JOINT ASSOCIATIONS GROUP (JAG) ON INDIRECT COSTS: TOWARD A NEW INDIRECT COSTS FUNDING MODEL

TOWN HALL

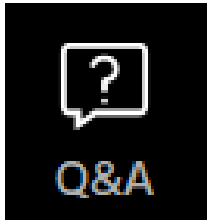
MAY 12, 2025

JAG NATIONAL ORGANIZATIONS

Today’s Agenda

- Welcome & Introductions of JAG Organizations
- Presentation: Overview of F&A, the JAG Effort, and Process
- Participants Comments & Questions
- Wrap Up and Next Steps

Virtual Town Hall – How to Engage



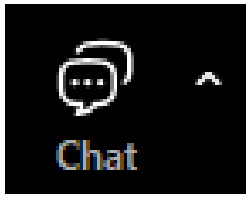
Q&A: Use the Q&A function (bottom center) to ask questions.

Upvote and comment on other attendees' questions.

Do not use the chat window to ask questions of the panelists.

Hear something you like? (or don't?)

Use the React feature at anytime to share with the panelists and fellow attendees your reaction.



Use the chat window to relay any technical issues to the panelists.

This session is being recorded and will be shared publicly.

Important Links

- National Organizations Announce Joint Effort to Develop a New Indirect Costs Funding Model (April 2025)
- Indirect Costs Subject Matter Experts Team
- Submit Questions, Feedback, and Inquiries

- Background Materials:
  - F&A Cost Reimbursement Materials (COGR)

- All Media Inquiries Should Be Directed To:
  - Rob Marus, Deputy Vice President for Communications, at rob.marus@aau.edu

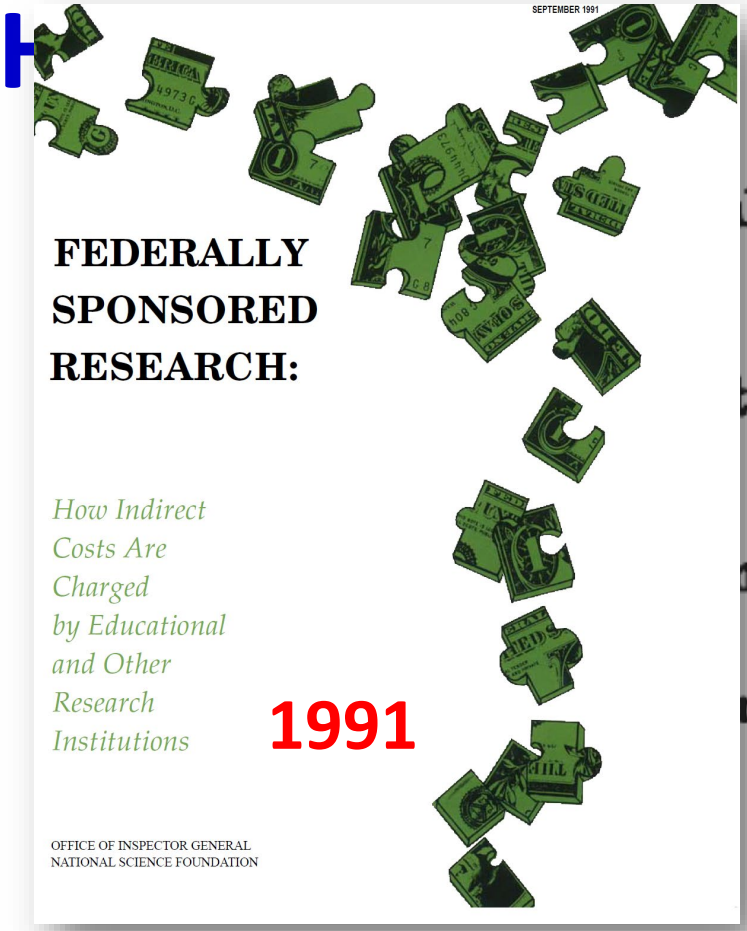
Today’s Presenter:

Dr. Kelvin Droegemeier, Professor of Atmospheric Science and Special Advisor to the Chancellor for Science and Policy at the University of Illinois Urbana-Champaign, and former WH OSTP Director

The Joint Associations Group (JAG) on Indirect Costs:

A Community Strategy for Developing a New Indirect Costs Model

The Direct + Indirect Costs (Now F&A) Model



1991

United States Government Accountability Office

GAO

Report to Congressional Committees

September 2010

UNIVERSITY RESEARCH

Policies for the Reimbursement of Indirect Costs Need to Be Updated

GAO

Accountability * Integrity * Reliability

GAO-10-937

2010

NBER WORKING PAPER SERIES

INDIRECT COST RECOVERY IN U.S. INNOVATION POLICY: HISTORY, EVIDENCE, AND AVENUES FOR REFORM

Pierre Azoulay
Daniel P. Gross
Bhaven N. Sampat

Working Paper 33627
http://www.nber.org/papers/w33627

NATIONAL BUREAU OF ECONOMIC RESEARCH
1050 Massachusetts Avenue
Cambridge, MA 02138
March 2025

We thank Bob Cook-Deegan, Jeff Flier, Sherry Glied, Cindy Hope, Ben Jones, and the Institute for Progress (especially Caleb Watney, Santi Ruiz, and Matthew Esche) for helpful comments. Azoulay and Sampat acknowledge support from the National Science Foundation under Grant No. 1735413. Gross acknowledges support from the National Science Foundation under Grant No. 2420824. Azoulay has also received grants from NIH, and Sampat has consulted for the NIH Office of Science Policy. All authors are employed by research universities that could be affected by any changes to federal indirect cost recovery policy. All errors are our own. The views expressed herein are those of the authors and do not necessarily reflect the views of the National Bureau of Economic Research.

At least one co-author has disclosed additional relationships of potential relevance for this research. Further information is available online at http://www.nber.org/papers/w33627

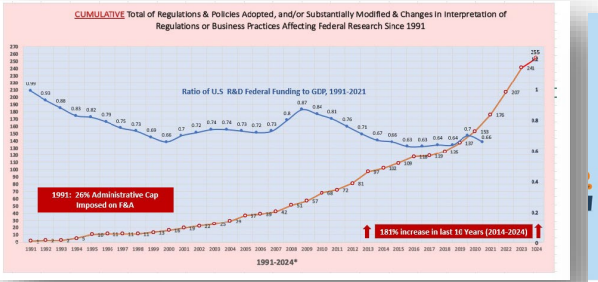
2025

Efforts to Explain F&A Abound!

COGR
Council On Governmental Relations

Excellence in Research: The Funding Model, F&A Reimbursement, and Why the System Works

April 2019



Demystifying the Academic Research Enterprise

Kelvin K. Droegemeier

United States General Accounting Office
GAO
Report to Congressional Committees

March 1995

UNIVERSITY RESEARCH

Effect of Indirect Cost Revisions and Options for Future Changes

The Distribution of Indirect Cost Recovery in Academic Research

Alexandra Graddy-Reed, Maryann Feldman, Janet Bercovitz, W. Scott Langford

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Abstract: Research universities rely heavily on external funding to advance knowledge and generate economic growth. In the US, tens of billions of dollars are spent each year on research and development with the federal government contributing over half of these funds. Yet a decline in relative federal funding highlights the role of other funders and their varying contractual terms. Specifically, non-federal funders provide lower recovery of indirect costs. Using project-level university sponsored research administrative records from four institutions, we examine indirect cost recovery. We find significant variation in the amount of indirect funding recovered – both across and within funders, as well as to different academic fields within a university. The distribution of sponsors in the overall research funding portfolio also impacts indirect cost recovery. The recovery variation has important implications for the sustainability and cross-subsidization of the university research enterprise. Together, our results show where universities are under-recovering indirect costs.

