

Dear Members and industry colleagues:

It is sometimes worth remembering that SEFA was formed in the Spring of 1988 when Ronald Reagan was president of the United States. Since that time we have had six different presidents, a few stock market crashes, recessions, the fall of the Berlin Wall and the Soviet Union, the September 11 attacks, seven million deaths from a world-wide pandemic and lots of other upheavals too numerous to mention.

During that same time we have also witnessed the phenomenal growth of the six largest U. S. companies by market capitalization (Apple, Microsoft, NVIDIA, Amazon, Alphabet and Meta). The unforeseen technologies they and many other "startups" created have brought about incredible prosperity, conveniences, increased efficiencies and profitability for businesses all over the world. Most of us also realize that artificial intelligence is about to dramatically change the world and create even greater efficiencies.

In connection with the February 7, 2025 National Institutes of Health (NIH) Supplemental Guidance (NOT-OD-25-068) we have sent a letter opposing the change to funding of "indirect costs" to HHS Secretary Kennedy, NIH Director Bhattacharya, South Carolina U. S. Senators Tim Scott and Lindsey Graham as well as Senator Bill Cassidy, Chair of the Senate Committee for Health, Education, Labor & Pensions and Senator Bernie Sanders, the Ranking Minority Member. See attached copy of the NIH Guidance and the letter to HHS Secretary Kennedy. You are encouraged to send similar letters concerning this issue so please let me know if you have any questions or need any help.

SEFA has not sent any letters concerning the imposition of new tariffs as we acknowledge that, as with all tariffs, there will be some members that are favorably impacted while others will be negatively impacted. Accordingly, it would be inappropriate to have an official SEFA position on that issue.

Please do not hesitate to reach out if you feel there is something SEFA can address that will assist your company.

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

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 Appendix III to Part 75, § C.7.a; *see* 45 C.F.R. 75.414(c)(1).

In deviating from the negotiated indirect cost rate, NIH must “implement, and make publicly available, the policies, procedures, and general decision-making criteria that their programs will follow to seek and justify deviations from negotiated rates.” 45 C.F.R § 75.414(c)(3).

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.

Providing Indirect Cost Rates that Comport with Market Rates

NIH's mission is to “seek fundamental knowledge about the nature and behavior of living systems” in order to enhance health, lengthen life, and reduce illness and disability. In furtherance of this mission, NIH spent more than \$35 Billion in Fiscal Year 2023 on almost 50,000 competitive grants to more than 300,000 researchers at more than 2,500 universities, medical schools, and other research institutions across all 50 states and the District of Columbia.[1] Of this funding, approximately \$26 billion went to direct costs for research, while \$9 billion was allocated to overhead through NIH's indirect cost rate.

Although cognizant that grant recipients, particularly “new or inexperienced organizations,” use grant funds to cover indirect costs like overhead, *see* 89 FR 30046–30093, NIH is obligated to carefully steward grant awards to ensure taxpayer dollars are used in ways that benefit the American people and improve their quality of life. Indirect costs are, by their very nature, “not readily assignable to the cost objectives specifically benefitted” and are therefore difficult for NIH to oversee. *See* Grants Policy Statement at I-20. Yet the average indirect cost rate reported by NIH has averaged between 27% and 28% over time.[2] And many organizations are much higher—charging indirect rates of over 50% and in some cases over 60%.

Most private foundations that fund research provide substantially lower indirect costs than the federal government, and universities readily accept grants from these foundations. For example, a recent study found that the most common rate of indirect rate reimbursement by foundations was 0%, meaning many foundations do not fund indirect costs whatsoever. In addition, many of the nation's largest funders of research—such as the Bill and Melinda Gates Foundation—have a maximum indirect rate of 15%. And in the case of the Gates Foundation, the maximum indirect costs rate is 10% for institutions of higher education.

A sample list of foundations that provide indirect cost funding and their respective maximum indirect rate is below:[3]

Maximum Indirect Cost Rate	Organizations
10%	<ul style="list-style-type: none"> • Gates Foundation (for institutions of higher education) • Smith Richardson Foundation
12%	<ul style="list-style-type: none"> • Gordon and Betty Moore Foundation • Robert Wood Johnson Foundation
15%	<ul style="list-style-type: none"> • Carnegie Corporation of New York • Chan Zuckerberg Initiative • John Templeton Foundation • Packard Foundation • Rockefeller Foundation (for institutions of higher education)

Indeed, one recent analysis examined what level of indirect expenses research institutions were willing to accept from funders of research. Of 72 universities in the sample, 67 universities were willing to accept research grants that had 0% indirect cost coverage. One university (Harvard University) required 15% indirect cost coverage, while a second (California Institute of Technology) required 20% indirect cost coverage. Only three universities in the sample refused to accept indirect cost rates lower than their federal indirect rate. These universities were the Massachusetts Institute of Technology, the University of Michigan, and the University of Alabama at Birmingham.

