Federal Funds Fuel Innovation and Save Lives

Why the Federal Government Funds Research

Federal funding of university research leads to cures and transformative technologies that save lives, improve health, create new jobs, protect national security and have made the U.S. the world's leader in innovation. Here is a sampling of medical advances that are supported with federal funds:

- Clinical trials of breast cancer vaccines
- Gene therapy for muscular dystrophy
- Antibody study of viruses to prevent future pandemics
- New immunotherapies and radiation therapies to fight lung cancer

Federal funding of research also led to many innovations we use in our everyday lives, like the internet, smartphones and GPS technology.

Universities follow a meticulous process to secure and report on merit-based federal grants that advance projects aligned with the U.S.'s priorities as defined by congressional allocations.

And universities are a good investment: They are known to have lower overhead rates for conducting research and development than the private sector. In 2023, research funded by the National Institutes of Health generated $2.46 in economic activity for every $1 of funding.

What Are "Indirect Costs"?

Federal grants help cover both direct and indirect research costs.

Direct research costs support activities that are the most visible activities of the project, such as project-specific laboratory supplies, equipment and maintenance, lab usage fees, researchers' salaries, graduate students' stipends, publication costs and conference and field research travel. In general, 70% of a grant is spent on direct research costs.

IDC funds literally keep the lights on.

Indirect costs (IDCs) are also called Facilities and Administration (F&A) costs. IDC funds literally keep the lights on. They pay for the lights, the heat and the electricity. They pay for the facilities, the shared research instruments, IT, security and more. Unlike direct



costs (such as researcher salaries and specific lab supplies), IDCs cannot be easily assigned to a single project but are essential.

IDCs also enable compliance with federal regulations, such as biosafety protocols. In fiscal year 2024, the University of Washington managed compliance for over 8,100 awards.

How Are Indirect Costs Calculated?

The federal government negotiates IDCs for an entire institution, not each grant. The federal rules on rate calculations were implemented to streamline the federal granting process.

For example, a single lab may be supported by several concurrent grants — from the National Institutes of Health, Centers for Disease Control and Prevention, and National Science Foundation — and it would be inefficient to both the university and the government to determine and then correctly attribute the cost of facilities repair and maintenance, internet, etc. to each grant. The process to calculate IDCs was created to make it easier and less costly for the federal government and universities to calculate and attribute these real costs.

By law, IDCs are negotiated between university and federal agencies on a regular basis. The rate is an average based on real costs incurred by the university to conduct research in previous years. Typically, 14% of a grant covers administrative costs and 16% covers facilities costs. Routinely, the negotiated IDCs are less than the actual overhead costs due. Universities are the only entities — private, public or nonprofit — with a cap on cost recovery.

Why Can't Foundations Cover the Cost?

Comparing federal IDCs to what foundations pay for IDCs is comparing apples to oranges. Foundations categorize and pay grant-related expenses differently than the federal government, and the IDC funding foundations provide is often lower. Foundations use their funds to increase the productivity of research infrastructure already funded by the government. Also, the infrastructure for reporting and compliance covered by the administrative part of IDCs is driven by federal regulations.

Reducing IDC funds would lead to a brain drain that would threaten the U.S.'s position as a world leader in science and innovation and ultimately impact the patients for whom the advances are being developed.

What Would Happen Without Indirect Costs?

Without IDC funds, research at UW would not be possible.

If IDC rates are reduced to 15%, the UW School of Medicine could lose about $90 million in funding per year. Clinical trials on a long list of diseases — including Alzheimer's and childhood cancers — would need to be scaled back, many abandoned completely. Labs would close. Scientists and staff who have dedicated their life's work to solving medicine's most difficult problems would lose their jobs. Students and trainees, the future generation of scientists, would be left with few opportunities. This would result in a brain drain and a weaker scientific development pipeline that would threaten the U.S.'s position as a world leader in science and innovation and, ultimately, impact the patients for whom the advances are being developed.

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