Keywords: Academic R&D, Administrative Costs, Indirect Costs, Federal Funding

COGR
...cing Effective Research Policy

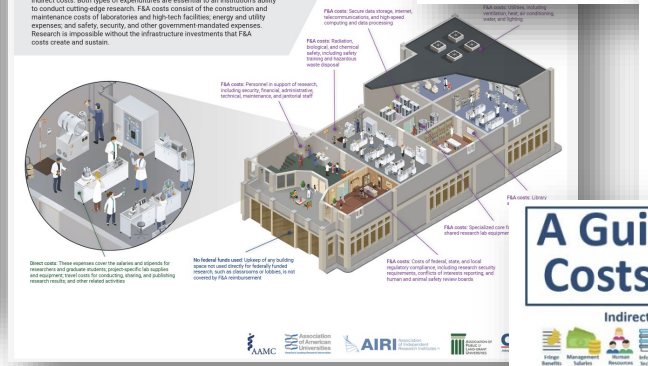
F&A SURVEY CAPSTONE: COST REIMBURSEMENT RATES, ACTUAL REIMBURSEMENT, AND ...OWING REGULATORY ...OST BURDEN

...sults of the ...GR 2023 F&A Survey

DECEMBER 2024

Costs of Federally Sponsored Research

The total cost of federally sponsored research includes a combination of both direct expenditures and facilities and administrative (F&A) costs, also known as indirect costs. Both types of expenditures are essential to an institution's ability to conduct cutting-edge research. F&A costs consist of the construction and maintenance costs of laboratories and high-tech facilities; energy and utility expenses; and safety, security, and other government-mandated expenses. Research is impossible without the infrastructure investments that F&A costs create and sustain.



Strengthening the Government-University Partnership in Science

Report of the Ad Hoc Committee on Government-University Relationships in Support of Science
Committee on Science, Engineering, and Public Policy

National Academy of Sciences
National Academy of Engineering
Institute of Medicine

Written Testimony of Dr. Kelvin K. Droegemeier
Vice President for Research
Regents' Professor of Meteorology and Weathernews Chair Emeritus
University of Oklahoma
Secretary of Science and Technology, Cabinet of Oklahoma Governor Mary Fallin

Submitted to the Appropriations Sub-Committee on Labor, Health and Human Services, Education and Related Agencies
United States House of Representatives
for the hearing titled
The Role of Facilities and Administrative Costs in Supporting NIH-Funded Research
Tuesday, October 24, 2017, 10:00 am EDT
Rayburn House Office Building, Room 2358-B

I thank Chairman Cole, Ranking Member DeLauro, and Members of the Subcommittee for the privilege of testifying on the important topic of facilities and administrative costs in research, particularly at the National Institutes for Health. My name is Kelvin K. Droegemeier, and I am Vice President for Research, Regents' Professor of Meteorology, and Weathernews Chair Emeritus at the University of Oklahoma. I also am a former member of the National Science Board (2004-2016), the last four years as Vice Chairman, and presently serve in the Cabinet of Oklahoma Governor Mary Fallin as Secretary of Science and Technology. I am testifying today in my roles as an academic researcher, administrator, teacher, and advisor on matters of science and technology policy.

I also thank the Members of this Subcommittee for their longstanding commitment to fostering national prosperity, economic security, quality education, and international competitiveness through support for basic and translational research at the National Institutes of Health. The topic of this hearing is important to that commitment and traces its roots to the pre-World War II era. Not unlike the U.S. Constitution, the framework of facilities and administrative (F&A) costs, previously known as overhead or indirect costs, has been debated continually since its inception, has multiple interpretations depending upon one's position in the research enterprise, and is vitally important to the nation. Consequently, this hearing is especially critical at a time when our nation's research budgets are stressed to an unprecedented degree, and the health, national security, and other challenges facing us are daunting and depend in no small part upon a robust and stable research enterprise.

1. Direct and Indirect Costs: Definition, Application and Viewpoints

For some 80 years, funding directed toward research and development (R&D) at U.S. institutions of higher education has been bifurcated into direct and indirect costs, also known as overhead and, most recently, as facilities and administrative (F&A) costs.[1] Although the categories of funding composing these costs have changed over the years, the general concept remains

[1] The term facilities and administrative (F&A) costs came into existence in the May, 1996 revision of "Cost Principles for Higher Education Institutions" (OMB Circular A-21) to more accurately describe the components of what had previously and synonymously been known as indirect costs or overhead. Although F&A is the appropriate term for contemporary use, I continue to use the terms overhead and indirect costs as referenced in historical events and documents.

NBER WORKING PAPER SERIES

INDIRECT COST RECOVERY IN U.S. INNOVATION POLICY: HISTORY, EVIDENCE, AND AVENUES FOR REFORM

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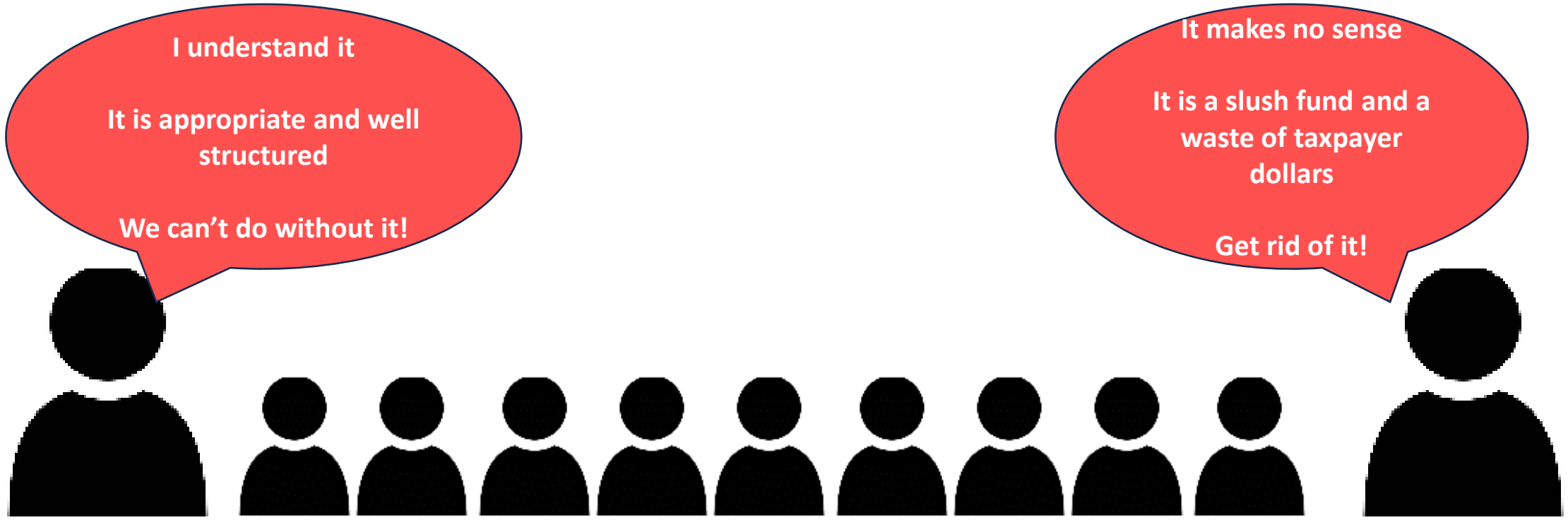
A Guide to Understanding Indirect Costs & Indirect Rates Structuring

