ASSOCIATION OF PUBLIC & LAND-GRANT UNIVERSITIES

FY 2026 AND 2027 F&A LANGUAGE

Updated August 10, 2026

APLU compiled a list of key provisions and report language related to facilities and administrative (F&A) cost reform.

FY27 PROVISIONS

PASSED IN HOUSE APPROPRIATIONS COMMITTEE; AWAITING FLOOR ACTION: H.R.8845 - Commerce, Justice, Science, and Related Agencies Appropriations Act, 2027

Bill Text (Sec. 542):

> In making Federal financial assistance, the Department of Commerce, the National Aeronautics and Space Administration, and the National Science Foundation shall continue to apply the negotiated indirect cost rates in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as such negotiated indirect cost rates were applied in fiscal year 2024: *Provided,* That none of the funds appropriated in this or prior Commerce, Justice, Science, and Related Agencies Appropriations Acts, or otherwise made available to the Department of Commerce, the National Aeronautics and Space Administration, and the National Science Foundation may be used to develop, modify, or implement changes to such fiscal year 2024 negotiated indirect cost rates.

PASSED IN HOUSE APPROPRIATIONS COMMITTEE; AWAITING FLOOR ACTION: H.R.9022 - Energy and Water Development and Related Agencies Appropriations Act, 2027

Bill Text (Sec. 312):

> In making Federal financial assistance, the Department of Energy shall continue to apply the indirect cost rates, including negotiated indirect cost rates, as described in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as was applied in fiscal year 2024: *Provided,* That none of the funds appropriated in this or prior Acts or otherwise made available to the Department of Energy may be used to develop, modify, or implement changes to such negotiated indirect cost rates.

FY26 ENACTED PROVISIONS

In Chronological Order of Passage

The following provisions have been enacted into law thanks to the collective advocacy of APLU, the Joint Associations Group (JAG), and the higher education community.

ENACTED: S.1070 National Defense Authorization Act for Fiscal Year 2026

Became Public Law No: 119-60

Bill Text (SEC. 230):

> *PROHIBITION ON MODIFICATION OF INDIRECT COST RATES FOR INSTITUTIONS OF HIGHER EDUCATION AND NONPROFIT ORGANIZATIONS.*
>
> *(a) PROHIBITION.—The Secretary of Defense may not change or modify indirect cost rates (otherwise known as facilities and administration cost rates) for Department of Defense grants and contracts awarded to institutions of higher education and nonprofit organizations (as those terms are defined in part 200 of title 2, Code of Federal Regulations) until the Secretary makes the certification described under subsection (b).*
>
> *(b) CERTIFICATION.—A certification under this subsection is a certification to the congressional defense committees that the Department of Defense—*
>
> *(1) working with the extramural research community, including representatives from universities, university associations, independent research institutes, and private foundations, has developed an alternative indirect cost model that has—*
>
> *(A) reduced the indirect cost rate for all applicable institutions of higher education and nonprofit organizations (compared to indirect rates for fiscal year 2025); and*
>
> *(B) optimized payment of legitimate and essential indirect costs involved in conducting Department of Defense research to ensure transparency and efficiency for Department of Defense-funded grants and contracts; and*
>
> *(2) established an implementation plan with adequate transition time to change budgeting and accounting processes for affected institutions of higher education and nonprofit organizations.*

Report Language (S. Rept 119-39, Page 45, Sec. 226)

> *Prohibition on modification of indirect cost rates for institutions of higher education and nonprofit organizations The committee recommends a provision that would prohibit the Secretary of Defense from changing or modifying indirect cost rates for Department of Defense grants and contracts to institutions of higher education and nonprofit organizations until the Secretary makes certain certifications to the congressional defense committees.*

ENACTED: H.R. 6938 Commerce, Justice, Science; Energy and Water Development; and Interior and Environment Appropriations Act, 2026

Became Public Law No: 119-74

Bill Text (Division A [Commerce, Justice, Science], SEC. 542):

> *In making Federal financial assistance, the Department of Commerce, the National Aeronautics and Space Administration, and the National Science Foundation shall continue to apply the negotiated indirect cost rates in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as such negotiated indirect cost rates were applied in fiscal year 2024: Provided, That none of the funds appropriated in this or prior Commerce, Justice, Science, and Related Agencies Appropriations Acts, or otherwise made available to the Department of Commerce, the National Aeronautics and Space Administration, and the National Science Foundation may be used to develop, modify, or implement changes to such fiscal year 2024 negotiated indirect cost rates.*

Joint Explanatory Statement for Commerce, Justice, Science and Related Agencies Appropriations Act 2026 (Page 3):

> *The agreement acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research (FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which the Committee believes merits further consideration.*

Bill Text (Division B [Energy and Water Development], SEC. 313):

> *In making Federal financial assistance, the Department of Energy shall continue to apply the indirect cost rates, including negotiated indirect cost rates, as described in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as was applied in fiscal year 2024: Provided, That none of the funds appropriated in this or prior Acts or otherwise made available to the Department of Energy may be used to develop, modify, or implement changes to such negotiated indirect cost rates.*

Joint Explanatory Statement for Energy and Water Development and Related Agencies Appropriations Act 2026 (Title III-Department of Energy, Page 90):

> The Committee acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research (FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which the Commi1tees believe merit further consideration.

