

EXHIBIT Y

DECLARATION OF DOROTA A. GREJNER-BRZEZINSKA

I, Dorota A. Grejner-Brzezinska, declare as follows:

1. I am the Vice Chancellor for Research at the University of Wisconsin-Madison (“UW-Madison”), a position I have held since 2024. In this role, I have responsibility for overseeing the university’s research enterprise with more than \$1.7 billion in annual research expenditures. My office also includes administration of twenty cross-campus research and service centers. The mission of the Office of the Vice Chancellor for Research is to advance excellence in research and scholarship, to support our multidisciplinary research centers and institutes, and to provide campus-wide administrative infrastructure to support and advance the research enterprise. Prior to holding this position, I was the Vice President of the Office of Knowledge Enterprise, Associate Dean for Research in the College of Engineering, and a Professor of Civil, Environmental and Geodetic Engineering at The Ohio State University. At Ohio State, I also served as Senior Vice President for Corporate and Government Partnerships, focusing on growing research talent and helping launch new research institutes and centers. I have mentored sixteen doctoral students and secured nearly \$39 million in research funding for my own research, which is centered on the Global Positioning System (“GPS”). My laboratory developed the first fully digital and directly geo-referenced airborne integrated mapping system, combining high-resolution digital, aerial camera images with GPS and inertial technology. I have served on the President’s Council of Advisors on Science and Technology (2019-2021) and was appointed to the National Science Board in 2023. I am also a fellow of the American Association for the Advancement of Science, the Institute of Navigation, and the Royal Institute of Navigation and a member of the National Academy of Engineering. Additionally, I serve as principal investigator of the National Science Foundation’s Engineering Research Visioning Alliance.

2. I have personal knowledge of the contents of this declaration, or have knowledge of the matters based on my review of information and records gathered by UW-Madison personnel, and could testify thereto.

3. As Wisconsin's flagship research university, UW-Madison receives substantial annual funding from the Department of Defense ("DOD"). As of June 13, 2025, UW-Madison has 198 active DOD awards which total \$221,284,864 in total allocated funding over the life of the award. Among these, 127 are direct awards to UW-Madison from DOD, with \$190,309,446 in allocated funding, and 71 are incoming subawards with \$30,975,418 in allocated funding.

4. UW-Madison intends to apply for new DOD funding awards, and/or renewals and continuations of existing funding awards, in the next year and in future years to come.

5. As of June 13, 2025, UW-Madison has 81 pending grant proposals with DOD, with a requested total budget of \$70,496,981 including \$19,671,015 in indirect cost recovery. These proposals were budgeted on the understanding that our negotiated indirect cost reimbursement rates would apply. In the ordinary course, UW-Madison would expect DOD to take action on these pending proposals over the next several months. At an indirect cost recovery rate of 15% of modified total direct costs, UW-Madison's total indirect cost recovery for these 81 proposals would be reduced by \$14,354,525 to \$5,316,490. Several examples of pending and planned proposals are provided in paragraph 8(h), below.

6. The 15% rate cap will make most, if not all, of UW-Madison's proposed and ongoing research projects infeasible and places UW-Madison in a difficult position. With respect to new research, if UW-Madison submits proposals at its negotiated indirect cost rate—as budgeted and as it believes it is entitled to do—it risks DOD's refusal to fund the grants, losing the ability to conduct critical research. On the other hand, if UW-Madison were to submit proposals at the

unilaterally imposed 15% rate, it would be committing to conduct and support research based on a financially unsustainable model. The situation is similar with respect to ongoing projects. On June 13, 2025, at least fourteen DOD-funded principal investigators at UW-Madison received notices from DOD altering them to “the implementation of a 15% indirect cost cap for future and existing DoD assistance awards with IHEs [institutions of higher education].” *See, e.g.*, email from Wade Wargo, Office of Naval Research (Jun. 13, 2025), attached hereto as Exhibit A. These notices included a June 12, 2025, memorandum from Undersecretary of Defense Emil Michael, attached hereto as Exhibit B, identifying the planned 15% indirect cost rate cap for all new awards, and stating that, “[f]or all existing assistance awards to IHEs, DoD Components must also apply the 15% cap on indirect cost rates.” The memorandum further states that if, by November 10, 2025, “a DoD Component is unable to reach agreement with an IHE to limit the indirect cost rate under a DoD assistance award to 15%, the DoD Components shall terminate the assistance award.” For both current and proposed DOD grants, the newly-announced indirect cost reimbursement policy is irrational and unfair: IHEs like UW-Madison often compete for awards under the same DOD assistance programs as non-universities, and yet the policy applies only to IHEs.

7. The loss of these funds will immediately impact the university’s ability to pay expenses associated with its research enterprise. This includes the costs to support strict regulatory compliance mandates for federally funded research that are intended to, for example, promote national security interests and maintain the nation’s competitive edge through export controls and measures to prevent malign foreign influence; protect human and animal participants in research; protect public investments in research; ensure the safe conduct of research involving hazardous conditions and/or chemical and biological agents; and ensure the integrity of research funded by American taxpayers.