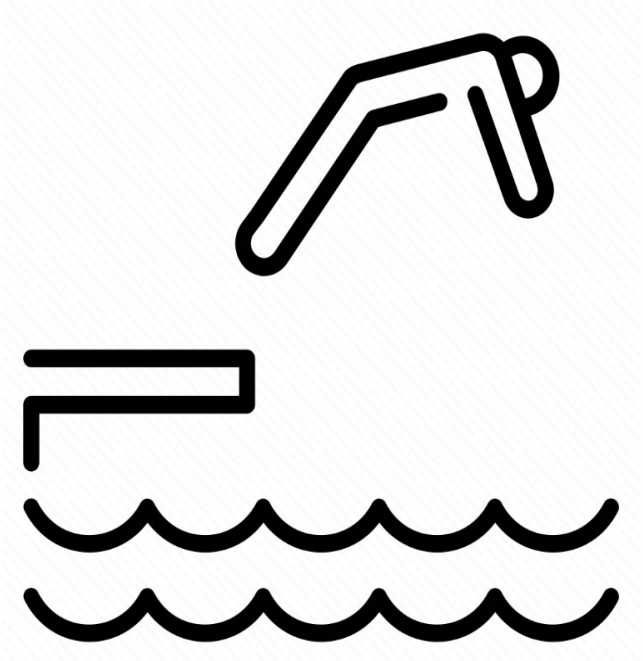
One Challenge: Hugely Diverse Audience

- The White House
- Congress
- Government Funding Agencies
- Private Companies
- Non-Profit Foundations
- Government Relations Experts
- Research Administrators
- Faculty and other Researchers
- University Executive Officers
- The General Public

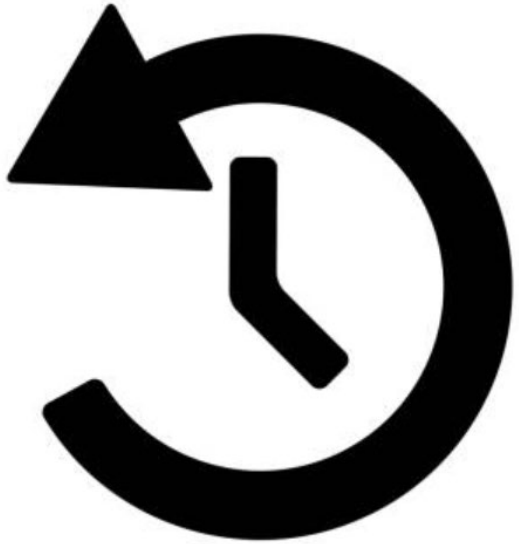
A Spectrum of Understanding, Worldviews and Goals



An Important Consideration



Before Diving Into Proposing Changes…



…Understand the History, Context, and Implications

How We Got Here

- Prior to WWII, virtually all **research** in higher education was funded by **philanthropy or private foundations**
- Faculty and Administrators at **private universities** were funded mostly by endowment income and tuition
- **State universities** relied mostly on state appropriations and tuition
- **Little interest** existed in obtaining Federal money for fear of **intrusion and control**

Image Credit: Encyclopedia Britannica

How We Got Here

- In 1937, the **National Cancer Institute (NCI)** was created within the National institutes of Health (NIH)
- NCI began issuing **Federal grants for university research** – all other NIH research was performed in-house
- The National Research Council helped create a concept for the National Bureau of Standards to provide **research funding to universities.** The bill failed but NRC involvement **calmed fears in academia**

Image Credit: National Cancer Institute

How We Got Here

- In 1939, President Roosevelt began mobilizing the Nation for **war**
- Prior to this time, universities received **little** Federal government funding for research for **fear of intrusion**
- The National Advisory Committee for Astronautics (NACA), led by Vannevar Bush, began providing **contracts** to **individual** university researchers

Image Credit: PBS

How We Got Here

- Vannevar Bush also was President of the Carnegie Institute and understood that **universities bring a lot of resources to the table** for research (buildings, equipment, people)
- He established a **two-part funding model to leverage university assets for incremental cost by the Government**
  - **Direct costs** (people, travel, equipment)
  - **Indirect costs** (administration, support services, other things related to the research) **fully reimbursed** by the government

Image Credit: Le Monde *diplomatique*

How We Got Here

- In June, 1940, President Roosevelt authorized Bush to **fund academic and industrial research** for national defense
- Higher education began accepting the funding owing to **need and patriotism**
- This **watershed moment** set the stage for an 80-year **PARTNERSHIP** between the Government and academia in performing research of **MUTUAL BENEFIT.**

