Protecting Connecticut's Research Enterprise: UConn's Response to NIH Indirect Cost Cuts

On February 7, 2025, the **National Institutes of Health (NIH)** announced an immediate and drastic cut in the indirect cost (IDC) reimbursement rates for research grants at **only** institutions of higher education (IHE) and **not** corporate/industry, federal laboratories, not-for-profit, hospitals, and state entities that are not IHEs. According the NIH Grants Policy Statement, IDCs are necessary costs that cannot be directly attributed to specific research projects, but are needed to operate research as a whole and are funded by the institution with partial recovery through our negotiated federal IDC rate agreement. **The federal government created the IDC rate to ensure it pays its fair share of research costs at IHE and other funded entities.** The cut limits IDC reimbursement to 15%, compared to the on-campus rates of 61% for UConn and 66.5% for UConn Health, which have been **negotiated and approved by the federal government**.

This change poses an immediate and severe threat to the sustainability of NIH funded research at UConn and UConn Health, as well as to other IHE across Connecticut and the country, and, most critically, the nation's healthcare ecosystem. **This is a profound change in how the federal government works with IHE across the country to invest in life-saving research.**

The Federal Government and IHE Research: A Partnership to Drive Human Health and Well-Being Discovery[1] [2]

For nearly **80 years**, the **federal government has partnered with IHE** to drive scientific and technological progress. Rather than building costly, standalone research facilities, federal agencies fund research and use indirect costs to invest in universities, which already have the necessary **infrastructure, expertise, and workforce** to conduct high-impact research. The indirect rates of IHE are significantly **lower** than most corporate partners and national laboratories in research and development. This approach: (1) **Maximizes existing resources** – Universities provide specialized labs, equipment, and research support at scale. (2) **Ensures broad access to research** – Studies can be conducted across different locations, reaching more participants efficiently. (3) **Supports a skilled workforce** – Researchers collaborate across disciplines, while federal funding helps train the next generation of scientists. This model has led to **breakthroughs in medicine, technology, and national security**. Cutting NIH indirect cost support to 15% **shifts an unfair amount of expenses to universities** threatening future discoveries, impeding opportunities for training, and weakening America's research leadership. **The federal- IHE research partnership has always included a financial contribution from the IHE, but this change undermines the sharing of these costs in a dramatic way and will have significant impacts.**

The Financial Burden on Public IHE and Taxpayers

The NIH IDC cut does not eliminate these costs—it merely shifts them to IHE, and IHE like UConn will be forced to cover the shortfall as best they can through the following:

- **State appropriations** (increasing taxpayer burden)
- **Tuition revenue** (potentially raising student costs)
- **Endowment funds** (which are already allocated to scholarships and other institutional priorities)
- **Potential cuts of vital parts of the university mission, including conducting research**
- **Drastically reducing institutional cost-shares that IHE contributes to federal research**

These cuts will **reduce the ability of UConn and other IHE-based researchers to compete for NIH grants**, leading to job losses and a decline in federally funded research activity, and fewer opportunities to advance scientific discovery, with these impacts beginning immediately and compounding over time.

The Consequences: A Threat to Medical Innovation and Economic Growth

If these cuts remain in place, they will immediately **threaten the United States' dominant position in health research. Moreover, there will be a profound impact on Connecticut's economy, including:**

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[1] Analysis on Indirect Costs (Emeritus Prof. Disk Aslin, Yale, UConn)

[2] Federally Sponsored Research: How Indirect Costs are Charged. Office of Inspector General. National Science Foundation.

- **Delays in Medical Breakthroughs** – Research on **cancer, Alzheimer's, cardiovascular disease, and rare genetic disorders among many other diseases and conditions** at UConn will be slowed or halted.
- **Job Losses in Connecticut** – Research grants sustain **thousands of jobs** from faculty and scientists, lab technicians, research assistants, and administrative staff.
- **Reduced Positive Economic Impact on communities across the state of Connecticut**[3]
- **Loss of Competitive Edge** – Countries like **China, Germany, and South Korea** are rapidly increasing research investments. U.S. IHE will be at a competitive disadvantage.
- **Fewer Opportunities for Connecticut's Students and Scientists** – Young researchers and students rely on NIH-funded projects to gain hands-on experience. Without funding, **the next generation of Connecticut's biomedical workforce for healthcare professions, industry, and research will be at a disadvantage**.

