Maximus

Indirect Cost Rates - Changes in Challenges in 2025 and 2026

Presentation for National Sponsored Programs Administrators Alliance (NSPAA)

Wednesday June 03, 2026

maximus

Research administration consulting services and solutions

- Indirect Cost Rate proposals
- Space surveys
- Grants management
- Asset management

CRIS WebSPACE ERS

Maximus Higher Education Practice

Consulting services

- Indirect Cost Rate proposal assistance, Space Survey, Negotiations
- Reviews of service/recharge centers
- Sponsored Programs
  - Pre- and Post-Award Staffing Support
  - Organizational Reviews
  - Policy/Procedure Compliance
- Asset Management Services

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Years of Experience

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Colleges and universities served

(over 30 HBCU’s)

Agenda

Atty Scott Sheffler, Federal Grants & Contract, Partner, Venable LLP

1. Proposed Uniform Guidance Updates of May 29, 2026
2. Indirect Rate Caps Summary
3. Litigation
4. Congressional Action

Mak Karim, Maximus Senior Consultant, Former National Director of HHS-CAS

1. CAS Updates and Insights

- **Q&A**

May 29, 2026 Uniform Guidance Proposed Updates

Uniform Guidance Proposed Updates- Preliminary Review

The below list of proposed changes to the Uniform Guidance are not all-inclusive. Rather, these items are selected as representative of the overall nature of changes contained in the proposed rule issued this past Friday, May 29, 2026.

Nature and Scope:

- Proposed rule, with a 45-day comment period.
- Converts the "Uniform Guidance" implemented separately by individual funding agencies into a "Uniform Grants Regulation." Agencies may still modify via limited supplementary regulations.
- *Does not* address indirect cost rates, despite expectations that it would.

Oversight Generally:

- Calls for mandatory disclosures under 2 CFR § 200.113 to be automatically reported by each Inspector General to DOJ.
- Creates a new requirement to disclose, in a grant applications, when a grantee employs someone who worked in the funding agency within the last two years who either assisted with the application or will participate in the grant-funded activities. Proposed § 200.112 update.

Uniform Guidance Proposed Updates- Preliminary Review

Administration of Grants:

- Encourages multi-year awards with single, multi-year budget periods.
- Eliminates fixed amount awards and subawards, unless specifically authorized by statute.
- Emphasis in multiple places on reporting all subrecipients via SAM.gov (formerly FSRS requirement).
- Discourages cost-reimbursement contracts under grants.
- Modifies cost principles within Subpart E to, among other things, further narrow allowable lobbying or election activity-related costs, further restrict public relations costs, and generally prohibit subscription costs and organization membership costs.
- Proposes consideration, in § 200.206 risk review, of: (a) any “history of questionable practices” (such as plagiarism, discredited studies, unlawful discrimination, or activities inconsistent with religious liberty laws), (b) “membership in or affiliation with organizations engaged in activities that violate Federal law, undermine public safety or national security, or advocate for the overthrow of the [U.S.] Government,” and (c) compliance with Higher Education Act disclosure requirements regarding foreign gifts. Proposed revisions to § 200.206.

Uniform Guidance Proposed Updates- Preliminary Review

Administration of Grants (continued):

- Limits foreign "prime" recipients for research and development awards, subject to statutory direction or agency exceptions (no limitations regarding foreign subrecipients or contractors). Proposed new § 200.202(e).
- Prohibits "bilateral or multilateral collaboration[s], agreement[s], program[s], or activit[ies] with a covered foreign country or covered foreign entity" unless an exception is granted by one's funding agency. "Covered countries" are broadly defined, and "covered entities" are: (a) those "owned or controlled by, or acting on behalf of, a covered foreign country," (b) "entit[ies] of particular concern" based on certain federal designations, or (c) "entit[ies] affiliated with the military, intelligence, or security services of a covered foreign country." Proposed new § 200.220.

Uniform Guidance Proposed Updates- Preliminary Review

Grant Termination and Suspension:

- Provides greater authority to terminate discretionary grant awards (as compared to awards directed by statute, such as formula awards) that no longer effectuate agency priorities, as measured at the time the decision to terminate is made (termed “discretionary terminations”). Proposed revisions to § 200.340.
- Provides for agency authority to direct termination of subrecipients who pose reputational risk to the federal agency. Proposed revisions to § 200.331.
- Clarifies that no administrative appeals are required for “discretionary” terminations. Proposed revisions to § 200.341.
- Provides for what seems to be “no cause” suspension of award activities for up to 90 days. Proposed revisions to § 200.340.