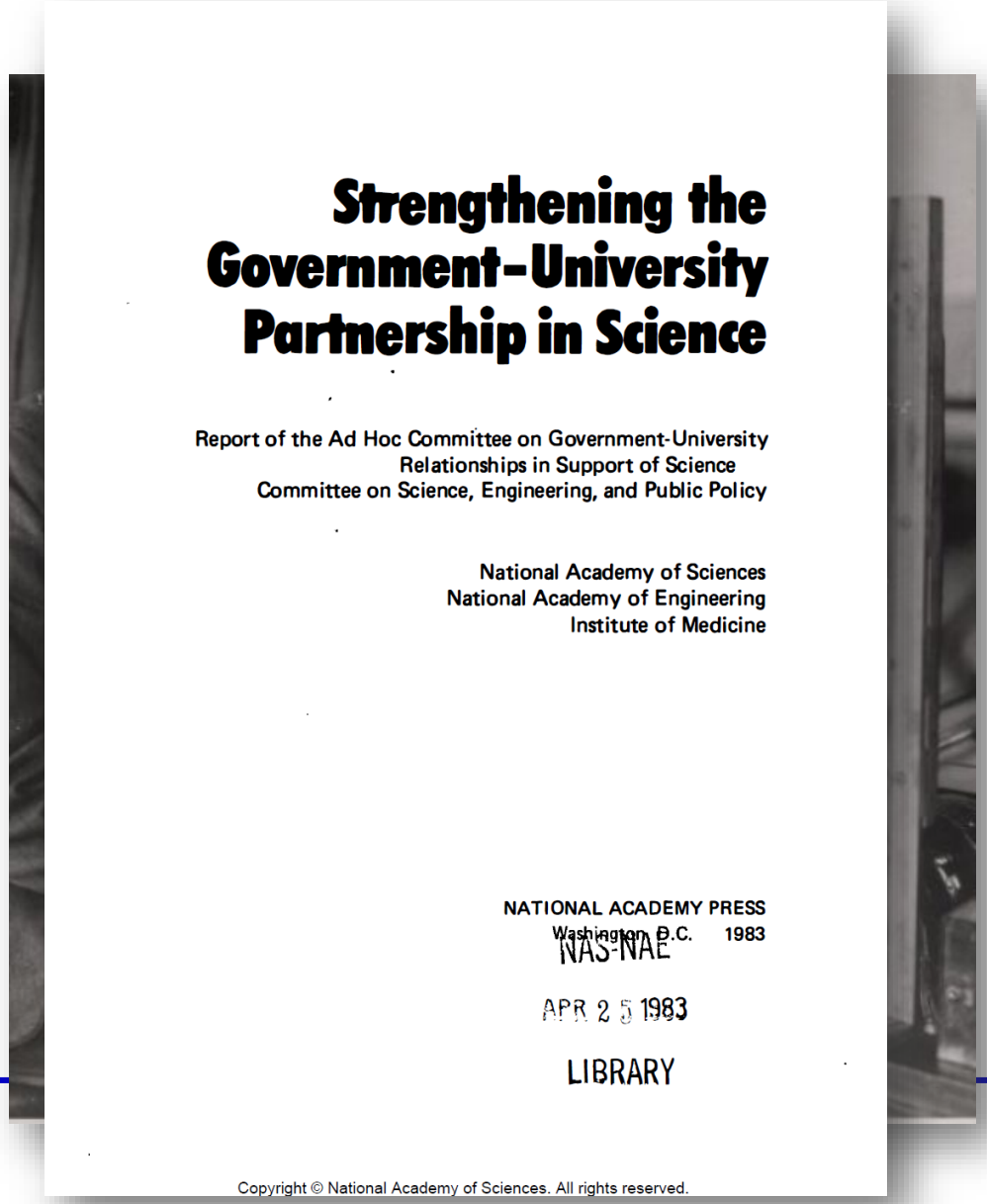


Image Credit: MIT Museum

F&A: A Key Component of the Government-Academic Partnership

Image Credit: ChatGPT

The Grant Proposal Budget, Part 1: Direct Costs

- These items represent **direct costs** that are easily identified for a given project

Item Description
Salaries and wages (principal investigator, coprincipal investigator, other senior personnel, postdoctoral researchers, technicians, and support staff)
Stipends for graduate and undergraduate students
Fringe benefits for all personnel
Materials, supplies, and services
Publication/dissemination costs
Equipment
Consulting services
Special computing services
Domestic and international travel
Special facilities utilization
Subcontracts
Participant support costs (e.g., subjects to be interviewed)

The Grant Proposal Budget, Part 2: Indirect Costs

- Shown at the right are **Indirect Costs**
- They are **real costs** borne by institutions to support **organized research** and are **heavily leveraged** by funders such as the USG
- They get paid out of institutional funds, up front, **as organized research takes place**

Category	Description
Facilities	Building depreciation: expenses associated with university-owned buildings, including the expense associated with federal contributions to those buildings.
	Equipment depreciation: expenses associated with university-owned capital equipment, including federal contributions to such equipment.
	Interest: interest associated with external debt financing of building acquisition and construction or renovation, less interest income earned on debt proceeds.
	Operations and maintenance: utilities, janitorial services, and ongoing repair and maintenance of university-owned and leased buildings.
	Library: operational costs of the university's library system excluding rare books but including staff.
Administration	General administration: payroll, executive and administrative offices, human resources, accounting, etc.
	Sponsored project administration: offices and personnel responsible for administering sponsored project activity.
	Departmental administration: administrative costs for each college and departmental or school.
	Student administration and services: costs associated with supporting students, such as the office of student affairs.

The Grant Proposal Budget, Part 2: Indirect Costs

- Imagine tracking **these** things for **EACH research project, as in direct costs!**
  - How much electricity is used by each of 20 graduate students or researchers in the same lab funded by 8 different grants
  - How much of the HR organization is used for appointments on each grant
  - How much of the Payroll office is used in the same way

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Facilities and Administrative (F&A) Costs

- Instead….each institution periodically assesses **space and other resources utilized for organized research overall**
- An **F&A "rate"** is then created based upon this **formula** →
- At UIUC, F&A rate = 58.6%
  - F = 32.8%
  - A = 26.0%
- The A component has been **capped** since 1991 (later slide)

$$F\ \&\ A\ Rate = \frac{Indirect\ costs\ allocated\ to\ organized\ research}{Modified\ total\ direct\ research\ costs}.$$

Category	Description
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Facilities and Administrative (F&A) Costs

- The **F&A "Rate"** for a given institution is **set by the Federal government** and **negotiated** every few years
- Rates **vary considerably** across institutions (upcoming slide) owing to location, facilities, local costs, etc
- Suppose the rate is 50%. **What does this mean?** 50% of the budget goes toward indirect costs? **NO!**

Category	Description
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How F&A Figures into the Budget

- Suppose the **Direct Costs** for a grant proposal are $100,000 and the **F&A rate** is 50%
- The total budget is then
  - $100,000 (Direct Costs)
    +
  - F&A Rate x $100,000 (Direct Costs) = **$50,000 (Indirect Costs)**
    =
  - **$150,000 Total Budget (Direct + Indirect Costs)**
- Here, **F&A COST** is 1/3rd of the total budget ($50K/$150K), not 50% of it **(F&A RATE)!!**
- **Now the confusing part for many….** The institution receiving the grant pays for activities in the F&A categories **as research is happening** and then is **REIMBURSED** by the Federal government project-by-project.

General Example of Reimbursement

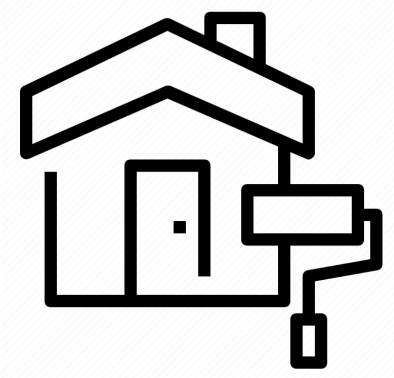
Your Roof is Destroyed by a Hailstorm. Insurance Adjuster Assesses $40,000 Covered Replacement Cost

You Withdraw $40,000 From Savings Account to Have Roof Replaced Immediately

You Hire a Roofing Company to Replace the Roof and Pay $40,000 from Savings

A Month Later, the Insurance Company Reimburses You $40,000 After the New Roof is Installed

You Deposit the $40,000 Reimbursement from the Insurance Company Back Into Your Savings Account



You Decide to Re-Invest the Reimbursed $40,000 From the Insurance Company to Remodel Your House and Improve its Value.

Have You Done Anything Wrong? Have You Defrauded the Insurance Company, or Were You Free to Re-Invest the Reimbursement as You Saw Fit?

Key Points

1. F&A costs are **funded up front, by institutional resources,** to support government-funded projects.
2. The government **reimburses** institutions for F&A funds because they are real funding associated with research.
3. The **reimbursed funds may be re-invested** by the institution in any legal manner deemed useful.