ENACTED: H.R. 7006 - Financial Services and General Government and National Security, Department of State, and Related Programs Appropriations Act, 2026
Became Public Law No: 119-75

After passage by the House H.R. 7006 (Financial Services-National Security-State) were added to H.R. 7148 under the terms of the special rule (H.Res. 1014). As engrossed (and sent to the Senate), H.R. 7148 includes six appropriations acts by division (Defense, Homeland Security, LHHSED, T-HUD, FSGG, Nat. Security-State, and other matters).

Joint Explanatory Statement for the Financial Services and General Government Appropriations Act (Page 20):

> *Indirect Costs. -The agreement recognizes that indirect cost recovery has been essential for supporting research at universities, nonprofit laboratories, medical centers and other entities eligible for federal research awards and is key to sustaining U.S. leadership in scientific research and technological innovation. The agreement acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Grant Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research (FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which Congress believes merit further consideration. Therefore, the agreement directs OMB to engage in discussions with the Committees on proposals to achieve these improvements, including on the FAIR model. The agreement further directs OMB to not finalize or implement any policy, guidance, or rule, or publish a notice of proposed rulemaking, that would alter the manner in which negotiated indirect cost rates have been implemented and applied under the Uniform Grant Guidance, as that guidance was in effect during fiscal year 2024.*

ENACTED: ***H.R. 7148 Consolidated Appropriations Act, 2026 [Defense, Labor-HHS-ED, Transportation, Housing and Urban Development (THUD]***

Became Public Law No: 119-75

Bill Text (Division B [Departments of Labor, Health and Human Services, and Education], Section 224)

> *In making Federal financial assistance, the provisions relating to indirect costs in part 75 of title 45, Code of Federal Regulations, including with respect to the approval of deviations from negotiated rates, shall continue to apply to the National Institutes of Health to the same extent and in the same manner as such provisions were applied in the third quarter of fiscal year 2017. None of the funds appropriated in this or prior*

> *Acts or otherwise made available to the Department of Health and Human Services or to any department or agency may be used to develop or implement a modified approach to such provisions, or to intentionally or substantially expand the fiscal effect of the approval of such deviations from negotiated rates beyond the proportional effect of such approvals in such quarter.*

From the Joint Explanatory Statement ([Page 41]):

> *Indirect Cost Rates.—The agreement recognizes that indirect cost recovery has been essential for supporting research at universities, nonprofit laboratories, medical centers and other entities eligible for Federal research awards and is key to sustaining U.S. leadership in scientific research and technological innovation. The agreement acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Grant Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research (FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which the Committees believe merit further consideration. Therefore, the agreement directs the departments and agencies funded in the Act to engage in discussions with the Committees on proposals to achieve these improvements, including on the FAIR model. Under this agreement, neither NIH, nor any other department or agency, may develop or implement any policy, guidance, or rule, including publication of a notice of proposed rulemaking, that would alter the manner in which negotiated indirect cost rates have been implemented and applied under NIH regulations, as those regulations were in effect during the third quarter of fiscal year 2017.*

Bill Text (Division A: Defense, Section 8146)

> *SEC. 8146. In making Federal financial assistance, the Department of Defense shall continue to apply the negotiated indirect cost rates in section 200.414 of title 2, Code of Federal Regulations, including with respect to the approval of deviations from negotiated indirect cost rates, to the same extent and in the same manner as such negotiated indirect cost rates were applied in fiscal year 2024: Provided, That none of the funds appropriated in this or prior Department of Defense Appropriations Acts, or otherwise made available to the Department of Defense may be used to develop, modify, or implement changes to such fiscal year 2024 negotiated indirect cost rates.*

Defense Joint Explanatory Statement (Page 21)

> *The agreement acknowledges that there is room for improvement in the system used to identify and recover indirect cost rates under the Uniform Grant Guidance, particularly with respect to the need for greater transparency into these costs. Various models have been suggested to achieve these improvements, including the Financial Accountability in Research (FAIR) model advanced by the Joint Associations Group on Indirect Costs (JAG), which the Committees believe merit further consideration.*