Uniform Guidance Proposed Updates- Preliminary Review

Public Policy

- Creates new "pre-issuance review" component of § 200.205, which includes review for consistency of proposal with "applicable law, Federal agency priorities, and the national interest." As part of analysis: (a) "[d]iscretionary awards must, where applicable, demonstrably advance the President's policy priorities," and (b) discretionary awards cannot fund, promote or facilitate: (i) racial preferences, (ii) "gender ideology," (iii) illegal immigration, or (iv) "initiatives that compromise public safety or promote anti-American values." Proposed revisions to § 200.205.
- Prohibits use of federal funds for: (a) DEI practices that violate federal anti-discrimination law, (b) promotion of "gender ideology," (c) gender transition services for individuals who are 19 years of age or younger. Proposed revisions to § 200.300.
- Prohibits public entities from restricting event service support based on viewpoint of speaker. For private entities, would prevent use of federal funds for such purposes. Proposed new § 200.219.
- Prohibits use of federal funds to implement measures driven by, or further implementing, disparate impact liability considerations/frameworks. Proposed new § 200.218.
- Removes from § 200.300 language interpreting applicability of to *Bostock v. Clayton County*, 140 S. Ct. 1731 (2020).

Rate Caps Summary

Various Rate Caps in 2025

Agency (Issuance Date)	Targeted Grantees (Asserted applicability date)	Nature of Cap	Link to Rate Cap Policy
National Institutes of Health (NIH) (Feb 7, 2025)	All grantees (Immediate effect on all awards for Institutions of Higher Education; Applied only to new awards for all others)	"[S]tandard indirect rate of 15% across all NIH grants for indirect costs in lieu of a separately negotiated rate for indirect costs in every grant"	https://grants.nih.gov/grants/guide/notice-files/NOT-OD-25-068.html
National Science Foundation (NSF) (May 5, 2025)	Institutions of Higher Education (Applied only to new awards made to Institutions of Higher Education)	Rate capped at 15% over MTDC Note: Pending outcome of litigation, new awards contain a term stating that, if NSF prevails in the litigation, NSF will impose the cap. As noted below, however, NSF has lost and withdrawn appeal.	https://www.nsf.gov/policies/document/indirect-cost-rate?_ga=2.120720577.896795908.1757032900-1270759832.1757032900
Department of Defense (DoD) (Jun 12, 2025)	Institutions of Higher Education (Applied to new awards; For existing awards, DoD to renegotiate to rate cap by Nov 10, 2025, or terminate award)	Rate capped at 15%. No base specified, but negotiation procedures of 2 C.F.R. Part 200, Appendix III referenced, implying MTDC.	https://www.cogr.edu/sites/default/files/DoD%20Implementation%20of%20SECDEF%20Indirect%20Cost%20Cap%20Memo%20-%202025-06-12.pdf?_ga=2.247253837.896795908.1757032900-1270759832.1757032900

Various Rate Caps in 2025

Agency (Issuance Date)	Targeted Grantees (Asserted applicability date)	Nature of Cap	Link to Rate Cap Policy
Department of Energy (DOE 1) (Apr 11, 2025)	Institutions of Higher Education (Applied only to new awards executed on or after May 8, 2025) (PF 2025-22)	"[S]tandardized 15 percent indirect cost rate for all grant awards to IHEs" Immediately effective in that PF asserts DOE will terminate all inconsistent awards	https://www.energy.gov/management/pf-2025-22-adjusting-department-energy-grant-policy-institutions-higher-education-ihe
Department of Energy (DOE 2) (May 8, 2025)	State/Local, Nonprofit, and For-profit grantees (different rates) (Applied only to new awards executed on or after May 8, 2025) (PF 2025-25 for State/Local; PF 2025-26 for Nonprofits; PF 2025-27 for For-Profits)	Indirect costs + fringe benefit costs capped as percentage of total award amount, including federal and mandatory cost share amounts, as follows: • 15% of total award for Nonprofit and For-Profit grantees • 10% of total award for State and Local Government grantees	https://www.energy.gov/sites/default/files/2025-11/FAL25-05%20%20Indirect%20Cost%20and%20Fringe%20Benefit%20Reimbursement%20Limitations%206-30%20%28revised%29.pdf (Also see Policy Flashes referenced in FAL)

Rate Cap Litigation

Litigation

Cap	Case	Status (Current as of March 20, 2026)
NIH	Commonwealth of Massachusetts, et al v. National Institutes of Health, et al, Docket No. 25-1343 (1st Cir., filed Apr 09, 2025)	D. Mass. permanently enjoined implementation nationwide. First Circuit affirmed D. Mass decision on January 5, 2026, preventing application of NIH rate cap.
NSF	Association of American Universities, et al v. National Science Foundation, et al, Docket No. 25-1794 (1st Cir., filed Aug 15, 2025)	D. Mass. vacated policy. Government appealed to First Circuit. Appellant (government) moved to dismiss appeal on September 26, granted by First Circuit on September 30.
DOD	Association of American Universities, et al v. Department of Defense, et al, Docket No. 25-2184 (1st Cir., filed Dec. 16, 2025)	D. Mass. vacated policy through final judgement on October 10. DoD initially appealed to the First Circuit, but on February 10, 2026, moved to dismiss the appeal. The First Circuit dismissed the case on February 18.