Institutional Use of Reimbursed F&A

- Institutions **reinvest reimbursed funds in research according to their own models**
- **Confusion** arises because of how the F&A system is **designed**
  - Reimbursed F&A funds usually are **not returned to the specific accounts** that paid for the F&A costs as the research was happening (e.g., utilities, HR services, sponsored programs office, library in the case of universities)
  - This leads to the perception by some that F&A reimbursement is **not being used for its intended purpose, even though it is a reimbursement**
- **Other issues** exist with the F&A model, e.g., **ability to game the system** in various ways

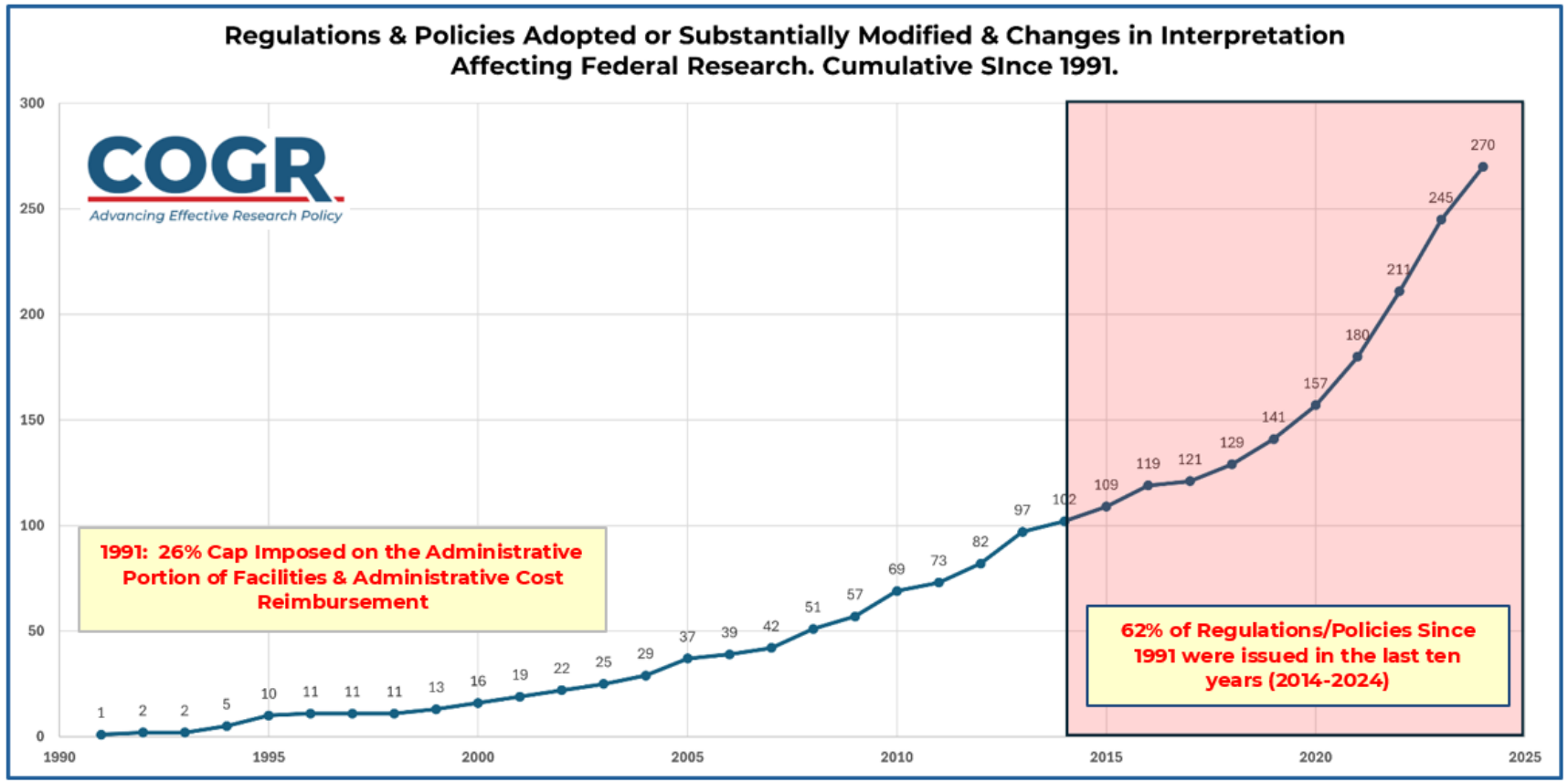
Facilities and Administrative (F&A) Costs

- **Why all this gory detail????**
- Because it is important to understand that **F&A represents real dollars that are needed** by institutions to support research funded by external sources
- It's true that **higher F&A rates** mean **less direct money** in a given project
  - Researchers understandably want lower rates and don't "see" the F&A even though **its fruits clearly support their research**
  - So do Federal **funding agencies**!!
- It's also true that **without F&A reimbursement**, research institutions **could not** support research and related activities, including the **education and training** of students by universities, in the ways they now do

Two Other Key Points About F&A

- Point 1: Some Federal agency research programs **do not allow** institutions to use their **FEDERALLY NEGOTIATED** F&A rate. They limit the allowable rate to 30% etc
- Point 2: Recall F&A rate has **two parts**: at UIUC, the **negotiated** F = 32.6%, A = 26.0% → **58.6%**
  - The **"A" component** has been capped at **26%** since 1991 – despite a **HUGE increase in compliance requirements** placed on research institutions (next slide)
  - The **real rate at UIUC** going into negotiation is **65.5%**
  - The F&A rate **UIUC actually realizes is 23.1%** owing to accepting many grants with reduced or no F&A (e.g., especially as a Land-grant from USDA, funds flowing through from State agencies). This is **true for other institutions**
- Across all academic research institutions, this amounts to about ~$6.8B of **unrecovered F&A reimbursement** each year
- Private companies **operate differently** and can charge **fees and profit** in addition to recovering indirect costs. **Foundations** also operate differently – both for **good reason**

Unfunded Compliance Mandates



- **270** new or substantially modified requirements since 1991
- **62%** of them occurred in the past 10 years
- **181%** growth in past 10 years
- No new Federal $ for these since 1991!!
- Institutions have had to **EAT these additional costs**
- In the case of universities, **tuition** is sometimes used to partly offset these costs

Image Credit: COGR

Sources of Funds for University R&D

- Some of the growth of **university** investment in research has come from having to support **unfunded Federal compliance mandates** on the previous slide