8. The funding UW-Madison receives from DOD supports critical and cutting-edge science and engineering research vital to advancing national health, prosperity, and welfare, and to supporting our nation's security and military readiness. Millions of Americans, including our U.S. active duty and reserve service members, as well as military veterans and their family members, benefit from and depend on this research. For example:

a. Understanding Traumatic Brain Injuries: PANTHER

Since 2017, an interdisciplinary team of researchers working under an effort dubbed PANTHER, for Physics-bAsed Neutralization of Threats to Human tissuEs and oRgans, has made strides in understanding how concussions and other traumatic injuries develop in the brain. Led by UW-Madison, the DOD-funded PANTHER program brings together a consortium of researchers and a host of industry and organizational partners to leverage knowledge in protecting against and detecting traumatic brain injuries for the benefit of U.S. warfighters and other Americans. Research conducted under the PANTHER program at UW-Madison spans several principal investigators in the College of Engineering and across campus. Because of the relationship with industrial partners, PANTHER can quickly move its university-driven basic science discoveries into industry-led consumer products. This research, performed on the UW-Madison campus, is leading the world uncovering new insights into the biophysical root cause of traumatic brain injury and because of its synergistic, collaborative nature, it is on target to break decade-long scientific barriers.

b. Wisconsin Multi-Fuel Capable Hybrid-Electric Engines Program

This project capitalizes on the efforts of multiple investigators at the College of Engineering and focuses on advancing the science and technology of next generation multi-fuel capable engines and hybrid-electric propulsion systems needed for future U.S. Army unmanned aircraft systems ("UASs") in collaboration with, and supported by, DOD partners. The primary

goal of the work is to improve the performance of UAS engine systems and to avoid engine failure (flameout) during extremely challenging conditions (for example, when engines experience variable fuel properties at altitude at locations across the globe). The program also seeks to ease logistics burdens for DOD operations by enabling operation on different fuel types (diesel, gasoline, and jet fuel) in a single engine platform. Specifically, the work combines experiments, model development, simulation, and prototyping to understand the factors affecting ignition and combustion in engines under Army-relevant conditions and to advance sensing and ignition technologies. Through close partnership with DOD partners and through relationships with other universities and industry, the effort translates fundamental understanding to technologies for future military and commercial applications.

c. Understanding and Treatment of Idiopathic Pulmonary Fibrosis

Idiopathic pulmonary fibrosis (“IPF”) is a deadly disease—caused by progressive scarring of the lungs—that is understudied and disproportionately affects older adults and veterans: groups exposed to environmental risks such as dusts, chemicals, and biofuels. IPF is responsible for approximately 40,000 deaths annually and is a leading cause for lung transplants. A DOD-funded Focused Program Award at UW-Madison supports an expert team of cell biologists, pulmonary clinicians, engineers, and medicinal chemists across four UW–Madison schools, colleges, and centers. Their projects investigate the mechanisms underlying how scarring in the lung produces atypical lung cell responses. This cross-campus collaboration involves researchers from the UW–Madison Institute for Clinical and Translational Research (“ICTR”), School of Medicine and Public Health, School of Pharmacy, and College of Engineering. The team is harnessing its broad range of technical expertise to develop new imaging technologies to measure cellular metabolism and matrix structure and identify targeted therapeutic delivery systems to improve therapeutic outcomes.

d. Development of Protective and Resilient Materials

Collaborating closely with Army Research Laboratory staff, and leveraging expertise in math, materials science, theory and computation, researchers in the Center for Extreme Events in Structurally Evolving Materials are studying materials used in (or relevant to) offensive and defensive Army applications—for example, armored materials for vehicles or individual protection. Critically, this project combines both fundamental and applied research and requires the researchers to develop both a new approach to study materials’ response to extreme mechanical loading conditions (or, more simply, extreme forces) and a new method for combining experimental and computational data. These tools have broader applications beyond this specific work. The researchers are developing advanced computational tools that allow them to simulate structural materials under extreme force and to understand how they behave. Through innovative experimental techniques, they are subjecting materials to those extreme conditions to better understand why and how materials fail, and as a result, how to design better, more failure-resistant materials for DOD applications.

e. Telehealth to Improve Outcomes for Lupus Patients

The Virtual Visual Screening to Address Safe Hydroxychloroquine Use in Lupus (“ViSTA Safe HCQ”) program aims to improve health care delivery and outcomes for lupus patients. Lupus is an immune disease that is a leading cause of kidney failure and death among young women, and the medication hydroxychloroquine (“HCQ”) reduces painful flares, kidney risk, and prolongs life. A major barrier to safe, continued use of HCQ is access to specialized exams to monitor for eye toxicity. The researchers are testing easy-to-use eye exam technology in rheumatology clinics so people with lupus have timely access to their required care to prevent eye damage or stopping HCQ. Virtual visual screening innovatively combines two low-cost technologies from successful telehealth care models in diabetes and glaucoma. This new care

delivery system in rheumatology helps patients by: a) easing access and screening burdens, b) improving eye exam completion, and c) reassuring safe HCQ use. If feasible and successful, this model could be spread across the U.S., improving lupus care and outcomes.

