May 19, 2025

The Honorable Christopher Wright
Secretary of Energy
U.S. Department of Energy
1000 Independence Avenue, SW
Washington, DC 20585

Dear Secretary Wright,

We write in response to the Department of Energy's (DOE) decision to impose sweeping new caps on indirect cost rates across a wide spectrum of its funding recipients—including state and local governments, non-profit organizations, and for-profit partners. While direct costs support salaries, supplies, and equipment, indirect costs provide essential support for general operations and infrastructure. Capping indirect cost rates far below their current values compounds the detrimental policy you have already announced cutting funding for university-led research, and these proposed cuts put energy innovation and economic development in communities across the country at serious risk. Like so many actions your Department has already taken, these new cuts will also raise energy costs for American families and businesses.

By imposing an arbitrary, inflexible cap of 10 or 15% on indirect costs—regardless of organizational type, mission, or financial structure—the Department is undermining the ability of its grantees and partners to deliver on DOE's core priorities. Ultimately, this policy threatens to prevent smaller, under-resourced organizations from getting the support they need to conduct cutting-edge research, which will stifle innovation in regions that need investment the most. These indirect cost caps disregard the essential infrastructure required to administer safe, scalable, and high-impact projects. Local governments and non-profits, already stretched thin, now face arbitrary limitations that will squash efforts to fortify electricity grids to be robust to storms and other disruptions, initiatives to ensure all community members can access affordable and reliable energy, and emerging technology deployment at the local level.

If left to stand, the consequences of these cuts will be severe: multi-sector collaboration will be chilled, community-led innovation efforts across the US will be disrupted, and thousands of jobs supporting energy and infrastructure will be at risk. This abrupt policy change will undercut the very institutions—state and local governments, non-profits, and research organizations—that drive energy innovation, workforce development, and clean energy solutions in local communities. America's energy future must be built on strong partnerships—not policies that penalize those on the front lines of progress.

These abrupt changes have been announced without the transparency you have promised, without public engagement, and without any meaningful justification. Worse, they appear to ignore the diverse cost structures and compliance burdens that entities must absorb to responsibly manage federal funds. These are not “wasteful” administrative expenses—they are essential costs of conducting federally sponsored research that benefits the American people.

We reiterate our call to immediately reverse these harmful caps, urge you to engage stakeholders and experts in crafting any future reforms, and request written responses to the following questions by no later than May 30:

1. What will happen to existing (conditional and nonconditional) awards if they do not meet the new terms and conditions in this policy?
2. What data and models did DOE use to conclude that a uniform 10 or 15% cap would be sufficient and sustainable across such varied institutional types (e.g., local governments, non-profits, for-profits)? Will DOE release this analysis publicly?
3. How does DOE justify this cap given that many organizations and governments currently operate with indirect cost rates significantly higher than the new proposed cap?
4. How does DOE reconcile these cost caps with existing negotiated indirect cost rates under OMB Circulars and 2 CFR 200, particularly where they exceed the new ceilings?
5. What outreach or consultation—if any—did DOE undertake with non-profit, municipal, or private-sector stakeholders prior to issuing these policy changes?
6. What specific exemptions, waivers, or appeal mechanisms will DOE make available for awards where capped indirect costs would result in program delays, layoffs, or funding shortfalls?
7. Has DOE assessed the potential regional economic and workforce consequences of capping indirect costs on state, local, and non-profit implementation partners? If so, will DOE release that analysis publicly?

We look forward to your responses and attention to this critical issue.

Sincerely,

Marcy Kaptur

Marcy Kaptur
Ranking Member, Subcommittee on Energy and Water Development
House Committee on Appropriations

Patty Murray

Patty Murray
Ranking Member, Subcommittee on Energy and Water Development
Senate Committee on Appropriations