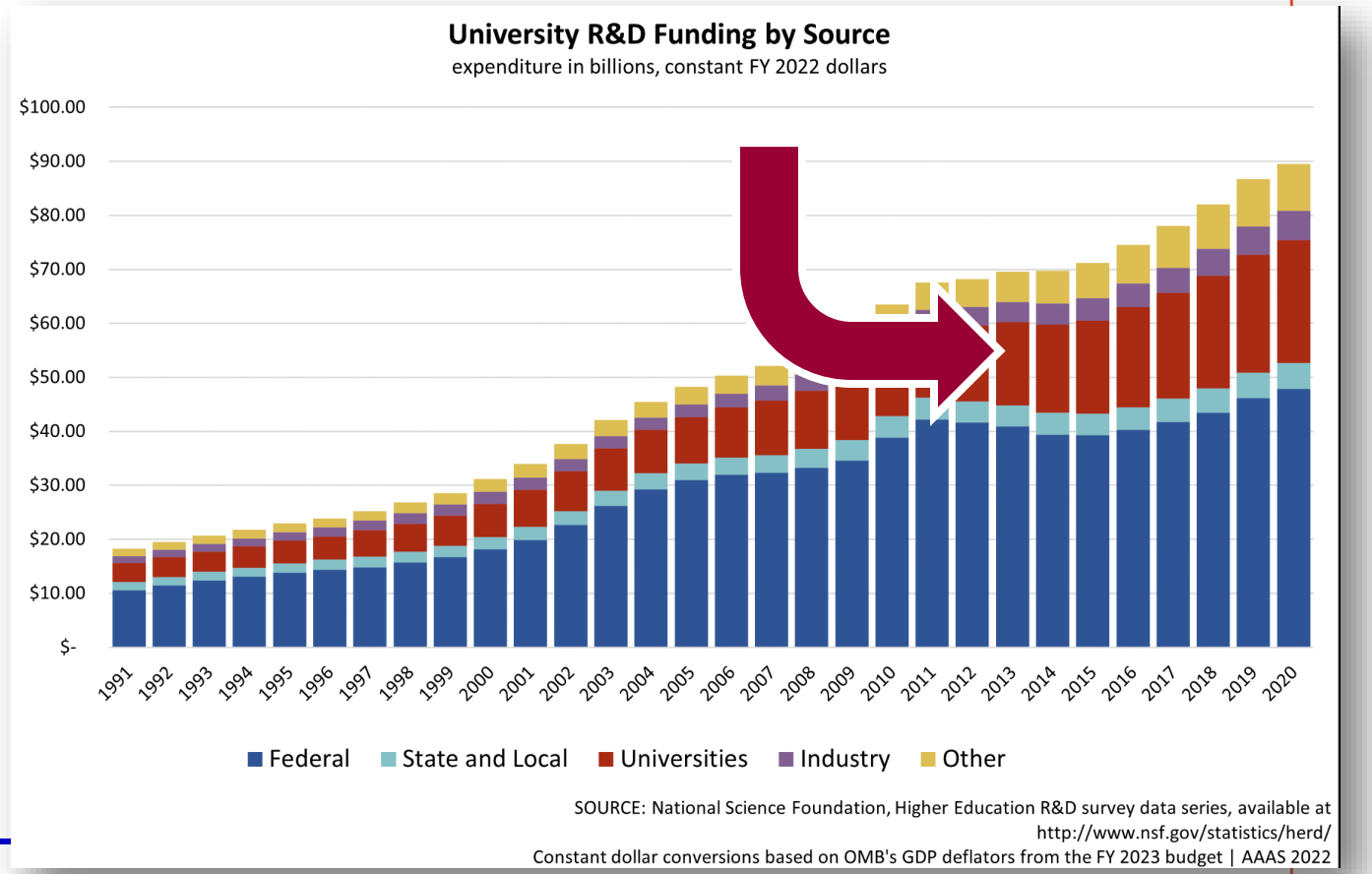


Image Credit: American Association for the Advancement of Science

Recent Developments

- Earlier this year NIH issued a **new policy** limiting the F&A rate it allows to a **flat 15% rate**
- **Subsequent caps** have been issued by DOE and NSF, both of 15% for college and university research
- A new 15% cap on F&A reimbursement has been issued by DOE for **for-profit organizations** receiving federal financial assistance awards
- Various **litigations** are in progress

‘Devastating’ cuts to NIH grants by Trump’s team put on hold by US judge

The ruling temporarily halts a policy slashing research-overhead costs that left some universities wondering how to make ends meet.

By Max Kozlov, Dan Garisto & Heidi Ledford

One of the buildings on the US National Institutes of Health’s campus in Bethesda, Maryland, is a hospital

Source: https://www.nature.com/articles/d41586-025-00436-1

What is Motivating the Caps on F&A?

- Issues of **of transparency** in the current F&A model that suggest taxpayer dollars are **not being spent on research**
- The notion that university **endowments** can offset cuts caused by F&A rate caps
- A desire to **reduce Government spending**
- **Concerns** about higher education broadly
- **Comparisons** of F&A rates between universities and private foundations which fund research

Council on Governmental Relations (COGR)
2023 Survey of Indirect Cost Rates
Average Rate By Classification

Class	No.	Research On Campus
IVY	7	64.61%
AAU	50	59.01%
R2	18	51.72%
All	120	56.77%

Top 5 Highest Survey Respondents

Fred Hutchinson Cancer Ctr.	76.00%
Children's Hospital L.A.	69.50%
California Inst. of Technology	70.00%
Weill Cornell Medicine	69.50%
NYU Grossman School of Med.	69.50%

Top 5 NIH Funded Recipients

Johns Hopkins U.	63.75%
U.C. San Francisco*	61.50%
U. Pennsylvania	62.50%
Duke University	61.00%
U. Michigan	56.00%

Not a Meaningful Comparison

Selected Private Companies (Anonymized)

Private Aerospace Firm	140%
	103%
	166%
Private Large Industry	150%

Not a Meaningful Comparison

Selected American Private Non-Profit Foundations*

Bill and Melinda Gates Fdn.	10%	Direct Costs
The Ford Foundation	25%	Minimum Rate
	10%	Direct Costs
	15%	Direct Costs
Andrew W. Mellon Fdn	20%	Direct Costs
The Rockefeller Foundation	15%	Direct Costs

** Rates are from the various foundation's grant budget directives applicable to institutions of higher education.*

Clarifying Misimpressions

- F&A charged to the Federal government by research institutions represents the **incremental cost associated with using mostly existing resources** (e.g., HR, electricity, buildings, computers) – **significant leveraging.** These are **REAL DOLLARS** required to support the research and are **not fully funded** by the government
- Indirect cost rates are **lower at private foundations which fund research** because
  - Foundations allow **direct charging** of many items included in F&A which **cannot be direct-charged** on Federal grants; and
  - Foundations **do not subject recipients** to the same rules and regulations as do Federal agencies. Universities **accept lower indirect cost rates** from foundations because such grants are a **small percentage** of overall university R&D funding

Clarifying Misimpressions

- Most university endowment funds are **restricted to specified donor intent** (e.g., tuition reduction, professorships, scholarships) and are **not fungible**
- The F&A rate **negotiated by the Federal Government** is almost always **lower than the actual rate → cost sharing**
- Research institutions have had to fund **270 new or substantially modified** Federal compliance requirements since 1991 with **no additional money in F&A from the Federal Government** to do so (the A-rate cap on F&A)
- Owing to **F&A limits** placed on universities by Federal agencies, and the negotiated F&A rate being lower than the actual rate, universities overall are **underpaid in F&A by $6.8B/year.** Underpayment also occurs for **other types of research institutions**