f. Satellite Algorithms and Software Development

As a global, seafaring force, the U.S. Navy faces unique challenges to navigation and the operation of its ships, aircraft, and weapon systems due to weather conditions and aerosols (such as dust and smoke), which can be difficult to detect and forecast. DOD's Office of Naval Research ("ONR") supports applied research to develop cutting-edge hardware and software to measure aerosols and better predict hurricane formation and intensification. The UW-Madison Space Science and Engineering Center ("SSEC") provides specialized capabilities through deployment of sophisticated instruments (*e.g.*, lidar), satellite data tools, and machine learning methods, and has the data storage and processing capability to run experimental algorithms on global satellite observations. This enables the capability to develop, process, and validate new products that can be produced in near real time to support Navy operations. ONR provides significant funding support to SSEC to leverage these capabilities, which it relies on to support Naval research efforts.

g. Human-Bot Cybersecurity Teams

The Cybersecurity Assurance for Teams of Computers and Humans (CATCH) project is focused on the development of cutting-edge solutions to protect national security from increasingly sophisticated cyber threats. Led in the U.S. by UW-Madison in the College of Letters & Sciences, this research leverages expertise from researchers across American and Australian universities to tackle the complex challenge of how human analysts and machine learning systems can effectively coordinate in real-time to defend against adversaries who constantly adapt their tactics. Effective coordination of human-bot teams is a grand challenge

for cybersecurity. While machine learning bots reduce the burden on human analysts by filtering information, cybersecurity poses unique challenges for human-bot teams as active adversaries adapt to changing conditions. This project aims to develop rigorous science for human-bot cybersecurity teams, with the goal of developing cohesive teams with robust resilience to threats from both human and machine learning adversaries.

h. Pending proposals and future renewal and award submissions

In addition to the examples of ongoing DOD-funded work highlighted here, UW-Madison has over eighty proposals currently pending with DOD and intends in the near future to apply for new or renewal awards across a broad range of disciplines. These include, for example:

- A pending proposal to develop semiconductor structures that allow for active control of light emission, absorption, and transmission to create materials that can be illuminated by light of one wavelength (near-infrared), causing a change in the absorption and emission characteristics for a different wavelength (infrared). This has applications in thermal camouflage, energy conversion, thermal management, and other defense tactics where control of infrared light is critical.
- A pending proposal to develop treatments to improve outcomes for men with lethal prostate cancer by validating biomarkers that can be used to detect prostate cancer at an early stage, developing new medical imaging techniques to optimize treatments for men with metastatic prostate cancer, and identify new ways to treat the disease. This is aimed at improving outcomes of prostate cancer that has spread to other parts of the body. Currently, 1 in 44 men in the U.S. will die of prostate cancer, and two-thirds of men with prostate cancer that has spread to distant parts of the body like lungs, liver or bones die within five years.

- A planned pre-proposal to develop new, non-invasive methods of brain stimulation to promote healthy sleep in chronically sleep-restricted military service members, whose duties during combat operations may require them to have optimal brain function after being restricted to three hours of sleep.
- A pending proposal to investigate and design of advanced ceramics with superior toughness and resistance to low- and high- strain-rate deformation. Ceramic materials play important roles in armor and protective systems and in applications involving high temperature, including hypersonic transport. For these types of applications, a material needs be able to absorb large amounts of kinetic energy without compromising its mechanical integrity. This research is of significance for such applications as ballistic impact, explosive cladding, and high-speed machining.
- A pending proposal to develop methods in an animal model to reduce a host's rejection of complex tissue grafts, such as limbs, by using a new organ and tissue storage technology and modifying cells in grafts prior to transplantation. This research has implications for treating patients with amputations, which helps address the medical needs of service members and veterans who have experienced catastrophic injuries.
- A pending proposal to determine how the nervous system is involved in the worsening of melanoma, which is the deadliest type of skin cancer resulting in nearly 100,000 new cases in Americans per year. The research could ultimately lead to new treatment options for metastatic melanoma by targeting neuronal signaling in various ways, including with a drug that is already FDA-approved for a different condition. More effective treatments for melanoma are of benefit to military personnel, who have an

18% higher rate of advanced melanoma than the rest of the population due to higher sun exposure.

- A pending proposal to develop a non-invasive blood test to identify men whose prostate cancer tumors are likely to resist treatment. Such a test will be a critical tool for developing new classes of drugs that prevent tumor cells from evading treatments after two to three years of hormone therapies, which is a disease stage referred to as castration-resistant prostate cancer. That stage is responsible for virtually all prostate cancer deaths.

9. Reimbursement of UW-Madison's indirect costs is essential for supporting this research. DOD's cutting of indirect cost rates to 15% would seriously jeopardize UW-Madison's ability to carry out the kinds of research projects described in paragraph 8.

