



Policy Alert: NIH Research Grant Indirect Costs

Updated 11 February 2025

Action: [Supplemental Guidance to the 2024 NIH Grants Policy Statement: Indirect Cost Rates](#)

What it does: On February 7, 2025, the National Institutes of Health (NIH) announced a policy change that will cap at 15% the “indirect costs” that could be included in its research grants to higher education institutions. Previously, indirect cost rates were negotiated with each grant recipient, averaging about 27-28%, though exceeding 50% in some cases. NIH noted that in the last fiscal year, it made more than 50,000 grants valued at \$35 billion, of which \$9 billion was allocated to indirect costs. NIH [claims](#) the policy change will save \$4 billion. It also cited several major philanthropic foundations that set indirect cost maximums at or below 15%.

Key Insights

- Indirect costs (defined at [45 CFR 75.414\(a\)](#)) typically cover a variety of expenses, including facilities maintenance, equipment, interest on debt, and administration.
- Some researchers and [university presidents raised concerns](#) that the policy change will threaten essential medical research and strain universities’ budgets; Harvard noted that it is “working closely with state and private universities, national organizations, and other groups to ensure that these important research activities can continue [.]”

- The change was effective immediately for all new grants and made effective on February 10 for existing grants to institutions of higher education. NIH describes the policy change as allowing “grant recipients a reasonable and realistic recovery of indirect costs while helping NIH ensure that grant funds are, to the maximum extent possible, spent on furthering its mission.”
- Attorneys General from 22 states [sued NIH](#), arguing that the policy change violates the Administrative Procedure Act as “arbitrary and capricious” and requires Congressional approval as Congress had declined to make a similar change in 2017. On February 10, a US District Judge in Massachusetts temporarily [blocked](#) the change in the 22 states that sued; three national organizations of colleges and universities, joined by a number of large research universities, also filed another lawsuit intended to cover the entire country.
- By way of comparison, the EU’s [Horizon Europe](#) program, which funds innovative research, generally permits indirect cost reimbursement rates of [25%](#), with some exceptions. The UK has a [Full Economic Costs](#) model that permits significant [indirect cost](#) recovery, [particularly](#) for institutions that do not receive much public support.

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