. Pursuant to this Supplemental Guidance, there will be a standard indirect rate of 15% across all NIH grants for indirect costs in lieu of a separately negotiated rate for indirect costs in every grant.” [See the full NIH announcement here.](#)

The proposal to cap indirect cost rates was laid out by Project 2025 as a measure to reduce federal taxpayer subsidization of “leftist agendas.”

What do indirect costs related to NIH grants support? Indirect cost rates support facilities and administrative costs related to research. These costs are essential to fund university infrastructure and personnel as they conduct lifesaving research that supports finding cures and treatments for cancer, Alzheimer’s, chronic disease and more. Many universities receive an average of 28 percent, and sometimes as high as 50 percent or more, of the amount of a grant in indirect funds to support related research activities.

These costs, which are vital to the successful execution of grant-supported research, can include but are not limited to the following:

- General administration services related to payroll and financial management;
- Departmental administration such as program costs;
- Graduate student services;
- Facility costs;
- Equipment depreciation costs; and
- General operations and maintenance: utilities, maintenance, technology, security, etc.

Recipient institutions are required by NIH to separate costs of nonresearch activities from research activities, and these grants *only* fund indirect costs related to *research*. Since 1991, indirect rates are subject to a 26 percent cap on administrative (as opposed to facilities) costs.

Indirect cost rates for colleges/universities, nonprofits, hospitals, and state and local governments are not determined by NIH. They are established by a “cognizant agency,” which is either the

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Department of Health and Human Services' Division of Cost Allocation or the Department of Defense's Office of Naval Research. In the case of NIH grants, most likely HHS will determine the cost rate. A good primer on how indirect cost rates are determined and how NIH relies on them during the grantmaking process can be found here: <https://www.youtube.com/watch?v=1XvVibv2opQ>.

Grant partners, including universities, use negotiated rates that are tailored to each institution's research intensity and classification. This system goes back to 1966. More background on the system and oversight structures can be found in [this 2018 issue of *Issues in Science and Technology*](#) written during Trump's first-term attempts to gut research reimbursement rates.

This draconian rate cut puts the United States out of step with the global science community. An analysis in *Nature*, conducted before this action, noted, "The United Kingdom calculates indirect costs on a per-project basis. Japan has a flat rate of 30%. And last year, to the dismay of some institutions, the European Union announced that it would no longer negotiate rates and instituted a flat rate of 25% for all grant recipients." (see *Nature* 499, 18-19 [2013].)

THE IMPACT: The Trump administration's move to cut NIH's indirect cost rates for grants to 15 percent across the board will have dire effects on lifesaving research and innovation and will imperil university budgets across the country, cutting funds overnight for institutions doing critical research. The impact on grants already awarded heightens the disruption considerably as multiyear research projects are thrown into disorder. For more information on the economic impact of NIH grants in your state, see <https://www.unitedformedicalresearch.org/nih-in-your-state/>.

"These are real costs and will cause MIT to decrease the amount of critical life sciences research that the Institute is able to execute," said Maria Zuber, a geophysicist and MIT's presidential adviser for science and technology policy, [in an email \[to the *Washington Post*\]](#).

"I expect it will cause some universities to not be able to afford to accept federal life science grants. I am at a loss to understand how this is beneficial to Americans," Zuber added.

"This abrupt change in the way grants are funded will have devastating consequences on medical science," said Kimryn Rathmell, who led the National Cancer Institute under the Biden administration and is a longtime cancer researcher at Vanderbilt University. "Many people will lose jobs, clinical trials will halt, and this will slow down progress toward cures for cancer and effective prevention of illness." [Read full coverage from the *Washington Post* here.](#)

"I think it's going to destroy research universities in the short term, and I don't know after that," said David A. Baltrus, a University of Arizona associate professor whose lab is developing antibiotics for

crops. “They rely on the money. They budget for the money. The universities were making decisions expecting the money to be there.”

Baltrus said that his research is focused on efforts such as keeping E. coli bacteria out of crops like sprouts and lettuce. He said the policy change would force his university to make cuts to support staff and overhead. [Read the full coverage from the *New York Times* here.](#)

[Read *Inside Higher Ed*'s coverage here.](#)

WHAT OUR LOCALS AND CHAPTERS CAN DO:

- **Collect and tell the stories of how these attacks will affect campuses, communities and the economy of the region.** Identify faculty and staff who can speak with media and lawmakers about the research in the lab and the direct effects for members of the public if this funding is cut and jobs are lost, and the direct impact of layoffs on the local economy.
- **File an information request or a FOIA request with your administration.** Start collecting data on how the institution allocates indirect cost funds—to include personnel, programs, physical plant, etc. Please share the information you receive with us at highereddept@aft.org.
- **Bargain the impact.** The cuts to indirect cost rates could affect the working conditions of bargaining unit members. The union can and should demand to bargain the impact of these changes in rates. Items that can be bargained include severance pay, order of layoffs, recall rights and extensions of the tenure clock.
- **Work in solidarity with other campus unions and student and community groups.** The impact of changes in indirect rates will have far-reaching effects on our campuses and in our communities—including for faculty, staff and student workers. Strategies to respond and to defend our members and campuses should be implemented in coalition with other campus unions and with student and community groups.

HELPFUL TOOLS AND RESOURCES:

- [United for Medical Research's interactive map that displays the impact of NIH funding across America, by state](#)
- [“NIH Grants: Indirect Costs 101 Primer” \(NIH\)](#)
- [Bluesky thread on how the indirect rate cost cut will impact American research and education](#)
- [“Indirect Costs and Trump's Attack on Independent Voices” \(Inside/Outside\)](#)
This article includes a rationale for how this move is subject to litigation.
- [“Costs of Research”](#) (Association of American Universities, in partnership with several other leading research associations)

- [“Indirect Costs: Keeping the Lights On”](#) (*Nature*)
- [“Knee-Capping Excellence”](#) (*Issues in Science and Technology*)