10. Indirect costs are expenses that support research and other sponsored activities but cannot be directly attributed to a specific funding award. These include costs for building maintenance, utilities, procurement of shared equipment, administrative services, information technology, libraries, and compliance with federal regulations. At UW-Madison, indirect costs help sustain the infrastructure and services necessary to conduct high-quality research across departments and disciplines. Indirect costs include maintaining state-of-the-art laboratories and other facilities required to meet the current technical requirements of advanced research, and procurement and maintenance of equipment necessary to conduct such research, such as specialized testing environments, precision instrumentation, and laboratory safety systems. In some instances, these funds are allocated as new faculty start-up packages, which help UW-Madison recruit the best candidates in the field, and ensure they have the resources to support a productive career at UW-Madison from day one. In addition, indirect costs contribute to the more than 150 research cores

across the UW-Madison campus that consolidate resources by offering shared instrumentation, technologies, services, training, and expert consultation in hundreds of subject areas. These include the Wisconsin Centers for Nanoscale Technology, which provide a wide range of materials science and metrology (*e.g.*, electron microscopy) instrumentation for a broad range of applications along with nano- and micro-fabrication equipment for photonics, semiconductor, and microelectronics applications; the Wisconsin Structures and Materials Testing Laboratory, which provides equipment and instrumentation for materials testing with capacities up to one-million pounds; and the Translational Research Initiatives in Pathology Lab, which provides technical and consultative support in collaboration with the UW-Madison Carbone Cancer Center Biobank as part of the Translational Science BioCore. UW-Madison consistently ranks among the nation's top research institutions, a distinction that simply would not be possible without the robust infrastructure necessary to conduct the research.

11. For example, with respect to the areas of DOD-funded research described in Paragraph 8:

a. Understanding Traumatic Brain Injuries: PANTHER

PANTHER consists of more than thirty principal investigators, as well as several industry partners and more than ten academic institutions at any given time. The effort requires significant administrative coordination, which is significantly supported through indirect costs. Furthermore, keeping pace and maintaining the edge in scientific innovation and leadership requires state-of-the-art research facilities, which cannot function without substantial contributions from indirect costs. A reduction in indirect costs would have catastrophic consequences on UW-Madison's ability to maintain our lead in traumatic brain injury scientific innovation and discovery and vastly impact

the ability to provide the most advanced and protective solutions to U.S. service members in an accelerating competitive space.

b. Wisconsin multi-fuel capable hybrid-electric engines program

This work would not be possible without indirect cost support. Indirect costs pay for administrative support for the work, which includes research administration support, support for purchasing supplies and equipment, cybersecurity, libraries, and facilities upkeep. The engine research carried out in this work would also not be possible without the specialized testing facilities that rely upon important building utility infrastructure supported through indirect cost recovery. This includes specialized engine exhaust systems, building and campus chilled water systems for engine cooling, high power building electrical systems, high-capacity campus compressed air supply, and engine test cell air handling systems. Indirect costs also support campus research computing used in the work for both high-throughput and high-performance computing through the Center for High Throughput Computing. The facilities and capabilities used are only available due to the continued investment made possible by indirect cost recovery over many years. Loss of indirect cost reimbursements will result in the inability to maintain current facilities needed for a safe laboratory environment or to keep pace with future advances in equipment and facilities. This will result in a competitive disadvantage relative to other nations and a loss in our scientific leadership in a field of importance for national defense and industry.

c. Understanding and Treatment of Idiopathic Pulmonary Fibrosis

The broad scope of this interdisciplinary research results in a variety of needs for infrastructure and services funded by indirect cost recovery. One example is the unique animal models that are developed, bred, and analyzed using support from the UW–Madison Research Animal Resources and Compliance and the Biomedical Research Models Services cores. Additionally, optical imaging and matrix fabrication for study of cell-matrix interactions relies on

the Wisconsin Centers for Nanoscale Technology in the College of Engineering. Specialized biomaterials for drug delivery are developed by the Wisconsin Nano Center in the School of Pharmacy. Program facilitation, regulatory compliance, and logistical support are provided by dedicated program management staff in ICTR. These collaborative resources span multiple departments and disciplines and are critical to accelerating discovery, avoiding duplication, and translating science into targeted therapies. Without federal support, this complex, cross-disciplinary work would stall, delaying urgently needed solutions for a disease that claims 40,000 lives annually.

d. Development of Protective and Resilient Materials

The UW-Madison College of Engineering shared facilities—in particular, the Wisconsin Centers for Nanoscale Technology and the Wisconsin Structures and Materials Testing Laboratory—provide crucial support to the work under this grant. Each of these facilities offers advanced, specialized instruments that enable the researchers to experimentally test, analyze and characterize materials. These are unique capabilities not available in an individual investigator's laboratory, but rather open to a wide array of researchers across and beyond UW-Madison, thanks in part to indirect cost recovery. In addition to paying for the procurement and maintenance of specialized equipment and software, indirect costs fund the technical staff who maintain them and provide training to the faculty, staff, and students who regularly use them. Indirect costs also support data storage and management capabilities that are necessary for the large amounts of data generated under this project.

e. Telehealth to Improve Outcomes for Lupus Patients

The planned indirect cost recovery rate cut threatens completion of this study and spread of its findings that could lead to significantly improved care and lower costs for lupus patients. The rate cut jeopardizes necessary infrastructure, safety, and dissemination of research findings

before, during, and after funding. Indirect costs support ongoing monitoring by the Institutional Review Board (“IRB”) for all sites to ensure patient safety and data security, certified trainings, and tracking of training for all people conducting research. UW-Madison and its affiliated health system pay for security checks of the new eye exam equipment, interface set-ups, electronic health records orders and data reporting—all beyond the direct grant budget. Additionally, indirect funds are critical for dissemination of findings so research can make a difference in translation to practice. This requires support staff who help to prepare and submit abstracts and manuscripts, travel costs to present research at national meetings, publication costs, web-content, videos, and training materials for implementation and maintaining programs. Likewise, research personnel often help to create implementation toolkits with videos and build-guides to ensure replicability of successful interventions. Implementation toolkits from the principal investigator’s prior research have been endorsed and disseminated by the CDC and Million Hearts (AHA and CDC) with >1,000 downloads by health systems and universities. Such dissemination activities occur beyond the initially budgeted activities and continue well after funding of the original project has ceased. Indirect funding is critical to support the aim of advancing research to accelerate the spread of new evidence-based best-practices to achieve national dissemination reach and uptake toward improving healthcare delivery and human health.