Litigation

Cap	Case	Status (Current as of March 20, 2026)
DOE 1 (IHE)	Association of American Universities, et al v. Department of Energy, et al, Docket No. 25-1727 (1st Cir., filed Jul 31, 2025)	D. Mass. vacated policy flash and enjoined application. DOE initially appealed to the First Circuit and filed its brief on September 24. Proceedings suspended during government shutdown. Appellees filed their response briefs on December 22. On March 11, DOE moved to dismiss the appeal, and the First Circuit dismissed on March 16.
DOE 2 (State/ Local)	State of New York, et al v. Department of Energy, et al, Docket No. 26-214 (9th Cir., filed Jan 12)	D. Or. vacated Policy Flash 2025-25 (State/Local Government Cap). Government appealed to the Ninth Circuit on January 12, 2026. On April 2, the Government moved to dismiss its appeal.

Congressional Action

National Defense Authorization Act (NDAA) 2026
Pub. L. 119-60 (Dec. 18, 2025)

SEC. 230. PROHIBITION ON MODIFICATION OF INDIRECT COST RATES FOR INSTITUTIONS OF HIGHER EDUCATION AND NON-PROFIT ORGANIZATIONS.

(a) PROHIBITION.—The Secretary of Defense may not change or modify indirect cost rates (otherwise known as facilities and administration cost rates) for Department of Defense grants and contracts awarded to institutions of higher education and nonprofit organizations (as those terms are defined in part 200 of title 2, Code of Federal Regulations) until the Secretary makes the certification described under subsection (b).

National Defense Authorization Act (NDAA) 2026
Pub. L. 119-60 (Dec. 18, 2025)

(b) CERTIFICATION.—A certification under this subsection is a certification to the congressional defense committees that the Department of Defense—

(1) working with the extramural research community, including representatives from universities, university associations, independent research institutes, and private foundations, has developed an alternative indirect cost model that has—

(A) reduced the indirect cost rate for all applicable institutions of higher education and nonprofit organizations (compared to indirect rates for fiscal year 2025); and

(B) optimized payment of legitimate and essential indirect costs involved in conducting Department of Defense research to ensure transparency and efficiency for Department of Defense-funded grants and contracts; and

(2) established an implementation plan with adequate transition time to change budgeting and accounting processes for affected institutions of higher education and nonprofit organizations.

FAIR Model – Joint Associations Group (JAG)

Goals

- “Establish an efficient, transparent and auditable payment structure that fully demonstrates accountability to the American taxpayer;
- “Fund the true costs of research including government-mandated research compliance requirements;
- “Accommodate all types of non-government organizations that receive federal funding for research;
- “Align project costs with the type of work being performed; and
- “Ensure predictable and actual reimbursement for essential institutional costs incurred in the conduct of federally sponsored research.”

Association of American Universities (AAU) website:

https://www.aau.edu/key-issues/financial-accountability-research-fair-model

JAG FAIR Model – Concept and Diagram

Fundamental concept: Converts certain prior indirect costs to costs allocated via joint direct cost pools.

Research Performance Costs (RPC):

- Project-specific research costs
- *Currently direct costs*

General Research Operations (GRO):

- Institution-wide infrastructure and services, such as HR, Finance, Procurement.
- *Currently generally indirect costs*
- *Allocation bases?*

Essential Research Performance Support (ERPC):

- Regulatory compliance
- Award Monitoring, Oversight and Reporting (AMOR)—project specific monitoring and oversight
- Research Information Service (RIS) (e.g., database access)
- Essential Research Performance Facilities (ERPF)
- *Currently often indirect costs*
- *Allocation bases?*

"Accounting Options:"

- Expanded Option: All RPC and ERPC show at actual (directly allocated share)
- Base Option: RIS and ERPF calculated simply at 10 percent of total project budget
- Both Options: Recover GRO at 15 percent of total budget

Appropriations Rider (January)

Commerce, Justice, Science; Energy and Water Development; and Interior and Environment Appropriations Act, 2026, Pub. L. 119-74 (Jan. 23, 2026)

- Appropriations for:
  - Department of Commerce
  - Department of Justice
  - National Aeronautics and Space Administration (NASA)
  - National Science Foundation
  - U.S. Army Corps of Engineers civil works projects
  - Department of Energy
  - Department of the Interior
  - Environmental Protection Agency
  - U.S. Forest Service
  - Indian Health Service
  - Several related and independent agencies
- Indirect Rate language included for those above highlighted in red text.

