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Michigan has Options to Respond to Cuts to Federal Research Grants

In a Nutshell

- The federal government is pursuing several policies that are likely to lead to less funding for medical and scientific research.
- Federal cuts to research and development will hurt Michigan’s economy and lead to fewer life-improving breakthroughs that help the state’s residents.
- Michigan has options to address both the short-term disruption caused by the cuts and the long-term impact of reduced spending on medical and scientific research, and the state should evaluate those options as soon as possible.

Over the last few months, the Trump Administration has taken a number of actions aimed at cutting federal spending on medical and scientific research. These actions include attempts to reduce the maximum amount federal grantees may spend on “indirect costs,” termination of swaths of existing grants, and broader reduction in grants received by specific institutions.

Some of these actions affecting previously approved research funding have been challenged in court and may not be fully implemented. However, even if some existing grants are saved, it is likely that the Administration will continue to limit new grants going forward as it makes efforts to reduce the federal government’s role as a funder of research and development.

While debates surrounding the merits of these cuts and the specific manner in which they are being implemented are worthwhile, state-level policymakers have the task of managing the impact. The situation is fluid, but states are faced with both the disruption of existing research projects and the prospect that beneficial research that would previously have been funded by the federal government will be seeking support from other sources.

With the federal government’s role in research funding shifting, Michigan policymakers should identify and analyze available options to fill in the gaps, both in terms of supporting existing research and development workforce, and making sure publicly important scientific work continues to flourish.

The Exact Scope of the Cuts is Still Developing

Overall, the proposed and enacted cuts to scientific and medical research have come in three broad categories. First, there has been an attempt to cap “indirect costs,” essentially reducing the amount recipients may spend on overhead and administration. If implemented, this is likely to make it more difficult to conduct research and will reduce the projects that can occur because carrying out research often comes with costs that are not easy to attribute to a specific project (e.g., rent, utilities). Legal challenges are ongoing with respect to capping these costs on grants that have already been approved, but even if that succeeds, future grants are likely to be impacted.

Second, there has been an effort to cancel projects on certain topics that either are or appear inconsistent with the Administration's values.

Third, the Administration is also making efforts to cut off research funding to major institutions as part of broader conflicts with those entities. Some of these efforts may not come to fruition due to their retroactive nature, but it is reasonable to assume federal research funding will be reduced, at least for the next several years.

Given the fluidity and scope of the cuts, understanding the exact tangible effects is a challenge. Still, some efforts exist to quantify the impact. Institutions in Michigan receive about \$1 billion per year in National Institutes of Health (NIH) grants, accounting for an economic impact about \$2.5 billion. Data on the federal cuts indicates as much as \$180 million of that funding could be in jeopardy so far, which could amount to an economic impact of \$456 million and 2,000 jobs. In addition to NIH grants, institutions in Michigan receive about \$240 million annually from the National Science Foundation (NSF), which is another large source of research funding currently being evaluated for cuts. The Department of Energy (DOE) is trying to cap indirect costs, and while comprehensive data on state grants was not available for the entire department, Michigan State University says it received \$165 million last year – \$32 million of which is now in jeopardy.

This federal funding supports biomedical research and other scientific progress at universities, hospitals, other research institutions, and private companies across the country. NIH research encompasses things like substance use, chronic conditions, injuries, mental health, aging, genetic disorders, and social factors influencing health, not to mention vaccine development and new drugs. NIH funding supported research on 99 percent of drugs approved between 2010 and 2019. NSF and DOE funding cover an even wider range of topics, along with smaller pools of money from various other federal agencies, to promote environmental, agricultural, and energy projects, to name a few.

Michigan has a Stake in Research and Development

Broadly, states have three overlapping interests in the continuation of federal research funding. First, research that takes place in the state supports economic activity and jobs for the state's residents. As noted earlier, the existing NIH cuts alone could cost Michigan over \$450 million in economic impact and put researchers and staff out of work.

Second, states benefit more broadly from attracting the kind of research and development talent that comes with these projects. Having an established research and development workforce supports other kinds of industries even if those industries are not grant funded themselves.

Third, research outcomes have the potential to improve people's lives, as vaccine and medication development is often federally funded, as are techniques to produce more food or create more resilient coastlines. These benefits do not require the underlying research to be conducted in any particular state, which is why research is often federally funded, but states have an interest in general in this kind of research taking place.

While the present focus is on the medical and scientific research cuts coming from Washington, D.C., these principles are consistent with the broader value of promoting research and development as a pathway to growth and higher living standards. The Research Council has recently highlighted the value of promoting innovation and entrepreneurship, with an eye toward creating ecosystems that foster continued development. Our work found Michigan trails its neighbors generally in this regard, making it even more important for the state to grapple with the impact of the recent federal cuts.

States are not necessarily the ideal governmental entities to lead the nation's research and development agenda. But, in the event that the federal government is standing down from this role, particularly as it relates to medical and scientific research, states will be motivated to implement policies that support research and development and should consider the options available to them, either working alone or in concert with others.

State Options for Supporting Research and Development

Ultimately, policymakers will decide how far the state should go in responding to these research cuts and how much money should be spent to mitigate their impact. Depending on the level of investment the state wants to make and which of the negative effects it aims to address, a variety of different policy options are available.