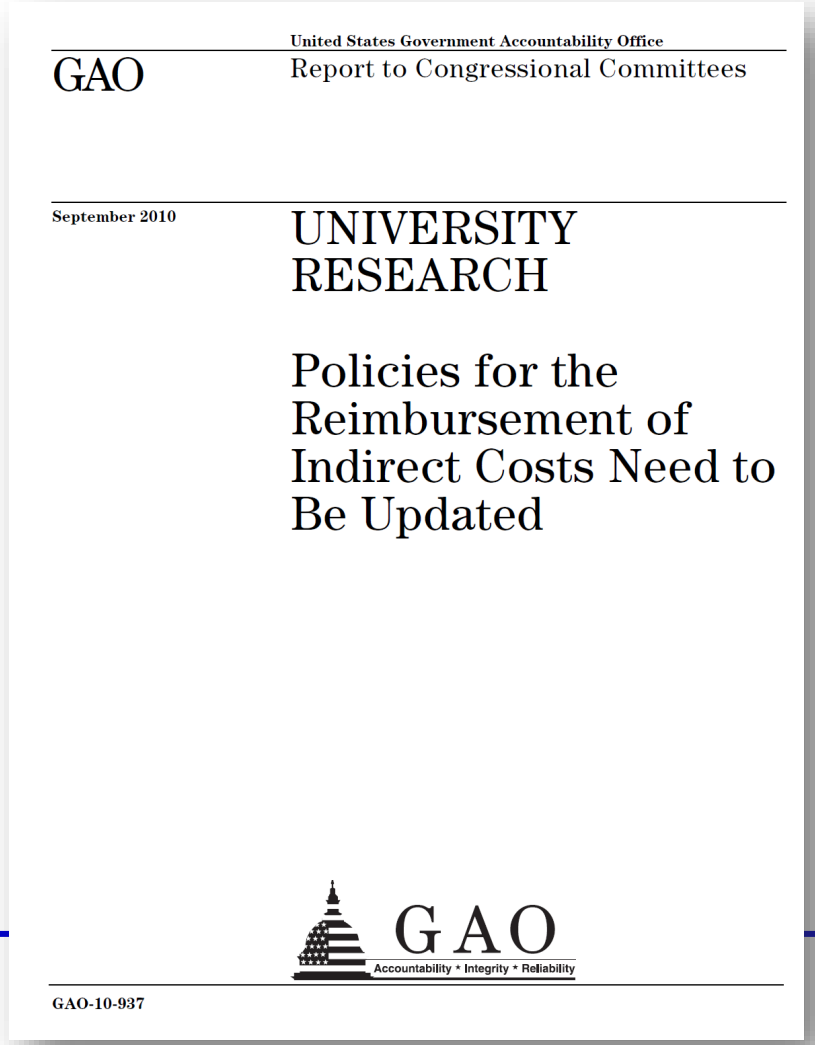
The Value of Research to America

- A **robust** US research and education enterprise means
  - Economic and national **security**
  - **Products & services** to improve quality of life
  - Educated **workforce** and high-paying **jobs**
  - **New knowledge** for innovation
  - Increased **tax base – large ROI to Government**
  - **Leadership** in setting international standards and protocols (e.g., ethical use of AI)

Image Credit: https://publicdomainpictures.net

F&A is Not a Perfect Model

- The current F&A model, though used successfully for many years, does suffer from certain **limitations** that lead to confusion, create misunderstanding, and contain administrative inefficiencies


United States Government Accountability Office

GAO

Report to Congressional Committees

September 2010

UNIVERSITY RESEARCH

Policies for the Reimbursement of Indirect Costs Need to Be Updated

GAO

Accountability * Integrity * Reliability

GAO-10-937

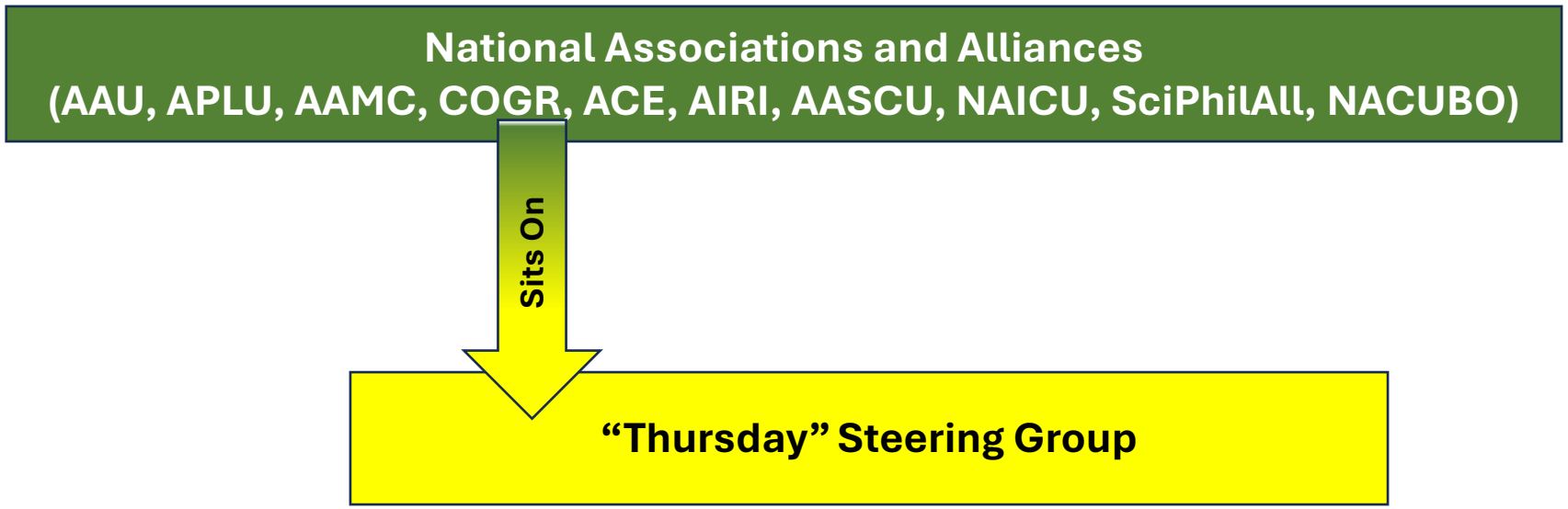
Clarity Driving Action

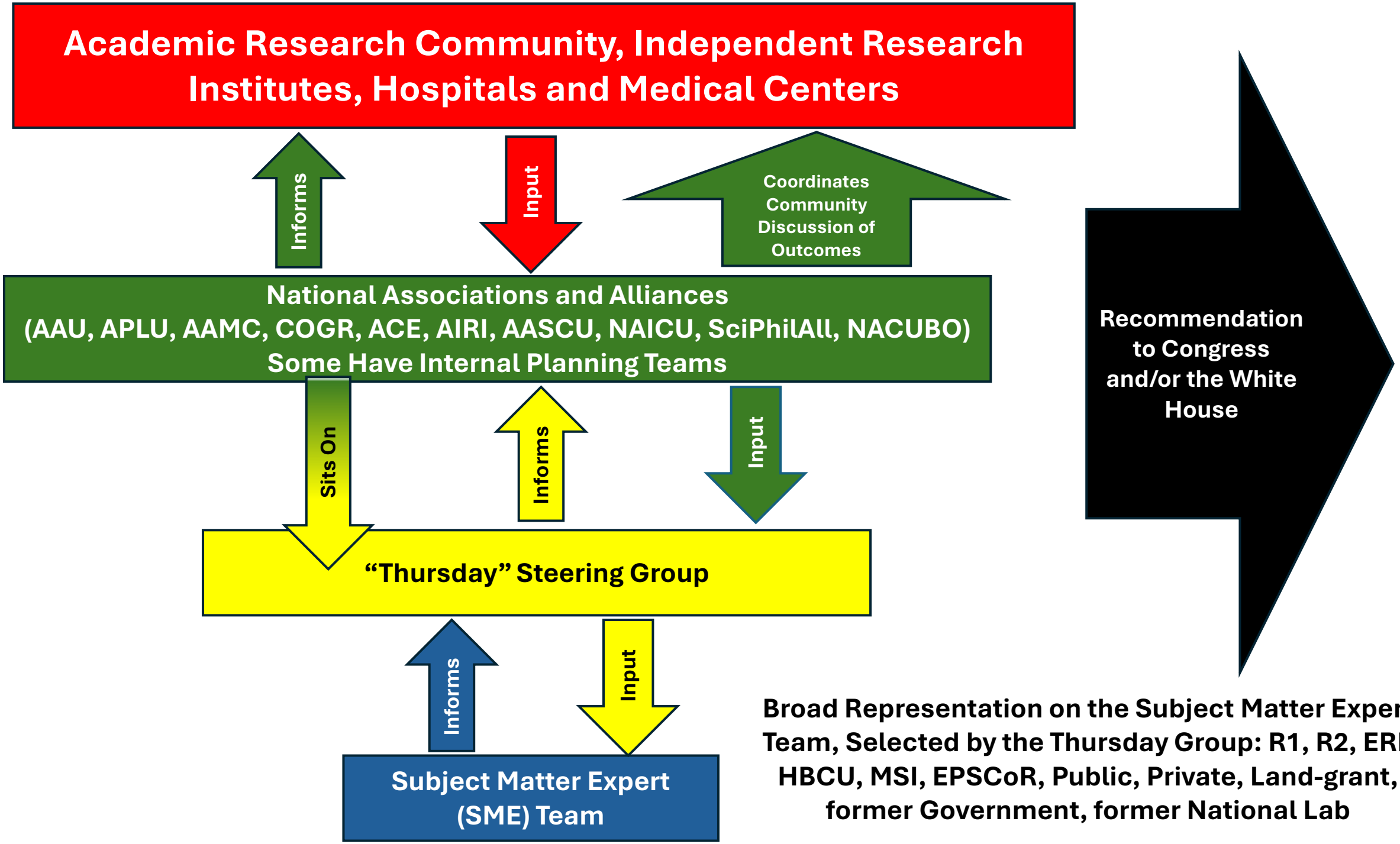
- It is **clear** from Congress and The White House that simply **explaining F&A**, as in the past, is **no longer a viable option**
- It is clear that **caps on F&A** and **major reductions** in research agency budgets and staff will **weaken America** in multiple ways (fundamental research, innovation, understanding and curing disease, economic strength, national security, and educating the next generation for all these important priorities)
- It is clear that **limitations** exist with the current F&A model and that the research community now has an **opportunity** to address them