The Impact on Connecticut's Economy and Public Health

NIH funding is a **critical driver of scientific discovery and innovation and an important segment of Connecticut's economy**. In **FY 2023**, NIH awarded **$770 million** in grant expenditures to Connecticut institutions, supporting **6,609 jobs** and generating **$1.68 billion in economic activity** (United for Medical Research). These funds have led to breakthroughs in **cancer treatment, personalized medicine, Alzheimer's research, autism interventions, infectious disease prevention, and more**. NIH currently supports more than **$130 million** in annual research expenditures at UConn and UConn Health.[4] Under the new **15% IDC cap**[5], UConn and UCH stand to lose collectively at least **$35 million per year (a 64% cut in IDC reimbursements)**. **Without this support, UConn's ability to sustain high-impact medical and scientific research will be significantly reduced and weakened.**

What Are Indirect Costs, and Why Do They Matter?

Indirect costs are essential to conducting research. **The Council of Governmental Relations states, "the federal government's longstanding recognition and payment of its share of these costs has helped U.S. colleges and universities build and support the required research infrastructure that has made the American research enterprise the best in the world. When the government awards a grant to a university for a research project, a portion (typically 67-75 percent) of the budget is available directly to the research team. This "direct costs" portion supports researcher salaries, graduate students, equipment, and supplies. Another portion (typically 25-33 percent), referred to as "indirect costs", covers necessary research infrastructure and operating expenses that the university provides to support the research [sic]"**.

At UConn and UConn Health IDC recoveries support such activities as:

- **State of the art laboratory space:** including specialized facilities such as biosafety labs, clean rooms, and MRI suites, and high-performance computing (HPC) centers.
- **Acquisition, operation, and maintenance of some research equipment:** such as mass spectrometers, X-ray diffractometers, MRI and NMR scanners, and ultracentrifuges. This equipment is sophisticated and expensive and essential for research resulting in new treatments and diagnostic capabilities for disease and other conditions negatively impacting quality of life.
- **Compliance and research oversight:** including Institutional Review Boards providing clinical trial human subject protections, cybersecurity, grant management, and reporting).[6]
- **Radiation safety and hazardous waste removal** associated with regulated research activities

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[3] The economic impact of UConn's federal research grants on CT residents and the local economies can be visualized with Grant Trails tool.

[4] FY25 projected NIH expenditures= $130 million with $55 million in indirect costs (effective IDC rate=42%). With a 15% indirect cost rate, these indirect costs would be reduced to $20 million (difference of $35 million).

[5] The effective indirect cost rate on UConn / UCH's NIH portfolio is about 43%. The current negotiated rate at UConn is 61% and 66.5% at UConn Health. Negotiated rates are not applicable on all grants and are not applicable to all costs on grants at these rates. For instance, training grants are awarded at 8%, and capital equipment and subawards more than $25K are exempt.

[6] The number of regulations and policies required for federal research has increased by 181% in the past 10 years.*(Council on Governmental Relations, 2024)*

- **Shared research facilities,** such as UConn's **Brain Imaging Research Center**, which secures millions in grant funding for studies on **neuroscience, autism, aging, and mental health**, and UCH's **Clinical Research Center**, which provides vital infrastructure for investigators conducting clinical trials to identify effective treatments for leading causes of death and disability, including **cancer, cardiometabolic diseases, Alzheimer's disease, inflammation, and substance use**.
- **IT infrastructure, utilities, and security** that provide fundamental services that allow modern research to function safely and efficiently.

The IDC reimbursement rate is negotiated between each IHE and federal government and is based on actual costs of the IHE. These rates are subject to audit by the federal government. The IDC reimbursement rates differ by institution based on the ratio of direct costs of the research (DC) to indirect costs. The rates are impacted by geographical variability in costs, including cost-of-living, property and energy costs. The proportion of the indirect cost rate that reimburses the administrative costs of support research at the IHE was **capped to 26% in 1991. This administrative cap alone is higher than the new NIH 15% IDC rate.** IHE administrative costs component of the negotiated IDC reimbursement rate exceeds 26% due to the significant and continuously growing regulatory costs to conduct research.

Contrary to common misconceptions, indirect costs are not a profit. They are reimbursement of actual costs.

Examples of NIH-Funded Initiatives at UConn and UConn Health Jeopardized by new NIH Policy

