

**The Ohio State University
Faculty Senate Fiscal
Updated March 24, 2023**

TOPIC:

Overhead Rates for FY 2024

CONTEXT:

This is the annual calculation of overhead rates charged by the University to non-General Fund (earnings) units for services such as purchasing, auditing, insurance, campus safety, etc.

CALCULATION SUMMARY:

Calculated and proposed rates for FY2024 are summarized below:

| The Ohio State University Earnings Overhead Rates based on FY 2022 Actual Costs | | | | | | | |
|------------------------------------------------------------------------------------|--------------------------------------|----------------------|-------------------------------|-----------------------------|-----------------|-----------------|-------|
| (\$ in millions) | Overhead Costs to be Recovered | Adjusted Revenues | Calculated FY2024 Rates | Proposed FY2024 Rates | FY2023 Rates | FY2022 Rates | Notes |
| Health System | \$ 59.7 | \$ 2,902.7 | 2.06% | \$ 59.7 | \$ 56.6 | \$ 54.0 | (A) |
| Instructional Clinics | 1.4 | 40.9 | 3.41% | 3.41% | 3.54% | 3.7% | |
| Regional Auxiliaries | 0.3 | 9.7 | 2.93% | 2.93% | 2.94% | 2.4% | |
| All Other Earnings Units | 25.0 | 504.7 | 4.95% | 4.95% | 5.14% | 5.0% | |
| Total | <u>\$ 86.4</u> | | | | | | |

(A) - The Health System is charged a fixed dollar amount that is based on actual allocated costs, adjusted for inflation, in order to be compliant with federal Medicare Medicare reimbursement policies. Actual fixed payment amount is \$59,700,000.

NOTES:

- Total overhead costs to be recovered increased \$4 million, to \$86.4 million, compared to the prior year. Assumed increases in central costs primarily driven by AMCP and benefit cost increases (see Attachment C).

ADDITIONAL DETAIL:

- **Attachment A** – Notes on Methodology and Overhead Cost Pools
- **Attachment B** – Summary of Allocated Overhead Costs and Adjusted Revenues by Rate Group – FY2021 and FY2022
- **Attachment C** – Allocations of Central Support Costs – FY2020-FY2022
- **Attachment D** – Total Earnings Overhead Recoveries – FY2018-FY2022
- **Attachment E** – Summary of Overhead Cost Pools – FY2022

Attachment A – Notes on Methodology and Overhead Cost Pools

General Notes on Overhead Rate Calculation Methodology:

- An overhead rate is a mechanism for charging earnings operations a proportionate share of the university’s central facilities and administrative costs. Allocated overhead costs are divided by adjusted revenues to determine the rates.
- Adjusted revenues are three-year averages for revenues in each rate category. These average revenue figures are used to smooth out the rate impact of year-to-year fluctuations in gross earnings revenues.
- In general, facilities costs are allocated based on assignable square footage (ASF). Administrative costs are allocated based on modified total direct costs (MTDC).
- To maintain consistency with federal cost accounting rules, various unallowable and non-allocable costs have been excluded from the cost pools allocated to earnings operations.

Allocation of Indirect Overhead by Cost Pool and Participating Rate Group

| Cost Pools | Basis of Allocation | Participating Rate Groups | | | |
|-------------------------------|---------------------|---------------------------|---------------|-----------------------|-------------------------------|
| | | Earnings | Health System | Instructional Clinics | Regional Campuses, ATI, OARDC |
| Facilities Support | | | | | |
| Plant Administration | ASF | x | x | x | |
| Insurance | ASF | x | x | x | x |
| O&M – Other Services | ASF | x | x | x | |
| Administrative Support | | | | | |
| Academic Administration | MTDC | x | | x | x |
| Central Support | MTDC | x | x | x | x |
| Specialized Support | | | | | |
| Health Services Admin. | MTDC | x | x | x | |
| Student Services | MTDC | x | | | |

Facilities Support Definitions:

- **Plant Administration** includes all expenditures associated with administering OSU operation and maintenance activities, including the University Architect’s Office and Physical Facilities Administration.
- **Insurance** includes property insurance paid centrally by the University and auto insurance expenses for the University.
- **O&M – Other Services** includes Roads and Grounds maintenance, solid waste/refuse disposal, University Police and security services, radiation safety and hazardous waste disposal.

