U.S. National Science Foundation

NSF is temporarily pausing implementation of the NSF Policy Notice: Implementation of Standard 15% Indirect Cost Rate, NSF 25-034, through June 13, when a hearing is scheduled to occur in the United States District Court for the District of Massachusetts. New NSF awards issued during this pause will not implement NSF 25-034, but will include a term applying NSF 25-034 for the entirety of the award upon a court decision permitting application of the policy.

Policies and Procedures

Policy Notice: Implementation of Standard 15% Indirect Cost Rate

This policy document contains current agency information.

Publication number: NSF 25-034

Published: May 2, 2025

Issuance Date:

May 2, 2025

Effective Date:

May 5, 2025

Feedback

Subject:

Adoption of Standard 15% Indirect Cost Rate for NSF Grants and Cooperative Agreements awarded to Institutions of Higher Education (IHEs)

Applies To:

All new NSF financial assistance awards and subawards

The U.S. National Science Foundation (NSF) is updating its policy regarding the reimbursement of indirect costs in federally funded financial assistance. This change is intended to streamline funding practices, increase transparency, and ensure that more resources are directed toward direct scientific and engineering research activities.

Policy Summary

Effective May 5, 2025, NSF will apply a standard indirect cost rate not to exceed 15% to all grants and cooperative agreements awarded to IHEs for which indirect costs are allowable.[1] The awardee is authorized to determine the appropriate rate up to this limit.

This Policy Notice serves as public notification of the policies, procedures and general decision-making criteria that NSF has used to justify deviation from negotiated rates for all awards in accordance with 2 CFR 200.414(c) for the class of NSF financial assistance awarded to IHEs.

Background

Indirect costs support the infrastructure and administrative functions necessary for the conduct of federally supported research. These may include but are not limited to:

- Building and equipment depreciation
- Operations and maintenance
- General administration, including human resources, finance, and compliance offices

Rationale

This policy supports NSF's commitment to:

- **Efficiency**: Reducing administrative burdens for awardee institutions.
- **Consistency**: Ensuring consistent treatment of all IHE financial assistance recipients.
- **Effectiveness**: Increasing the proportion of federal funds allocated to direct research costs.

This policy allows NSF and its awardees to focus more on scientific progress and less on administrative overhead by aligning with common federal benchmarks. Applying a standard indirect cost rate also improves government efficiency by eliminating the need for individualized indirect cost negotiations.

Implementation

- NSF funding opportunities issued after May 5, 2025, will include notice of this indirect cost rate policy to ensure public awareness.
- The 15% rate maximum applies **only to new awards made to IHEs on or after May 5, 2025**.
- Recipients must use a rate no greater than 15% of modified total direct costs (MTDC), as defined in 2 CFR 200.1.
- This policy does not apply retroactively to existing awards.
- Institutions are **not required to amend budgets** for awards issued before this effective date, nor will they be required to return previously reimbursed indirect costs.
- **Award supplements** that are effectuated via amendments to awards in existence prior to May 5, 2025, are not subject to this policy.
- **Continuing grant increments** are awarded under the original award terms and conditions; continuing grant awards in existence prior to May 5, 2025, are not subject to this policy.

This Policy Notice takes precedence over inconsistent policies and procedures set forth in the NSF Proposal & Award Policies & Procedures Guide for all financial assistance issued after the effective date.

NSF will update relevant grant policy documents and FAQs to reflect this change. Additional guidance will be provided through NSF's Policy Office and outreach events.

Contact Information

For questions or further clarification, please contact:

NSF Policy Office
Email: policy@nsf.gov

1. Institutions of Higher Education are defined at 2 CFR 200.1 with a reference to 20 U.S.C. 1001.