f. Satellite Algorithm and Software Development

Reducing UW-Madison’s indirect cost recovery rate to 15% would compromise SSEC’s ability to maintain and operate the following, all of which are critical to continuing DOD research: access, maintenance and distribution of real-time and archive weather satellite data; infrastructure (antennas, power, and cooling) to ingest, process, and store satellite data; research instrumentation, including state-of-the-art lidar systems valued at \$4 million; a network of direct broadcast antennas in Madison, Miami, Puerto Rico, Hawaii and Guam that is used for real-time

satellite data access; mobile instrument research facilities including a ship-based mobile research unit (“SPARClet”) used to house and operate lidar systems in remote locations on land and sea. Reductions in indirect cost will also result in loss of support for university administrative and technical support staff who are critical to continued operations.

g. Human-Bot Cybersecurity Teams

Research on trustworthy AI requires extensive resources to train, fine-tune, and execute machine learning models. As these models continue to expand, UW-Madison researchers require extensive graphics processing unit resources to perform tasks, such as fine tuning existing open-source models, such as Llama and Deepseek. Indirect costs ensure these resources are available to support the research. Some experiments require access to application programming interfaces for proprietary models, such as Gemini, GPT, and Claude, which also can incur significant cost for large scale experiments. Without this support, UW-Madison could not conduct the research, and the U.S. would risk falling behind in securing military systems and critical infrastructure in a rapidly evolving digital battlefield.

12. Physical facilities costs are one of the largest components of indirect costs. UW-Madison’s campus includes over seventeen million gross square feet dedicated to research, education, administration, and general purposes. Many of its buildings are highly technical, and more than half are over fifty years old. Funding from indirect cost recovery goes directly toward maintenance and renovations in these buildings, particularly for outfitting, updating, and maintaining specialized laboratory space where much of the federally sponsored research is conducted. These spaces often require specialized security and safety measures that must keep pace with evolving federal regulatory standards. Facility maintenance and renovation projects ensure campus laboratories are not only properly equipped to support sophisticated, cutting-edge research, but to protect the safety of university scientists, students, and the surrounding community and meet

federal compliance obligations. State law prevents the use of other sources of unrestricted revenue for campus-funded renovation projects and donor support for research infrastructure upgrades is challenging to secure. Therefore, indirect cost reimbursement plays a critical role in maintaining the adequacy of our facilities. Beyond renovations, indirect costs contribute to utilities, HVAC systems, high-speed data networks, secure data storage and cybersecurity measures, and shared administrative services that ensure operational continuity of the research enterprise. The loss of indirect cost funding imperils not just research space: because research and academic activities at the UW-Madison share buildings, reduced maintenance resources will affect the entire university physical environment. Without this critical infrastructure, we simply cannot conduct the research.

13. In addition, indirect costs fund the administration of awards, including staff who ensure compliance with a vast number of regulatory mandates from agencies such as DOD. These directives serve many important functions, including ensuring research integrity; protecting research participants; properly managing and disposing of potentially hazardous chemical, radiological, and biological agents and other materials used in research; managing specialized procurement and security clearance processes for sensitive research; accounting; preventing technologies and other sensitive national security information from being inappropriately accessed by foreign adversaries; providing the high level of cybersecurity, data storage, and computing environments mandated for regulated data; ensuring compliance with specialized security protocols and safety standards; maintaining facility accreditation and equipment calibration to meet research quality and security standards; and identifying and managing financial conflicts of interest.

14. Recovery of UW-Madison's indirect costs is based on predetermined rates that have been negotiated with the federal government in accordance with federal regulations.

15. UW-Madison has a Negotiated Indirect Cost Rate Agreement (“NICRA”) with the U.S. Department of Health and Human Services serving as the cognizant agency, covering all federal agencies, and effective from January 17, 2025, through June 30, 2026. The indirect cost rate under UW-Madison’s NICRA is 55.5% for on campus organized research, consisting of 26% for administrative costs and 29.5% for facility costs. Administrative costs are the general costs to administer research, such as accounting, payroll, and research oversight, and are capped by federal regulations at 26%. Facility costs include the maintenance and depreciation of UW-Madison’s research facilities. When UW-Madison last prepared its indirect cost rate proposal for submission to the U.S. Department of Health and Human Services, it showed that its actual administrative cost rate is 30.3% and its actual facilities cost rate is 33.7%, bringing its total indirect cost rate to 64%. This is the full, uncapped rate calculated at the time of the last rate proposal, and it reflects the true cost of doing research at UW-Madison. The rate was then negotiated down to its current rate of 55.5% following the federally prescribed negotiation process, meaning that UW-Madison is already performing its research operations at a loss and forced to make up these costs elsewhere.

