

UNIVERSITY OF NEBRASKA

FREQUENTLY ASKED QUESTIONS

NIH F&A REIMBURSEMENT COST CUT

2/17/2025

Q: What is happening with NIH funding?

A: The National Institutes of Health (NIH) announced a new policy capping Facilities & Administrative (F&A) cost reimbursements at 15% for all NIH grants, effective February 10, 2025. This replaces the individually negotiated rates for universities, which at the University of Nebraska average 50%. This NIH cap is currently on hold due to a court challenge, with a decision expected in the coming weeks.

Q: Isn't this about cutting waste?

A: No. The F&A reimbursement does not represent “extra” or unnecessary spending—it covers the essential costs of running federally funded research programs, including:

- Maintaining research facilities and labs
- Utilities, security, and research compliance
- Administrative support for managing complex federal grants

This is not a cost savings; it is a cost shift—moving financial responsibility from the federal government to states, universities, and ultimately students.

Q: Will this make the University of Nebraska become more efficient?

A: No. Historically, the federal government reimbursed NU for a fair share of the costs required to conduct this research—costs that are audited and negotiated. The current average negotiated rate for NU is approximately 50%, reflecting the real costs associated with conducting research. This process ensures that every dollar is accounted for, and universities cannot charge more than what is justified and approved by federal auditors.

The policy does not reduce the actual cost of research—it simply shifts the financial burden from the federal government to Nebraska institutions and taxpayers. The University will still need to pay for lab space, research infrastructure, and security, but with millions less in federal funding.

What does this mean for Nebraska?

A: This is a direct \$27 million annual funding loss for the University of Nebraska, which currently relies on NIH grants to cover a significant portion of research infrastructure costs. The state is now expected to absorb these costs or face reductions in research programs that drive medical breakthroughs, support rural healthcare, and fuel Nebraska’s economy.

Q: What is the overall situation and outcomes policymakers must be aware of?

A: While this change originates from a federal agency, its effects will be deeply felt in Nebraska. The University of Nebraska relies on federal research funding to support medical innovation, economic development, and workforce training. NIH's F&A cap will not only impact ongoing research but will also force Nebraska to find alternative funding sources or scale back critical programs. These challenges are further compounded by proposed state-level cuts to biomedical research, placing Nebraska's research institutions in a particularly vulnerable position.

- **A double hit to Nebraska research:** This reduction in NIH support is compounded by the Governor's proposed cut of \$11 million in state biomedical research funding. With both federal and state reductions, Nebraska's research ecosystem faces a financial strain that could slow innovation and medical advancements. Nebraska's research institutions are being squeezed from both federal and state levels at the same time.
- **Threat to Nebraska's economy:** Research is not just about innovation—it is also about jobs. NIH funding supports thousands of high-paying jobs in the state, including researchers, lab technicians, and medical professionals. A reduction in federal research funding will directly translate to fewer job opportunities in Nebraska, weakening the state's economy and limiting growth in critical scientific fields in the state, including researchers, lab technicians, and medical professionals.
- **Impact on rural healthcare:** Rural communities stand to suffer the most. Many NIH-funded projects focus on healthcare access and medical research tailored to rural populations, ensuring that Nebraskans outside major urban centers receive quality care. A cut in research funding could hinder the development of innovative healthcare solutions that improve treatment access and public health outcomes.
- **Loss of competitiveness:** Without strong research funding, Nebraska risks losing its competitive edge. Research universities compete nationally for top-tier faculty, researchers, and medical professionals. If Nebraska's funding structure becomes less reliable, these experts may leave the state, taking their expertise and research grants with them. This would weaken the university's ability to attract the best minds and train future professionals in cutting-edge fields.

Q: What other federal funding cuts are affecting the University of Nebraska?

A: Beyond the NIH cap, additional federal budget cuts are impacting multiple agencies that partner with the University of Nebraska, including the USDA, CDC, and the Department of Education. These cuts affect research funding, student financial aid, agricultural programs, and university-industry partnerships.

For example, recent reductions in USDA funding threaten NU's ability to support rural agriculture research and food security initiatives that directly benefit Nebraska's farmers and ranchers. Similarly, reductions in federal student aid programs could make it harder for Nebraska students to afford higher education, increasing student debt burdens and limiting workforce development.