The Economic and Employment Impacts of NIH Indirect Cost Rate Reductions in North Texas

Executive Summary

The National Institutes of Health (NIH) plays a critical role in driving innovation, supporting local economies, and improving medical care in North Texas. In FY2023, NIH provided $1.85 billion in research funding to Texas, supporting 29,563 jobs statewide and generating $5.8 billion in economic activity[1]. However, the proposed reduction in NIH Indirect Cost (IDC) Rates poses a significant threat to the region. This report provides a detailed breakdown of the potential impacts on North Texas, including job losses, economic burdens, and consequences for world-class medical care.

Overview of NIH Funding in Texas (FY2023)

1. NIH Total Funding in Texas: $1.85 billion[4]
2. Total Jobs Supported by NIH Funding in Texas: 29,563 jobs[4]
3. Economic Multiplier: $1 of NIH funding generates $2.60 in economic activity[4]

I. NIH Funding for North Texas Institutions

North Texas is home to major research institutions that account for a significant portion of Texas's NIH funding. Below is a summary of FY2023 total R&D Federal Expenditures for key North Texas institutions:

Institution	IDC Rate	Original IDC Revenue ($M)	Adjusted IDC Revenue ($M)	Loss Due to 15% Cap ($M)	Total Federal R&D Expenditures ($M)	NIH Funding ($M)
U. Texas Southwestern Medical Center	64%	203.28	47.65	155.64	336.13	317.6
U. North Texas, Health Science Center	48%	35.39	11.06	24.33	77.66	73.3
U. Texas, Dallas	52%	14.56	4.2	10.36	66.13	28
U. Texas, Arlington	56%	7.7	2.06	5.63	56.34	13.7
U. North Texas, Denton	49%	2.66	0.81	1.85	30.02	5.4
Southern Methodist University	49%	1.81	0.56	1.25	19.99	3.7
Texas Woman's University	43%	0.39	0.14	0.25	2.44	0.9

Total Federal Expenditures for North Texas Institutions: $588.7 million total ($443.2 million from NIH)

II. Estimating Jobs Supported in North Texas

Using the statewide average of 16 jobs supported per $1 million of NIH funding ($29,563 jobs supported by $1.85 billion funding)[1]:

- Total Jobs Supported in North Texas: $588.7 million × 16 jobs per $1 million = **~8,361 jobs**

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III. Estimating the Impact of a 15% IDC cap in NIH Funding

Total Loss Across Institutions: $199.31 million annually. This value is derived from the sum of the "Loss Due to 15% Cap" column in the table above, which calculates the difference between the original IDC revenue at each institution's full IDC rate and the adjusted IDC revenue under the 15% cap.

Estimated Job Losses

- Funding Lost: $199.31 million
- Jobs Impacted: $199.31 million × 16 jobs per $1 million = ***~3,189 jobs lost***

Estimated Economic Activity Impact

- Funding Lost: $199.31 million
- Economic Activity Reduction: $199.31 million × $2.60[1] = ***~$518 million annual loss in economic activity*.**

The *economic multiplier* is a standard assumption that for every $1 of NIH funding, approximately $2.60 of economic activity is generated in the broader economy. This includes direct spending by research institutions, indirect spending on supporting industries, and induced spending by employees[1].

Breakdown of Job Categories Affected

The jobs supported by NIH funding include a mix of direct, indirect, and induced employment. A proportional distribution for North Texas can be assumed as follows:

1. Direct Jobs (60%): These are jobs directly tied to research grants, such as scientists, lab technicians, and administrative staff[2].
    - Estimated Impact: 60% of 3,189 jobs = *1,913 jobs lost*
2. Indirect Jobs (25%): These are jobs in industries that support research, such as suppliers of lab equipment, IT services, and facility maintenance[2].
    - Estimated Impact: 25% of 3,189 jobs = *797 jobs lost*
3. Induced Jobs (15%): These are jobs generated by the spending of direct and indirect employees in the local economy, such as retail, hospitality, and healthcare workers[2].
    - Estimated Impact: 15% of 3,189 jobs = *479 jobs lost*

Additional Impacts on Medical Care and Healthcare Costs

Delayed Medical Breakthroughs

- Institutions like UT Southwestern Medical Center, a global leader in medical innovation, may face delays or cancellations in clinical trials for diseases such as cancer, Alzheimer's, and heart disease due to reduced funding. This would limit access to life-saving treatments for patients in North Texas and beyond[3].

Rising Healthcare Costs

- Reduced funding for research leads to fewer cost-effective treatment options, increasing the financial burden on healthcare providers and patients. Over time, this could add millions of dollars in healthcare costs annually as preventable conditions become more expensive to treat.

Summary of 15% IDC cap on NIH Funds Impact on North Texas

1. Total Jobs Lost: ~3,189 jobs
    - Direct Jobs: ~1,913
    - Indirect Jobs: ~797
    - Induced Jobs: ~479
2. Economic Losses: ~$518 million annually
3. Impact on Medical Care:
    - Delayed or canceled clinical trials for life-saving treatments.
    - Increased healthcare costs for providers and patients.

Conclusion and Recommendations

The reduction of NIH Indirect Cost Rates poses a significant threat to North Texas, impacting nearly 3,189 jobs, reducing $518 million in economic activity annually, and jeopardizing access to world-class medical care. These figures underscore the critical need to:

1. Restore Full NIH IDC Rates: Advocate for policies that sustain federal research funding.
2. Protect Job Creation: Recognize NIH funding as a vital economic engine for North Texas.
3. Preserve Medical Leadership: Ensure institutions like UT Southwestern Medical Center remain competitive globally.

References

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3. UT Southwestern Medical Center, *Economic Impact Report*. Retrieved from utsouthwestern.edu
4. National Science Foundation, *Federal R&D Obligations by Institution FY2023*. Table 26.