
No Subsidies for Wealthy Universities Act

Research grants include two different types of costs: direct costs and indirect costs. Direct costs comprise fixed expenses that are easy to estimate, like lab equipment and researcher salaries. The researchers calculate these costs and must spend the awarded funds accordingly. Indirect costs are the overhead costs associated with conducting the grant research. These costs cannot be easily accounted for since they cover flexible costs like building maintenance and administrative expenses. Because indirect costs are difficult to itemize, they are reimbursed at a fixed rate of the original grant amount.

The indirect cost rate for any given grant is typically negotiated between the funding agency and the grant recipient. When the federal government began funding academic research in the 1940s, the universal reimbursement rate for indirect costs was capped at 8 percent. However, this cost cap was removed in the 1960s, and indirect cost rates soared. Reimbursement rates have declined in recent decades, but federal rates remain significantly higher than the private sector. Most federal grant money goes to wealthy universities with incredibly large endowments. Universities with large cash reserves do not need funding to build or maintain infrastructure that they already have.

There is a strong statistical correlation between institutions with high rates of indirect cost reimbursement and those with bloated DEI administrations.¹ Since indirect costs do not have to be itemized, institutions are free to use extra funds from research projects to expand their DEI departments. American taxpayers should not be subsidizing DEI expansion at wealthy universities under the guise of scientific research.

Bill Specifics

- Eliminates indirect cost reimbursement on federal research grants for institutions with endowments over \$5 billion and caps indirect cost reimbursement for institutions with endowments larger than \$2 billion but less than \$5 billion at 8 percent.
- Caps indirect cost reimbursement for all other institutions at 15 percent.
- Require institutions of higher education that receive indirect cost reimbursement for federal grants to disclose where they spend extra funds on DEI staff.

Talking Points

- During fiscal year 2022, Ivy League universities received \$1.8 billion for overhead on government-funded research grants.²
- Harvard's endowment of \$53 billion exceeds the gross domestic product of 124 countries, including Tunisia, Uganda, Bolivia, and Estonia.³

¹ <https://www.heritage.org/education/report/the-poison-ivy-league-how-taxpayers-subsidize-wealthy-universities>

² <https://www.heritage.org/education/report/the-poison-ivy-league-how-taxpayers-subsidize-wealthy-universities>

³ <https://www.imf.org/external/datamapper/NGDPD@WEO/OEMDC/ADVEC/WEOWORLD>