

## **GSA Policy Brief**

### **Alternative Proposal to NIH Cap on Indirect Research Costs Financial Accountability in Research (FAIR) Model**

In response to NIH's proposed [15% cap on indirect research costs](#), a group representing a wide variety of colleges, universities, medical schools, hospitals, medical centers, and independent research institutions was launched in April 2025 to explore alternative indirect cost models. This group, known as the Joint Associations Group (JAG), assembled a team of [subject matter experts](#) with extensive experience in both direct and indirect costs for grants. These experts conducted an evaluation of the existing indirect cost framework and assessed potential alternatives.

In July 2025, the JAG released its recommendation to Congress and the executive branch for a new model the Financial Accountability in Research (FAIR) Model [to replace](#) how indirect research costs are reimbursed by the National Institutes of Health (NIH) and other federal agencies. This new model aims for transparency, accountability, and efficiency by funding the actual costs of research and linking the costs directly to individual projects, ultimately reducing administrative complexity.

Prior to releasing the recommendation, the JAG hosted four town hall webinars, each drawing roughly 2,000 participants from across the higher education and independent research communities. These sessions outlined the JAG process for developing a new model, introduced two provisional models, and invited feedback from the research community to help inform the final recommendation.

#### **Key Aspects of the FAIR Model**

The FAIR Model integrates elements from previous approaches to indirect costs, offering both a Base Option and an Expanded Option.

- **Goals:** The model seeks to simplify costing, especially for facilities, and better accommodate institutions of all types and sizes.
- **Transition:** A two-year transition period is proposed, allowing institutions to continue using the current Facilities & Administrative (F&A) model before adopting the FAIR Model.
- **Applicability:** The FAIR Model will apply to all federal agencies, not just biomedical health and aging research.
- **Elimination of F&A:** It eliminates the traditional facilities and administration rate reimbursement process and aims to clarify how reimbursed funds are used by categorizing costs more precisely.

#### **1. Base Option Model**

The Base Option of the FAIR Model is designed for all institutions, particularly those with limited administrative resources or types of research not suited for the Expanded Option. It excludes Essential Research Performance Support (ERPS) and Research Information Services but includes all other components found in the Expanded Option. JAG likened the Base and Expanded Options to "short form" and "long form" tax filings, respectively.

## **2. Expanded Option Model**

The Expanded Option of the FAIR Model redefines cost categories:

- Research Performance Costs: These encompass what were formerly considered "direct costs."
- Essential Research Performance Support (ERPS): This category includes former indirect cost components or project-specific costs necessary to support research performance. Sub-categories within ERPS include:
  - Regulatory Compliance: Costs associated with safe and responsible research conduct.
  - Award Monitoring, Oversight, and Reporting: Project-specific costs for financial and non-financial management.
  - Essential Research Performance Facilities (ERPF): Project-specific costs for space used in research, calculated as a percentage of the total budget based on a detailed space analysis and research type.
  - Research Information Services: Expenses for scientific journal subscriptions, database access, and similar resources.
- General Research Operations (GRO): This covers institutional office costs that serve all sponsored research activities (e.g., HR, procurement). GRO is set at 15 percent of the total award budget.

Additional information about the JAG and the subject matter experts team as well as prior statements and recordings of webinars is available at [The Association of American Universities' \(AAU\) website](#). Materials on the FAIR model are also available.

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