16. The effects of a reduction in the indirect cost rate to 15% would be devastating. Of the \$57,755,619 in DOD funding that UW-Madison received in fiscal year 2024, \$41,155,518 consisted of payment of direct costs, and \$16,600,101 consisted of reimbursement of indirect costs. Similarly, in fiscal year 2025, UW-Madison expects to receive \$51.5 million in DOD funding for direct costs and \$20.8 million in DOD funding for indirect costs. Expenses from fiscal years 2021 to 2024 show that the annual compound growth rate of UW-Madison’s annual indirect costs recovery from DOD is 25% per year. Based on the predetermined indirect cost rate of 55.5% for organized research, which was agreed upon by the federal government as of January 17, 2025, and applying the same annual compound growth rate, UW-Madison reasonably expects to receive

approximately \$25.9 million in fiscal year 2026, \$34.4 million in fiscal year 2027, and \$40.5 million in fiscal year 2028 in indirect cost recovery from DOD.

17. If—contrary to what UW-Madison has negotiated with the federal government—the indirect cost rate was reduced to 15% for new and existing awards, that would reduce UW-Madison’s anticipated annual indirect cost recovery significantly. Using fiscal year 2024 as an example, if UW-Madison had been subject to a rate of no greater than 15% of its modified total direct costs in fiscal year 2024, it would have only received reimbursement of \$4,560,311 from DOD in indirect costs, equating to a loss of \$12,039,790. Applying the 15% rate to all anticipated modified direct costs over the next few years, UW-Madison’s annual indirect cost recovery would be reduced by \$18.8 million in fiscal year 2026, by \$25.0 million in fiscal year 2027, and \$29.4 million in fiscal year 2028.

18. This unanticipated and abrupt loss of millions in annual research-related funding will have deeply damaging effects on UW-Madison’s ability to conduct research from day one; it will place the university in the sudden, untenable position of no longer being able to rely on promised federal funding necessary for the daily operations that support research critical to the health, safety, and readiness goals of the U.S. military. Many of UW-Madison’s current research projects will be forced to slow down or cease abruptly if we are required to apply for new awards or renewals at a 15% indirect cost recovery rate, or to “renegotiate” the rate on current grants to 15% under threat of termination if the university refuses—a risk that the majority of our DOD awards would face, given the impossibility of carrying out most of our research projects with only a 15% reimbursement for indirect costs. This rapidly-growing reduction in DOD funding would need to be immediately factored into our financial planning, likely resulting in significant staffing

reductions and reducing services offered by campus research cores, if not shutting them down entirely.

19. UW-Madison does not have alternative funding mechanisms to support all of the DOD awards it would likely lose under the 15% indirect cost rate cap policy, so many research projects would need to be terminated due to lack of funds, and others would need to be scaled down or pared back significantly. The process of identifying these cuts would need to begin immediately, and layoffs, closures, and research pauses or contractions would follow soon thereafter. Cutting back on UW-Madison research in fields such as cybersecurity, maritime navigation, materials science, injury prevention and recovery, and military flight technology will also have long-term implications on national security, the American economy, and the health and wellbeing of U.S. service members and the American public.

20. UW-Madison has for decades relied on federal payment of indirect costs and until now, the well-established process for negotiating indirect cost rates with the government has provided stability and predictability to help inform our budgeting and planning. Operating budgets depend on an estimate of both direct and indirect sponsored funding to plan for annual staffing needs (*e.g.*, postdoctoral trainees, graduate students, and research staff), infrastructure support (*e.g.*, information technology networks, regulatory compliance, and grant management support), and facility and equipment purchases. The rigorous nature of research requires long-term financial obligations and indirect cost recovery associated with budgeted grant funding is necessary to fulfill these commitments to ensure the investments result in effective and valuable outcomes. This multi-year budgeting process also assumes the availability or possibility of grant renewals at roughly similar terms—and certainly at the negotiated indirect cost rate—as had been previously available.

21. Dramatically cutting indirect cost reimbursement would have pervasive effects that are both cumulative and cascading. A reduction from the current indirect cost funding level will create a deficit in UW-Madison's central budget, as well as the individual budgets of many of its schools, colleges, and divisions, necessitating a scaling back of commitments, or reductions elsewhere. For example:

a. Central Campus Operations

Most indirect cost reimbursements are managed centrally on campus for general operations, staff salaries (*e.g.*, custodial and Environmental Health & Safety staff), and capital upgrades and laboratory renovations that support the research enterprise. A significant reduction in indirect cost recovery could result in a range of possible consequences, including across-the-board budget cuts, targeted staffing reductions or furloughs, or reduced investment in facilities, despite an already significant deferred maintenance backlog. Given the importance of specialized personnel to ensure safety and regulatory compliance with respect to, for example, research animal care and use and the storage and handling of chemical, radiological, and biological materials, a loss of personnel in these areas would necessitate a reduction in the affected areas of the research enterprise. If the work cannot be conducted in a manner that guarantees safety, it cannot be carried out at all. In addition, UW-Madison research core facilities depend on staff with technical expertise to make their services available across campus; a cut in indirect costs could necessitate narrowing the scope of their offerings, which would either force UW-Madison researchers to find these specialized tools and services elsewhere or forego them altogether.