Commerce, NAS, NSF

SEC. 542. In making Federal financial assistance, the Department of Commerce, the National Aeronautics and Space Administration, and the National Science Foundation shall continue to apply the negotiated indirect cost rates in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as such negotiated indirect cost rates were applied in fiscal year 2024: *Provided*, That none of the funds appropriated in this or prior Commerce, Justice, Science, and Related Agencies Appropriations Acts, or otherwise made available to the Department of Commerce, the National Aeronautics and Space Administration, and the National Science Foundation may be used to develop, modify, or implement changes to such fiscal year 2024 negotiated indirect cost rates.

Energy

SEC. 313. In making Federal financial assistance, the Department of Energy shall continue to apply the indirect cost rates, including negotiated indirect cost rates, as described in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as was applied in fiscal year 2024: *Provided*, That none of the funds appropriated in this or prior Acts or otherwise made available to the Department of Energy may be used to develop, modify, or implement changes to such negotiated indirect cost rates.

Appropriations Rider (February)

Consolidated Appropriations Act, Public Law 119-75 (Feb. 3, 2026)

- Appropriations for:
  - Department of Defense
  - Department of Labor
  - Department of Health and Human Services (including NIH)
  - Department of Education
  - Department of Transportation
  - Department of Housing and Urban Development, and related agencies.
- Indirect Rate language included for those above highlighted in red text.

Dept of Defense

SEC. 8146. In making Federal financial assistance, the Department of Defense shall continue to apply the negotiated indirect cost rates in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as such negotiated indirect cost rates were applied in fiscal year 2024: *Provided*, That none of the funds appropriated in this or prior Department of Defense Appropriations Acts, or otherwise made available to the Department of Defense may be used to develop, modify, or implement changes to such fiscal year 2024 negotiated indirect cost rates.

NIH

SEC. 224. In making Federal financial assistance, the provisions relating to indirect costs in part 75 of title 45, Code of Federal Regulations, including with respect to the approval of deviations from negotiated rates, shall continue to apply to the National Institutes of Health to the same extent and in the same manner as such provisions were applied in the third quarter of fiscal year 2017. None of the funds appropriated in this or prior Acts or otherwise made available to the Department of Health and Human Services or to any department or agency may be used to develop or implement a modified approach to such provisions, or to intentionally or substantially expand the fiscal effect of the approval of such deviations from negotiated rates beyond the proportional effect of such approvals in such quarter.

Summary

Cap	Act Impacting Rate Cap Authority
NIH	Pub. L. 119-75 (Feb. 3, 2026)
NSF	Pub. L. 119-74 (Jan. 23, 2026)
DOD	Pub. L. 119-75 (Feb. 3, 2026)
DOE 1 (IHE)	Pub. L. 119-74 (Jan. 23, 2026)
DOE 2 (State/Local, non-IHE non-profit/For-profit)	Pub. L. 119-74 (Jan. 23, 2026)
NASA (if attempted)	Pub. L. 119-74 (Jan. 23, 2026)

HHS-CAS Updates and Insights

DOGE Action

On April 1, 2025, Per DOGE directive, the Department of Health and Human Services Program Support Center, officially closed two of the four Cost Allocation Services (CAS) field offices that negotiate and issue Rate Agreements for grantees receiving federal grants and contracts. The two offices closed were Northeastern (New York) and Western (San Francisco) Field Offices. The Mid-Atlantic (Rockville - HQ) and Central States (Dallas) Field offices remain open and will continue negotiating rate proposals and issue Rate Agreements.

Current CAS Org Leadership Structure - 2026

CAS Rockville Office - HQ

Dallas Field Office

Acting Director

Lola Oluborode

olulola.oluborode@psc.hhs.gov,
opens in a new window
(301) 492-4065

Lucy Siow
C/U & NP Branch Chief

lucy.siow@psc.hhs.gov
window
(301) 492-4891

CAS Contact Information & Inquiries

Indirect Cost Rate Proposal Submissions

All proposals must be submitted through the Indirect Cost Allocation System (ICAS).
ICAS Portal: http://portal.icas.hhs.gov

General Inquiries (Administrative, Billing, and Other)

Email: cas_admin@psc.hhs.gov

Indirect Cost Rate Proposal Inquiries

Email: support_icas@psc.hhs.gov

Information to include when submitting an inquiry:

- Organization Name
- UEI (if applicable)
- EIN (if applicable)
- Entity Type (e.g., nonprofit, hospital, college/university, state/local/tribal government)
- Primary State or Territory of Operation
- Brief Summary of Your Request

Other Updates

- PSC /FMP Leadership
  - Change in leadership at reporting Level
- DOGE still active or in remission
- Regional office reopening
  - Will stay limited to two
- New hires and resource constraints
  - Under Consideration
- Audit Support for IDCs
  - Contractor support for rate negotiations

Q&A

Contact Information

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