

## Viewpoints

# Fed. Court Blocks Second Attempt to Cap Indirect Research Costs at 15%



On May 15, 2025, U.S. District Court Judge Allison Burroughs **issued a preliminary injunction** halting the Department of Energy's (DOE) implementation of a policy capping indirect cost reimbursements at 15% for higher education institutions receiving federal research grants. The court found that the plaintiffs, comprised of several universities and higher education associations, are likely to succeed in demonstrating that the DOE's policy is "arbitrary and capricious."

In April 2025, the DOE announced a unilateral policy imposing a 15% cap on indirect cost reimbursements, significantly lower than the negotiated rates for many projects, which often exceed 50% at major research institutions. The policy also threatened to terminate existing grants that did not conform to the new cap.

In her order pausing this cap, Judge Burroughs emphasized the critical role of DOE in supporting research activities:



**“[A]t any given time, many individual research universities are likely depending on DOE grants to support independent research projects across multiple departments and research centers... This DOE-funded research at universities has made the United States a world leader in science, resulting in innumerable scientific breakthroughs, all to the benefit of the United States and the rest of the world, as evidenced by the fact that dozens of DOE-supported scientists have earned Nobel Prizes for their groundbreaking work.**

She further noted the importance of research occurring across the country’s higher education institutions:

**“It is beyond dispute that the advancements these universities make can and often do benefit the public in critically important ways, and any setback to that progress is to the detriment of the country as a whole.”**

Judge Burroughs further noted that the DOE’s policy change was implemented without proper notice, without adequate justification or stakeholder engagement, or consideration of the potential impacts.

The court’s injunction provides temporary relief for institutions facing potential financial shortfalls due to the proposed cap.

This is the second attempt to cap these indirect costs, and second time struck down. The National Institutes of Health (NIH) proposed a near-identical 15% cap on indirect costs earlier this year, which was also **blocked in federal court** due to similar legal deficiencies. The National Science Foundation (NSF) has also announced a 15% cap but has since paused its implementation pending legal review.

The Department of Defense (DoD) has recently **declared its intention** to enforce a 15% cap that may potentially affect ongoing and future research collaborations, and which will likely be challenged in court.

The federal court’s decision underscores the necessity for universities to closely follow the policy changes of these federal agencies. While the injunction offers temporary reprieve, institutions must remain vigilant and proactive in navigating this shifting federal environment to sustain their research missions.

**The department, which awards about \$2.5 billion annually to over 300 colleges, estimated the cuts would halt \$405 million in indirect cost funding annually.**

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