b. Start-Up Packages

Several UW-Madison schools and colleges use funding from indirect cost recovery to offer start-up packages to new faculty for capital equipment and initial research staff. Indirect costs are

also used to fund needed laboratory remodeling for new faculty. If indirect cost recovery declines, UW-Madison will be unable to offer competitive start-up packages or fund needed lab renovations—which can reach into the millions of dollars per faculty member—impeding the university’s ability to attract and hire new faculty, especially in fields like physics, oncology, computer science, and engineering. This would have compounding downstream effects like lowering UW-Madison’s ability to conduct research in areas where faculty need start-up packages, such as quantum computing, semiconductors, fusion energy and plasma sciences, mechanical engineering, and small molecule chemistry that forms the basis of new drug discovery, and neurobiology. UW-Madison’s ability to train the next generation of researchers and educate students would likewise be significantly hindered.

c. Upgrades to Facilities

Any loss of indirect cost reimbursement would slow the progress of upgrades to keep research labs at the cutting edge of their field, causing UW-Madison to fall short of its full potential. For example, at present, the College of Engineering has a multi-year plan to upgrade its research computing infrastructure to protect against ever-evolving cyberthreats. The national interest in ensuring robustly secure computing environments is reflected by the adoption of requirements in this area by many funding agencies. Similarly, the College of Letters & Sciences is in the initial stages of planning a building remodel to accommodate an expansion of its Quantum Science group, following federal government guidance on the importance of quantum technologies. These upgrades depend on funding the college receives from indirect cost reimbursement and are critical to ensure continued security of sensitive data and information and protection of U.S. investments in research.

22. Disruptions to UW-Madison's research caused by a reduction in indirect cost recovery will also have negative effects in the Madison area, the state of Wisconsin, and the broader region. UW-Madison's research fuels spending in the regional economy, including by driving discoveries that launch new ventures, attract private investment, and make a positive social impact. For example, as reported in a 2021 study conducted by Northstar Analytics, LLC, UW-Madison affiliated organizations and startups collectively contribute \$30.8 billion per year to the Wisconsin economy; this economic activity supports more than 232,000 jobs and generates \$1 billion in state and local taxes. A massive reduction in UW-Madison's research budget would immediately and seriously jeopardize these contributions to the local region.

23. Finally, slowdowns or halts in research by UW-Madison and other American universities will allow competitor nations that are maintaining their investments in research to surpass the U.S. on this front, threatening our national security, military readiness, economic dominance, and the health and wellbeing of our service members and citizens. If DOD reduces its investment in supporting research infrastructure, particularly as the costs of conducting specialized research continue to increase, the number of personnel with expertise in sophisticated fields that the university can train and employ will necessarily decrease. Extrapolated across U.S. institutions, this workforce reduction has long-term implications for national industries to secure the talent they need for the future, negatively affecting economic growth and national security. While the losses will be rapid, recovery operations will take decades, and in the meantime the U.S. will fall behind other nations in developing advanced technologies. The research conducted at UW-Madison yields direct applications to be implemented by DOD in areas including—to name just a few —maritime navigation, hybrid aircraft engine systems, cybersecurity tactics, and novel treatments for the most common injuries and illnesses among U.S. servicemembers. DOD has a vested interest in ensuring

that these research initiatives are sufficiently funded to see the benefits they offer to our nation's military, and by extension, the American public.

24. UW-Madison cannot make up the threatened funding gap itself. First, it is neither feasible nor sustainable for UW-Madison to use endowment funds to offset shortfalls in indirect cost recovery. Most endowment funds that support UW-Madison—over 80%—are restricted to specific donor-designated purposes, such as scholarships, faculty chairs, and academic programs. UW-Madison is not legally permitted to use those funds to cover research infrastructure costs. The remaining unrestricted funds are subject to a carefully managed annual payout, typically around 4.5%, to ensure long-term financial stability for the institution. It is also not feasible or sustainable for UW-Madison to use other revenue sources to offset shortfalls in indirect cost recovery. As a non-profit institution, UW-Madison reinvests nearly all of its revenue into mission-critical activities, leaving little margin to absorb unexpected funding gaps. In other words, unlike for-profit organizations, UW-Madison does not generate significant surpluses that could be redirected without impacting core academic priorities such as educational programs and financial aid support for students. Absorbing the cost of a lower indirect cost rate, even if it were possible, would create long-term budget pressures on UW-Madison—which would in turn force reductions in key investments supporting UW-Madison's faculty, students, staff, research, and teaching infrastructure, as well as other critical activities needed to maintain UW-Madison's academic excellence. Even if UW-Madison could “cover” *some* of the indirect costs previously funded by DOD, it could do so only by negatively affecting other goals central to the institution's mission.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on June 15, 2025



Dorota A. Grejner-Brzezinska

**WI Decl. of Grejner-Brzezinska,
Ex. A - 6.15.2025**

Subject: ONR Implementation of DoD Indirect Cost Cap Memorandums
Date: Friday, June 13, 2025 at 9:34:01 AM Central Daylight Time
From: Wargo, Wade D CIV USN CNR ARLINGTON VA (USA)
Attachments: SECDEF DoD Indirect Cost Cap Memo - 2025-05-14.pdf, DoD Implementation of SECDEF Indirect Cost Cap Memo - 2025-06-12.pdf

Dear ONR Performer,

You are receiving this notice because your organization is an Institution of Higher Education (IHE) that has an active grant with the Office of Naval Research (ONR). ONR is in receipt of the attached DoD memorandums directing the implementation of a 15% indirect cost cap for future and existing DoD assistance awards with IHEs. An ONR representative will be contacting you in the near future about your existing ONR grant.