Addressing Specific Cuts

One level of response Michigan could pursue is targeting the cuts to existing programs. This would include policies that seek to maintain and restart research that is already underway in the state but has been cut or is facing the prospect of cuts under one or more of the Administration's orders. The state could go about this in a few different ways with the goal of keeping existing people and projects in place without taking on the responsibility for the overall promotion of research and development.

Money to Institutions: One option is to appropriate money to affected institutions, primarily universities, and allow those institutions to allocate the money to impacted departments and researchers so they can carry on as they were before. MSU is already doing this on its own in some cases, but state support would be needed to address the full scope of the situation. This is likely the easiest approach administratively, but it may not offer policymakers as much control over the prioritization of funds if the state does not want to or cannot afford to cover all of the cuts.

Temporary State Grants: Another approach would be for the state to establish a temporary grant program where affected federal grantees could apply for funding to cover the remainder of their work. This would give the state more discretion in prioritizing what it considers the most important research. The state could assemble a triage team to identify the grants with the highest expected benefit to the state so that any funding goes to the programs with the biggest payoff. This would provide more oversight but would involve setting up and managing a new program to carry it out.

Indirect Cost Fund: The state could also approach the indirect costs issue head on, creating a fund to offset costs directly related to the federal government's proposed cap (if it goes into effect) so that grants that have not been cut off officially by the federal government would not suffer from a decrease in resources. In the long run, this kind of program could be expensive, but in the short term it would keep research afloat and be relatively straightforward to manage given that it would be easy to calculate exactly the magnitude of the reduction for each federal grant.

Taking the Lead on Promoting Research and Development

If the state wanted to go beyond support for existing research, a number of avenues are available for it to take a more active role in funding research and development.

State Research Agency: In a world where the NIH and NSF take on much smaller roles, individual states could create their own research programs. If the state decides it wants to fund this kind of research in a large-scale way, putting together a permanent entity that manages and reviews grants on the state's behalf would make sense. Not only would this allow researchers in the state to shift their grant-seeking from the federal government to the new state entity, it would likely send the signal to other displaced researchers that Michigan is worth considering as a destination, potentially including funding designed to attract researchers who were previously based in other states.

Another less ambitious option could be to identify particularly important kinds of research and establish dedicated programs to support that work, which has previously been proposed in the state for things like pediatric cancer research.

Private Facilitation: Either as part of a state research agency or as a standalone project, the state could respond to federal research cuts by building an infrastructure that helps researchers connect with private sources of research funding. The largest research hubs in the United States are driven in part by government-funded

grants, but the presence of private investors, lab space and resources, and a research-based job market are factors that attract research talent. San Francisco, Boston, and Seattle do not just have a high number of NIH recipients, they also have private sector entities that have situated themselves close to that talent.

Even if the state does not want to be the primary financial source for research in the state, working to build a program that connects researchers with other funding sources could benefit the state by keeping talent in Michigan alongside its other economic development goals. This could take many forms, following the lead of other kinds of public-private partnership arrangements.

Bigger Role for Universities: The state could also work to capitalize on its existing research institutions and pump more funding into universities for the purpose of supporting more research. This approach may not allow for as much oversight from policymakers, but it would also avoid the need to create any additional bureaucracy.

Interstate Coordination: Part of the reason why the federal government has played a large role in research funding is that every state has research institutions and the benefits from research are often widespread. As a result, many states find themselves in similar situations where they want to promote research in the absence of federal support. Michigan could assemble or participate in a coalition of states interested in supporting research and development, pooling resources and expertise, while also avoiding duplicating efforts on some of the more routine functions. This would require overcoming interstate coordination problems but would most closely resemble the federal structure that is being undone. While slightly beyond the scope of most existing interstate agreements, there is a long history of states working together for common purposes, and Michigan's large research institutions have experience collaborating with their counterparts elsewhere in the country. For instance, the Big Ten Cancer Research Consortium leverages the resources and expertise of researchers at many institutions to conduct improved clinical trials and observational studies.

Conclusion

With the federal government is making an effort to reduce its role in supporting medical and scientific research, states are faced with managing the short- and long-term impact of that paradigm shift. Michigan stands to lose hundreds of millions of dollars in economic activity, as well as the potential for fewer life-improving research findings.

The state may want to respond to the cuts primarily to avoid disruption to an important component of the economy, but it also has an interest in continued scientific discovery and should think about its role in a broader research and development agenda.

Michigan could act to fill in the immediate gaps left by the proposed or active funding cuts, through short-term funding boosts or temporary grants programs, but it could also take this opportunity to establish a state research agency, facilitate private research investment, or form an interstate research alliance. Any substantial effort will require deliberations about budget priorities and possible reallocation of state resources. Ultimately the path Michigan takes will depend on how much policymakers want to invest in this area, but they should think about the best approach before other states take this opportunity to poach Michigan's research talent.

ABOUT THE AUTHOR

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Karley Abramson joined the Research Council in 2022 as a Research Associate focusing on health policy. Previously, Karley was a nonpartisan Research Analyst at the Michigan Legislative Service Bureau where she specialized in the policy areas of public health, human services, education, civil rights, and family law. Karley has worked as a research fellow for various state and national organizations, including the National Institutes of Health and the ACLU of Michigan. She is a three-time Wolverine with a bachelor's degree in sociology, a master's of public health, and a juris doctor from the University of Michigan.

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