No Subsidies for Wealthy Universities Act

The federal government currently provides reimbursements to universities for both direct and indirect costs of academic research projects. Direct costs include those that are easily connected to a specific project, such as staff, participant, and material expenses. On the other hand, indirect costs include overhead expenses that are claimed to be necessary for a project but typically go to support general research infrastructure across an institution. To determine an IHE's reimbursement level, the government uses an indirect cost rate (ICR), which is a specified percentage of the total direct costs for a project. The ICR is negotiated between the university and the federal agency awarding the grant, with rates ranging anywhere from 30 to 70 percent.[1]

In 1966, the House Committee on Appropriations decided against establishing detailed guidelines for how rates should be determined, making the process vulnerable to manipulation. While some universities do use these funds to cover research costs, others take advantage of the vague guidelines to create slush funds for wasteful campus initiatives like DEI programming.[2] In 2022, Ivy League Universities received an estimated $1.8 billion for overhead research expenses, representing 84 percent of the total amount of government subsidy received by those universities.[3]

Today, taxpayer dollars remain the largest source of academic research and development funding in the United States.[4] ICRs only continue to become more expensive, with a 2025 report asserting that the median negotiated ICR rose from 43 percent in the 1980s to approximately 56 percent in 2024.[5] Capping government subsidies for these expenses will ensure that research grants are used for their intended purpose, thus returning considerable cost savings for American taxpayers.

Bill Specifics

This bill would: (1) eliminate federal reimbursement for indirect research costs at IHEs with endowments over $5 billion; (2) establish an eight percent cap on federal reimbursement for indirect research costs at IHEs with endowments larger than $2 billion but less than $5 billion; (3) cap indirect cost reimbursements for institutions not yet mentioned at 15 percent; (4) require the Commissioner for Education Statistics to collect information regarding the value of endowment funds and submit their findings to the Office of Management and Budget; (5) require that the Director of Management and Budget make the aforementioned information available to the head of each agency, Congress, and the public; and (6) require the Comptroller General to submit a report to Congress identifying the amount of reimbursed indirect costs for federal research awards that was used for administrative staff compensation, the amount of reimbursed indirect costs for federal research awards that paid administrative staff members with responsibilities related to diversity, equity, and inclusion, which research fields receive the highest levels of federal funding, which agencies award the highest levels of federal funding, and which institutions of higher education received awards from those agencies.

[1] https://www.congress.gov/crs-product/R48540.
[2] https://www.heritage.org/education/report/the-poison-ivy-league-how-taxpayers-subsidize-wealthy-universities.
[3] Ibid.
[4] https://www.congress.gov/crs-product/R48540.
[5] https://www.nber.org/system/files/working_papers/w33627/revisions/w33627.rev0.pdf