The United States should have the best medical research in the world. It is accordingly vital to ensure that as many funds as possible go towards direct scientific research costs rather than administrative overhead. NIH is accordingly imposing a standard indirect cost rate on all grants of 15% pursuant to its 45 C.F.R. 75.414(c) authority. We note in doing so that this rate is 50% higher than the 10% de minimis indirect cost rate provided in 45 C.F.R. 75.414(f) for NIH grants. We have elected to impose a higher standard indirect cost rate to reflect,

among other things, both (1) the private sector indirect cost rates noted above, and (2) the de minimis cost rate of 15% in 2 C.F.R. 200.414(f) used for IHEs and nonprofits receiving grants from other agencies.

NIH Implementation

For any new grant issued, and for all existing grants to IHEs retroactive to the date of issuance of this Supplemental Guidance, award recipients are subject to a 15 percent indirect cost rate. This rate will allow 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. This policy shall be applied to all current grants for go forward expenses from February 10, 2025 forward as well as for all new grants issued. We will not be applying this cap retroactively back to the initial date of issuance of current grants to IHEs, although we believe we would have the authority to do so under 45 CFR 75.414(c).

[1] NIH, *Budget* (Oct. 3, 2024), <https://www.nih.gov/ABOUT-NIH/WHAT-WE-DO/BUDGET>.

[2] NIH, Fiscal Year 2021 Overview Supplementary Tables at 87, <https://officeofbudget.od.nih.gov/pdfs/FY21/br/5-SupplementaryTables.pdf>.

[3] See Bill & Melinda Gates Found., *Indirect Cost Policy* (Feb. 2017), https://docs.gatesfoundation.org/Documents/Indirect_Cost_Policy.pdf; Smith Richardson Found., *Strategy and Policy Fellows Program*, <https://www.srf.org/wp-content/uploads/2014/04/2021-SPFP-Application-Requirements-and-Proposal-Template.pdf>; Gordon & Betty Moore Found., *Moore Inventor Fellows: 2024-2025 FAQ*, <https://www.moore.org/docs/default-source/moore-inventor-fellows/moore-inventor-fellows-faq.pdf>; Robert Wood Johnson Found., *Policies for Action: Grants FAQs*, https://anr.rwjf.org/templates/external/P4A_FAQS.pdf; Carnegie Corp. of New York, *Grantee FAQs*, https://www.carnegie.org/grants/grantee-faqs/#:~:text=What%20is%20your%20indirect%20cost,think%20tanks%2C%20and%20government%20entities;Chan Zuckerberg Initiative, Application Instructions, https://chanzuckerberg.com/wp-content/uploads/2020/06/CZI_Imaging_Scientists_2_Detailed_Instructions.pdf; John Templeton Found., *Grant FAQ*, <https://www.templeton.org/grants/grant-faq>; The Packard Found., *Fostering Equitable Grantmaking through Indirect Cost Coverage*, <https://www.packard.org/insights/perspective/fostering-equitable-grantmaking-through-indirect-cost-coverage/>; The Rockefeller Found., *Guidance: Preparing a Project Grant Budget for the Rockefeller Foundation*, <https://www.rockefellerfoundation.org/wp-content/uploads/2024/06/The-Rockefeller-Foundation-Project-Budget-Guidance-v2024.pdf>.

Inquiries

Please direct all inquiries to:

NIH Office of Policy for Extramural Research Administration (OPERA)

Division of Grants Policy

grantspolicy@nih.gov

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March 31, 2025

The Honorable Robert F. Kennedy Jr.
Secretary of the U.S. Department of Health and Human Services,
U.S. Department of Health and Human Services
200 Independence Avenue SW
Washington, D.C. 20201

**Re: National Institutes of Health
Supplemental Guidance NOT-OD-25-068**

Dear Mr. Secretary Kennedy:

I am writing this letter on behalf of the Scientific Equipment and Furniture Association (SEFA) regarding the above referenced matter. SEFA is a United States based not-for-profit trade association with over 165 members from 27 countries, representing the industry's largest manufacturers, distributors, installers, and design/specification professionals for school, government, and other R & D Facilities. SEFA is deeply concerned about the above-referenced February 7, 2025 NIH Supplemental Guidance, as we believe that this policy change will have a detrimental impact to the United States' scientific research industry. In fact, we have already heard from our members that large laboratory construction projects have been canceled as a direct result of this policy change.

As you know, research and innovation are critical to the progress and future well-being of our nation. From public health breakthroughs to advancements in technology, the continued funding of scientific research has been one of the cornerstones of the United States' leadership on the global stage. Whether it is the ongoing fight against pandemics, addressing climate change, developing new energy solutions, or understanding the complexities of human health, scientific research drives solutions to problems that affect millions of people across the globe. For these reasons, SEFA urges you to continue federal funding for scientific research, as this is an extremely impactful industry for all Americans.

Thank you for your attention to this critical issue. SEFA looks forward to your continued leadership in supporting scientific discovery and advancing the well-being of all Americans.

Very truly yours,

David J. Sutton
Executive Director & General Counsel