Approach: Joint Associations Group on Indirect Costs

- The major academic professional associations have joined forces with the private sector and private research foundations to assemble a group of **Subject Matter Experts (SME)** to **develop and propose to the US Government a NEW, IMPLEMENTABLE MODEL FOR INDIRECT COSTS**
- The SME Team has **deep expertise** in all matters related to research funding and related financial management, Federal agency policy, and cost allocation
- The team is drawn from a **broad cross-section** of organizations representing America's research enterprise
- **The ultimate goal is to help ensure that America increases its global leadership in research, innovation, and education, is a model of ethical conduct and accountability to American taxpayers, and restore the USG/academic partnership**

- First: How can the United States secure its position as the unrivaled world leader in **critical and emerging technologies**
- Second: How can we revitalize America's science and technology enterprise — pursuing **truth**, reducing **administrative burdens**, and **empowering researchers** to achieve groundbreaking discoveries?
- Third: How can we ensure that scientific progress and technological innovation fuel economic growth and **better the lives of all Americans**?


National Associations and Alliances
(AAU, APLU, AAMC, COGR, ACE, AIRI, AASCU, NAICU, SciPhilAll, NACUBO)
Sits On
“Thursday” Steering Group


Academic Research Community, Independent Research Institutes, Hospitals and Medical Centers
Informs
Input
Coordinates Community Discussion of Outcomes
National Associations and Alliances
(AAU, APLU, AAMC, COGR, ACE, AIRI, AASCU, NAICU, SciPhilAll, NACUBO)
Some Have Internal Planning Teams
Sits On
Informs
Input
"Thursday" Steering Group
Informs
Input
Subject Matter Expert (SME) Team
Recommendation to Congress and/or the White House
Broad Representation on the Subject Matter Expert Team, Selected by the Thursday Group: R1, R2, ERI, HBCU, MSI, EPSCoR, Public, Private, Land-grant, former Government, former National Lab

The SME Team Charge

- To undertake a rapid and **thorough evaluation** of the current direct/indirect cost model of USG funding to academic research institutions, independent research institutions, research hospitals, and medical centers; and
- To develop a **new model** for funding indirect costs, shared with and discussed by the broad research community, **for submission to the Federal Government**

Key Characteristics of a Future Model

- **Acceptable to the research community and US Government**
- **Simple, clear, efficient, easily explained, and defended**
- **Transparent and trackable**
- **Accountable to taxpayers**
- **Based upon the actual cost of research**
- **Fair** to all organizations, accounting for unique differences
- Minimal **administrative burden**
- Maximizes the **ease of transition** from the current model
- **Eliminate uncertainty** regarding funding for research support costs
- Updated **definitions** of costing categories
- **Consistent** with laws and policies, some possibly needing to be changed
- Minimal **changes** to existing data and financial systems
- Stable and **codified** in law
- **Required** to be used by all USG organizations
- **Reinvigoration** of the USG/recipient partnership of mutual benefit and trust

The Process and Timeline: Two Sub-Teams, Two Competing Approaches

- **Team Re-Envision F&A**
- **Team Blank Sheet of Paper**
- Two separate sub-teams of the SME Team working in parallel but **communicating** with one another
- Develop **2-3 provisional models, by the end of May, for consideration by the broad community**
- End Game: **A single actionable indirect costs model** conveyed to the government, hopefully to be put into **legislation**

Communicating About SME Team Progress

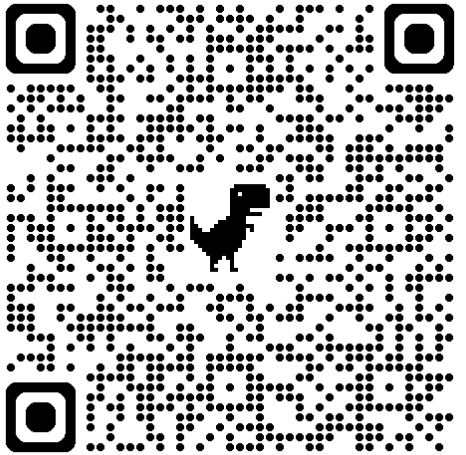
- We must be careful in **communicating details** of the SME Team's work until **provisional models** are available for consideration by the broad research community – with the goal of arriving at a **single model**
- **All community input is being considered** and everything is **on the table** in arriving at the provisional models
- Sharing of **details along the way**, including structures being considered that might ultimately be rejected, would counterproductive and possibly misleading
- When presenting the **provisional models** to the research community, the SME Team will provide **considerable detail** about how it arrived at them

Working Together as a Team

- We are firmly committed to taking a **team approach,** coordinating with
  - The national research community
  - The White House
  - DOGE
  - Congress on both sides of the aisle
    - House and Senate appropriators and authorizers
    - House and Senate committee staff
    - Individual Members
  - Other key players (e.g., in private industry)

Please Continue to be Involved!

- **Learn more** about the effort at the QR code shown here
- **Community input throughout the entire process** is very important and is being facilitated through **professional associations:** AAU, APLU, AAMC, COGR, AIRI, ACE, AASCU, NAICU, NACUBO and the Science Philanthropy Alliance.
- You can **provide input** at the QR code shown here
- **Community town hall webinars** on **May 8 and May 12**. Consult the website at the QR code for updates.
- **Provisional models** developed by the SME Team will be presented to the **broad community for input** within the **next few weeks**. **Stay tuned!**



Q&A

QUESTIONS, COMMENTS & MORE INFORMATION