

Federal Policy Developments Digest

June 25, 2025

More Legal Rulings Are Made Related to Indirect Cost Caps and Canceled Research Funding (6.20.25, 6.17.25, and 6.16.25)

National Science Foundation: On June 20th, U.S. District Judge Indira Talwani [vacated](#) the NSF's indirect cost cap, which had attempted to cap reimbursement for indirect research costs to institutions at 15%. Many research universities have reimbursement rates of 50-65%. Thirteen institutions plus the Association of American Universities, the Association of Public and Land-grant Universities, and the American Council on Education had sued the NSF in May, stating the indirect cost cap policy would cause a decline in "the amount and scope of future research by universities" and risk the US's status as a leader in scientific discovery. In this lawsuit, the plaintiffs sought summary judgement, which allows the judge to reach a final decision without a trial. Judge Talwani argued that NSF officials failed to follow federal regulations and failed to follow the Administrative Procedure Act.

Next steps: The NSF can [appeal](#) the order vacating the policy but has thus far declined to comment on the ruling and whether it will appeal.

Department of Defense: On June 17th, U.S. District Judge Brian Murphy [granted](#) a temporary restraining order to prevent the Department of Defense from implementing a 15% cap on reimbursement for colleges' indirect research costs.

Next steps: Judge Murphy has [scheduled](#) a hearing for July 2nd to consider issuing a longer-term preliminary injunction. The Trump administration has not yet responded. Please note that the Department of Energy's 15% indirect cost cap has also been temporarily [blocked](#).

National Institute of Health: On June 16th, U.S. District Judge William Young [vacated](#) the NIH's directives to eliminate funding for DEI-related projects, which the NIH began terminating in February. Judge Young [found](#) no evidence these grants supported unlawful discrimination and instead said that the cancellations themselves were discriminatory. Judge Young ordered the NIH to reinstate the plaintiffs' canceled research funding, which affects about 800 grants. In total, as of June 4th, 2,300 NIH grants have been canceled.

Next steps: The US Department of Health and Human Services has [said](#) they are exploring all legal options, including appealing and moving to stay the order. Note that separately, the NIH indirect cost cap policy remains in flux, as the Trump administration has [appealed](#) U.S. District Judge Angel Kelley's ruling blocking the 15% cap.

Trump Administration Releases Social Media Screening Rules for Student Visa Applicants (6.18.25)

The Trump administration is allowing student visa appointments to resume but is [implementing](#) stricter social media screening. All student and exchange visitors applicants in the F, M, and J nonimmigrant classifications are instructed to make their social media profiles public, according to a June 18th State Department [post](#), so consular offices can screen them for content "hostile" to the United States.

According to an internal State Department cable reviewed by [Reuters](#), applicants limiting access to their online presence by setting their accounts to private "could be construed as an effort to evade or hide certain activity." Consular officers are [directed](#) to take "detailed case notes" with screenshots of applicants' online presences. Additionally, even though visa appointments are resuming, consular officers were warned in the cable that they may need to hold fewer appointments because of the extensive vetting process. Given this possibility, the cable directs the prioritization of visa appointments of student applicants planning to study at institutions where international students are less than 15% of the university's total student population, as well as the prioritization of physicians applying for a J-1 visa.

About 200 institutions [have](#) international student populations of 15% or higher, including all Ivy League institutions.

Implications/next steps: The State Department issued almost 270K student visas in the peak summer months last year, around 70% of the year's total. Thus, higher ed leaders are concerned about fewer visas being issued because of the three-week delay plus the extensive vetting process, which could lead to fewer students being fully reviewed. As of this week, in some countries, students are still waiting for slots to be posted for interviews. Additionally, the broad messaging of the cable does not provide clarity regarding what exactly in a student's online history could trigger scrutiny. College administrators have shared with [The Chronicle](#) that they are ensuring students are aware of the new policy but are not interpreting it due to the lack of clarity and concern that doing so could be construed as political.

Senate Finance Committee's Proposed Endowment Tax Hike Is Lower Than House Bill's Hike (6.16.25)

The Senate Finance Committee has [released](#) its portion of the Senate's reconciliation package. According to a draft plan released on June 16th, the committee wants to raise the endowment tax on private institutions, but the raise would be less dramatic than that proposed by the House. The excise tax would be 8% for institutions with over \$2M in endowment value per student (compared to the House's 21% tax), 4% for institutions with \$750K-2M in endowment value per student, and 1.4% for institutions with \$500-750K in endowment value per student. Like the House plan, the Senate plan exempts religious institutions and requires institutions to exclude international students from the total enrollment when calculating the endowment's value per student. Unlike the House plan, colleges that don't participate in federal financial aid would be exempt from the tax.

Implications/next steps: The current endowment excise tax is 1.4%, but it only [applies](#) to a few dozen institutions that have at least 500 tuition-paying students and at least \$500K endowment assets per student. Thus, this potential hike is significant, even if lower than the hike proposed in the House. President Anne Harris of Grinnell College [expressed](#) concern that the current Senate proposal still disproportionately burdens small colleges, and Steven Bloom at the American Council on Education said it is still a "bad and harmful tax policy." A [NACUBO-Commonfund study](#) found that almost half (48.1%) of endowment spending in 2024 went towards student financial aid. Thus, even though this tax is lower than the tax proposed by the House, it could still potentially impact college affordability. As far as next steps regarding the reconciliation bill, the Senate must pass its version of the bill, which can be done via a simple majority. If it passes, it then must be reconciled with the House version and approved in both the Senate and House before being sent to Trump's desk. Republican leadership and the White House are still hoping to pass the reconciliation bill by July 4th.