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# Federal Government Transition Update - 5.9.25 [1]

May 9, 2025 by Natalie Barry [2]

Dear Colleagues,

Please find a federal government update from our teams.

***NSF F&A Rate Cap Update***

AAU, APLU, ACE and 13 research universities jointly filed a lawsuit [3] on May 5 in the U.S. District Court in Massachusetts to halt implementation of a new National Science Foundation (NSF) policy to cap indirect cost reimbursements at 15 percent on all grants and cooperative agreements to universities. Here is a joint statement [4] announcing the lawsuit, which emphasizes, “These reimbursements help cover the real and necessary costs associated with performing groundbreaking research on behalf of the American people.”

CU Boulder, at AAU’s request, filed a declaration of impact in the lawsuit. The NSF policy was written to take effect on May 5 for new awards, but not retroactively to current awards.

***DOE F&A Rate Cap Update***

The U.S. Department of Energy (DOE) announced [5] on May 8 a 15 percent cap on indirect costs for non-profits and for-profits and a 10 percent cap for state and local governments on all new awards. DOE previously announced a 15 percent rate cap for institutions of higher education, effective April 11, however a federal temporary restraining order has prevented the policy from being implemented.

An additional effort by the federal administration to implement a standard indirect cost rate at the National Institutes of Health (NIH) has also been halted by the courts.

***NSF Plans to Eliminate Divisions***

The National Science Foundation (NSF) is abolishing 37 divisions across the agency’s eight directorates, reports [6] *Science*. Division directors and deputy directors, who play an important role in grantmaking decisions at the agency, will lose their titles and may be reassigned. The consolidation, which has not been publicly announced by NSF, follows the White House’s proposal to reduce the agency’s budget by 55 percent next fiscal year. Additional reductions in force and grant terminations are expected. In the past three weeks, the agency has cancelled about 1,400 grants worth $1 billion, *Science* reports. This includes over two dozen terminations at CU.

Six former NSF directors and seven former chairs of the National Science Board (NSB) wrote [7] to appropriations subcommittee leaders on May 3 to express concern about the funding and

staffing reductions proposed for NSF in the Fiscal Year 2026 budget request [8]. “Such a budget would thwart scientific progress, decimate the research workforce, and take a decade or more to recover,” they write.

***Executive Order on Gain-of-Function Research***

The White House issued a new executive order, Improving the Safety and Security of Biological Research [9], on May 5. It directs federal agencies to immediately stop “dangerous gain-of-function research” conducted by countries of concern like China and countries that are non-compliant with U.S. policies and standards. Domestic gain-of-function research is also immediately suspended for 120 days while a new policy is developed by the Office of Science and Technology Policy, Office of Management and Budget, Department of Health and Human Services, and other relevant agencies. Gain-of-function research is broadly defined in the order as “scientific research on an infectious agent or toxin with the potential to cause disease by enhancing its pathogenicity or increasing its transmissibility.”

The order replaces the U.S. Government Policy for Oversight of Dual Use Research of Concern and Pathogens with Pandemic Potential [10], which was written by the Biden administration and due to go into effect May 6. The executive order also directs the creation of a new public reporting mechanism for research institutions to “increase accountability and public transparency.” Agencies are directed to include new compliance terms in life-science research contracts and awards.  Implementation is expected to vary by agency. For more information: Executive Order [9], Fact Sheet [11].

***HHS Issues Dear Colleague Letter***

On May 6, the Department of Health and Human Services (HHS) Office of Civil Rights [12] (OCR) issued a Dear Colleague Letter [13] regarding nondiscrimination requirements for medical schools. The letter says HHS will prioritize investigations of medical schools that:

1. Use race as part of their application or employment processes;
2. Require prospective students, employees, or faculty to submit diversity, equity, and inclusion (DEI) or diversity statements in connection with hiring or promotion; or
3. Lack clear policies demonstrating compliance with the Supreme Court’s 2023 decision in *Students for Fair Admissions v. Harvard*.

Additionally, the letter says medical schools “may not use application materials—such as personal statements, writing samples, or extracurricular activities—as a means to infer a student’s race and then apply differential treatment based on that inference.” It also cautioned that “certain DEI programs may confer advantages or impose burdens based on generalizations associated with racial identity, rather than evaluating individuals on their own merits,” which “can create a hostile environment, denying a student the ability to participate fully in school life because of the student’s race.”

The HHS guidance, which does not have the force or effect of law, echoes guidance issued earlier this year by the U.S. Department of Education (ED) in a Dear Colleague Letter [14] and subsequent FAQs [15]. A federal court has prevented ED from enforcing or implementing those guidelines. The offices of General Counsel and Federal Relations are working closely with CU Anschutz to analyze the potential impact of the letter.

### *NIH Announces Changes to No-Cost Extensions and Foreign Subawards*

The National Institutes of Health (NIH) issued new guidance [16] entitled "Update NIH Processes for No-Cost Extensions" on May 7 to alert the extramural community that NIH has temporarily disabled the university-approved?No-Cost Extension (NCE) functionality?in eRA Commons. NIH says this will allow agency staff "to review and assess all NCE requests to confirm that the activities proposed during the extension align with the NIH mission and agency priorities."

Additionally, NIH issued guidance [17] on May 1 announcing the agency will end subawards to foreign institutions. According to the guidance, NIH intends to create a new grant structure that will eliminate subawards, replacing them with linked awards to allow the agency to track foreign subawards with more transparency.

### *EPA Announces Reorganization*

The Environmental Protection Agency (EPA) announced [18] on May 2 the next phase of the agency's reorganization. The restructuring will shift EPA's "scientific expertise and research efforts to program offices" and establish the Office of Applied Science and Environmental Solutions (OASES) within the Office of the Administrator "to align research and put science at the forefront of the agency's rulemakings and technical assistance to states." Administrator Zeldin published an op-ed [19] in *Newsweek* on the reorganization and highlighted the closure of the Office of Research and Development.

### *Colorado Joins HHS Cutbacks Lawsuit*

Colorado joined a coalition of 18 states in a lawsuit [20] in federal court to block the reduction in force (RIF) of employees at the Department of Health and Human Services (HHS) on May 5. The lawsuit references HHS Secretary Kennedy's March 27 announcement [21], which included restructuring the agency, and the layoffs of over 20,000 employees from the Centers for Disease Control and Prevention (CDC), the Food and Drug Administration (FDA), the Substance Abuse and Mental Health Services Administration (SAMHSA), the Administration for Children and Families (ACF), and the Administration for Community Living (ACL). The lawsuit says the RIFs and reorganization are in violation of federal statutes and regulations, and that the administration lacks the authority to implement these changes.

### *DOJ Sues to Block Colorado Sanctuary Laws*

The U.S. Department of Justice (DOJ) filed a lawsuit in federal court in Colorado on May 2 against Colorado officials for allegedly passing sanctuary laws that violate the U.S. Constitution, reports [22] *CPR News*. The lawsuit follows the federal administration's executive order, Protecting American Communities From Criminal Aliens [23], issued on April 28, which seeks to increase enforcement of federal immigration law.

We understand these potential changes are of concern to our campuses and recognize the challenges and uncertainty on our campuses during this time of unpredictable change at the national level. The Federal Relations and General Counsel teams are actively monitoring developments and are committed to keeping you informed. In this time of change, all that you do and will continue to do for CU means more than ever. Our team is working closely with the President and Chancellors as well as the Colorado congressional delegation. We encourage

you to contact your campus leadership with questions. Please visit the CU System Federal Transitions Update page for up-to-date communications and federal memos.

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