Wade Wargo
Director, University Business Affairs
Office of Naval Research
email: wade.d.wargo.civ@us.navy.mil

**WI Decl. of Grejner-Brzezinska,
Ex. B - 6.15.2025**

RESEARCH
AND ENGINEERING

UNDER SECRETARY OF DEFENSE

3030 DEFENSE PENTAGON
WASHINGTON, DC 20301-3030

12 JUN 2025

MEMORANDUM FOR SENIOR PENTAGON LEADERSHIP
COMMANDERS OF THE COMBATANT COMMANDS
DEFENSE AGENCY AND FIELD ACTIVITY DIRECTORS

SUBJECT: Implementation of a 15% Indirect Cost Cap on Assistance Awards to Institutions of Higher Education

On May 14, 2025, the Secretary of Defense issued a memorandum requiring the Department of Defense (DoD) to pursue a cap on indirect cost rates for Federal financial assistance awards to institutions of higher education (IHEs) of 15% or lower (see attached memorandum). This decision, motivated by the potential cost savings highlighted in Secretary Hegseth's memorandum, is further detailed here to outline the Department's changes and provide clear guidance to DoD Components for implementation.

The Department provides financial assistance awards (primarily grants and cooperative agreements) to IHEs for the conduct of research and development and for other activities. As part of these awards, the Department provides funding for "indirect costs." Indirect costs are described in section 200.414 of Title 2, Code of Federal Regulations (CFR), as costs in two categories: "Facilities" and "Administration." "Facilities" is defined as depreciation on buildings, equipment, and capital improvements, interest on debt associated with certain buildings, equipment, and capital improvements, and operations and maintenance expenses. "Administration" is defined as general administration and general expenses such as the director's office, accounting, personnel, and all other types of expenditures not listed specifically under one of the subcategories of "Facilities."

The DoD Components typically use indirect cost rates that are negotiated between the cognizant Federal agency and the IHE (as described in Appendix III to 2 CFR Part 200) when issuing financial assistance awards to IHEs. However, as described in 2 CFR 200.414(c), an agency may use a rate different from the negotiated rate for either a class of Federal awards or a single Federal award when approved by the awarding Federal agency in accordance with paragraph (c)(3).

In accordance with 2 CFR 200.414(c), this memorandum implements the Department's policy deviating from the negotiated indirect cost rate for financial assistance awards to IHEs. The Department is deviating from the indirect cost rates negotiated between the cognizant Federal agencies and IHEs and will instead limit indirect cost rates to 15% for all Federal assistance awards to IHEs because the Secretary of Defense has determined that significant cost savings would result from such deviations. In making the decision to limit IHE indirect cost rates to 15%, the Department compared the indirect costs on existing financial assistance awards to IHEs to the indirect cost rates allowed by several non-profit foundations that provide financial assistance to IHEs and determined that such a move would lead to cost savings.

For all new assistance awards to IHEs, DoD Components that make financial assistance awards to IHEs are directed not to allow indirect cost rates above 15% in all new assistance awards to IHEs as of the date of publication of this memorandum. In negotiating indirect cost rates for financial assistance awards to IHEs, DoD Components should consider the criteria for identifying and computing indirect cost rates as described in Appendix III to 2 CFR Part 200. However, DoD Components must not exceed the 15% indirect cost rate cap on any award to IHEs. All notices of funding opportunity for DoD assistance awards must be updated to include information about the 15% indirect cost rate cap for IHEs. In addition, all DoD Components that make financial assistance awards to IHEs are reminded that they must ensure that all indirect costs on assistance awards are reported to the Financial Assistance Award Data Collection System, which is the Department's system of record for compliance with the Digital Accountability and Transparency Act of 2014.

For all existing assistance awards to IHEs, DoD Components must also apply the 15% cap on indirect cost rates. Where possible, DoD Components should renegotiate indirect cost rates on existing DoD assistance awards with IHEs to comply with the 15% indirect cost rate cap. The 15% indirect cost rate cap on existing assistance awards is not required to be retroactive to the beginning of an award but must have an effective date that is not later than November 10, 2025. DoD Components may allow existing awards to operate under their originally determined indirect cost rate until a renegotiation is completed. However, all renegotiations on indirect cost rates must be complete by no later than November 10, 2025. If a DoD Component is unable to reach an agreement with an IHE to limit the indirect cost rate under a DoD assistance award to 15%, the DoD Components shall terminate the assistance award, as allowed by statute, regulation, and the terms and conditions of the award, in accordance with 2 CFR 200.340(a).

For the purposes of this memorandum, terms such as Federal financial assistance, Federal award, indirect cost, IHE, and notice of funding opportunity have the meanings assigned to them in 2 CFR 200.1.

Thank you for your attention to this matter. The academic community's work with the Department remains essential for the development of transformative research concepts that drive our future capabilities. This memorandum will be made available to the public on defense.gov.



Emil Michael

Attachment:
As stated