

University of Washington

Responses to Investor Questions 2/11/25

On February 10th, a coalition of 22 attorneys general, including Washington Attorney General Nick Brown, challenged NIH funding cuts for universities and research institutions, resulting in a federal judge in U.S. District Court for Massachusetts granting a motion for a temporary restraining order.

1. Is the indirect cost reimbursement rate set at a single fixed rate for all grants? i.e. does University of Washington negotiate a single indirect rate for all NIH funded projects (the 55.5% rate stated in the POS)?

The UW has many indirect cost rates that have been negotiated with the federal government. The applicable rate depends on the type of award and the location work is performed: [Institutional Facts and Rates - UW Research](#)

- a. If not, how are different rate determined across different projects given that these facility and administrative costs are shared?

Federal Uniform Guidance ([2 CFR 200.414](#)) sets detailed requirements for what can be included as an indirect cost. Rate agreements with the federal government dictate applicability of the rate to each individual award.

- b. Does the 15% cap supersede the existing reported rate?

A TRO was issued preventing this from going into effect on 2/10. Ultimately, should Notice NOT-OD-25-068 (NOT) issued by NIH be determined to have legal standing, further clarification is required as the NOT lacked sufficient clarity to understand how this approach would apply across a wide and complex portfolio of awards managed by NIH.

2. Does University of Washington receive the same indirect cost reimbursement rate from all federal agencies?

Yes, the UW, akin to all other institutions, non-profits, etc that conduct federally funded award activities have in place agreements that specify rates across all federally funded awards. i.e. will the 15% cap apply to funding from the National Science Foundation, Department of Energy, and Department of Defense? No, the

NOT issued by NIH is specific to NIH awards should it be determined to have legal standing to override federally contracted rates.

3. From a cash flow timing perspective, how often are the indirect cost reimbursements paid out? Annually? When exactly?

The vast majority of federal awards received by the UW are cost reimbursable. The UW incurs an expense for federal award activities, then invoices (net 30) or conducts letter of credit draws several times per week for eligible incurred expenditures plus indirect costs. Indirect costs are calculated based on a concept called “modified total direct costs” (i.e not all direct research award expenses have the indirect % applied) and applied as a cost against federal awards at the time a direct expense (i.e. salary, operating expenses) is incurred on a federal award. This occurs daily as expenditures post to awards in our financial system.

- a. Are the costs paid pro-rata over the life of the grant?

The vast majority of federal awards are cost reimbursable and follow the process above. UW does have a relatively small volume of other award types that pay based on progress or are fixed price and payable at regular intervals.

- b. Does University of Washington have a true-up adjustment mechanism for indirect cost reimbursements such as other research foundations do? How does this work?

The UW, akin to any other organization that has in place a federally negotiated indirect cost rate, follows Federal Uniform Guidance for calculating total indirect cost of supporting the research enterprise. This cost is higher than the rate ultimately agreed to with the federal government, which results in institutional subsidy of the research enterprise. Conducting research at rates lower than our calculated cost has the effect of increasing the amount other fund sources are leveraged to support the research enterprise. Like most of its public and private peer institutions, the UW utilizes a variety of fund sources to provide a robust environment for research to the benefit of faculty, students, staff and the public.

4. What is the estimated impact to University of Washington’s self-liquidity from the implementation of this cap? Is there a separate operating reserve the university plans to use to plug the gap in the short term?

Utilizing numerous assumptions due to the lack of clarity in the NOT, UW estimates the impact to be \$80-100M over the remaining life of our existing NIH awards.

Remaining life varies by award, but many span multiple fiscal years into the future. Should this estimate come to fruition, the University would take immediate expenditure control action to right-size with a decrease in revenues. The UW would not look to materially leverage liquidity to float costs supported by indirect costs.