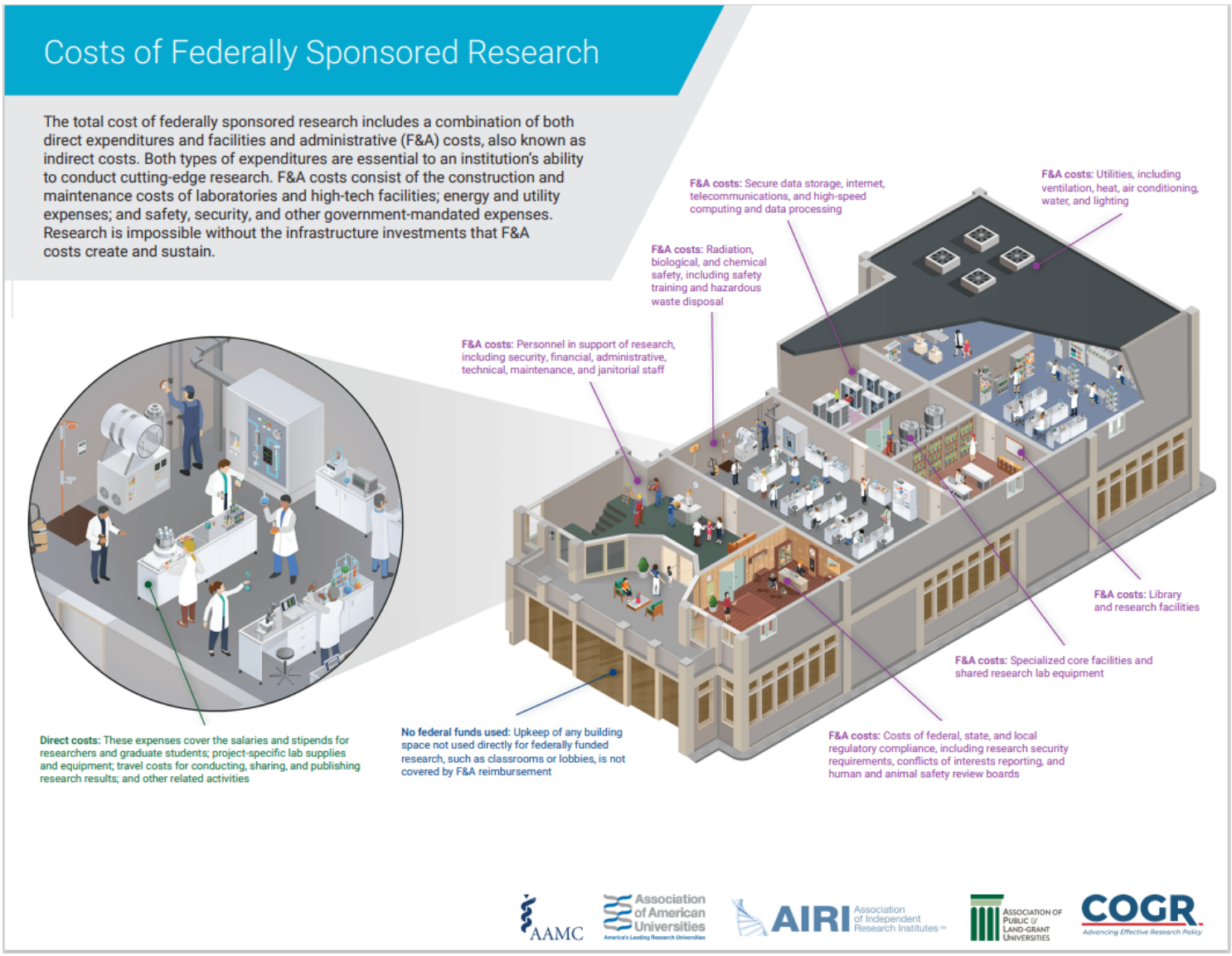
- Improving physical and cognitive function in aging
- Nuclear magnetic resonance (NMR) technology for the diagnosis of a variety of diseases, including cardiovascular disease, cancer, chronic kidney disease
- Improving outcomes in people with autism
- Understanding neural mechanisms for language and reading, including in dyslexia
- Understanding language acquisition in deaf children
- Home-based interventions to improve reading
- Prevention and care for HIV
- Suicide risk identification
- Understanding impact of stress during pregnancy
- Mind-body interventions to improve emotional well-being
- Treatments for leading causes of death and disability in the US, including cancer, obesity, Alzheimer's disease, substance use
- Treatments for conditions impacting quality of life, such as chronic low back pain, bone and muscle injuries, and temporomandibular ("jaw") disorders
- Treatments for rare diseases and genetic disorders with significant impact on health, including sickle cell disease, mitochondrial disorders, Rett syndrome, and Prader-Willi syndrome
- Prevention of emerging tickborne diseases
- Muscle and bone regeneration

Protect Connecticut's Research Future

The longstanding partnership between the federal government and IHE has fueled **scientific breakthroughs, economic growth, and improved public health** for decades. NIH grants **are not handouts — they are investments**. Every dollar of NIH funding **generates $2.46 in economic activity**, and every **$100 million of funding produces 76 patents**, driving future innovation and industry growth (HCR, 2025).

For further information, see:

- Council on Governmental Relations: The Costs of Federal Research
- Analysis on Indirect Costs (Emeritus Prof. Disk Aslin, Yale, UConn)
- NIH Policy Announcement



https://www.cogr.edu/sites/default/files/Costs_of_Federal_Research_Infographic_Update_Final.pdf