Administrative Support Definition:

- **Academic Administration** includes all costs associated with the Office of the Provost and is allocated to all academic-oriented earnings units.
- **Central Support** includes costs for central support functions including the Office of Business & Finance (purchasing, receiving, mail, accounts payable, accounting, budget and internal audit), the Office of the Chief Information Officer, the Office of the President and the Board of Trustees.

Specialized Support Definitions:

- **Health Services Administration** includes administrative and support service costs for Health Services Administration, including the operations of the Office of the Vice President for Health Affairs.
- **Student Services** includes the operations of the Office of the Vice President for Student Affairs.

Attachment B -- Summary of Allocated Overhead Costs and Adjusted Revenues by Rate Group

| The Ohio State University | | | | | | | | | | | | | | |
|-------------------------------------------------------------------------------|------------------------------|---------------|------------------------------|------------|---------------------|-----------|------------------------------------|-------------|-------------------------------------------------------------|------------|----------------------------------------------------------|------|------------------------------------|--|
| Summary of Allocated Overhead Costs and Adjusted Revenues - updated 3/24/2023 | | | | | | | | | | | | | | |
| | HEALTH SYSTEMS (9400 & 9450) | | INSTRUCTIONAL CLINICS (9560) | | REGIONAL AUX (9550) | | EARNINGS (9500, 9510, 9520 & 9600) | | Total Costs to be Recovered through Earnings Overhead Rates | | Total Costs to be Recovered through RCSC and Central Tax | | Total Costs in Overhead Cost Pools | |
| | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | |
| ADJUSTED REVENUE | 2,818,201,429 | 2,902,747,472 | 39,728,564 | 40,920,421 | 9,451,150 | 9,734,685 | 490,007,442 | 504,707,665 | | | | | | |
| OVERHEAD TO BE RECOVERED | | | | | | | | | | | | | | |
| Operations & Maintenance (O&M) | | | | | | | | | | | | | | |
| Plant Administration (1030&1035) | 1,846,028 | 2,115,121 | 73,640 | 84,376 | | | 4,335,027 | 4,966,965 | 7,166,462 | 8,771,258 | | | 15,937,720 | |
| Insurance (1000) | 1,110,882 | 1,296,860 | 44,312 | 51,734 | 80,997 | 87,948 | 2,608,668 | 3,045,431 | 4,481,973 | 5,290,038 | | | 9,772,011 | |
| O&M - Other Services (1045&1050) | 3,127,297 | 3,111,160 | 164,023 | 163,780 | | | 8,096,621 | 8,053,456 | 11,328,397 | 17,902,679 | | | 29,231,075 | |
| Total O&M | 6,084,207 | 6,523,141 | 281,975 | 299,890 | 80,997 | 87,948 | 15,040,316 | 16,065,852 | 22,976,832 | 31,963,974 | | | 54,940,806 | |
| Administration & General (A&G) | | | | | | | | | | | | | | |
| Academic Administration (2200) | | | 362,662 | 329,696 | 8,189 | 7,445 | 723,371 | 657,617 | 994,757 | 17,140,770 | | | 18,135,527 | |
| Central Support (2100) | 48,722,541 | 50,882,032 | 718,233 | 732,111 | 186,524 | 190,128 | 7,604,402 | 7,751,335 | 59,555,606 | 37,949,315 | | | 97,504,920 | |
| Total AGN | 48,722,541 | 50,882,032 | 1,080,895 | 1,061,807 | 194,713 | 197,573 | 8,327,773 | 8,408,952 | 60,550,363 | 55,090,084 | | | 115,640,447 | |
| College Administration (CA) | | | | | | | | | | | | | | |
| Health Services (2450) | 1,865,926 | 2,294,662 | 27,355 | 33,641 | | - | 31,052 | 38,186 | 2,366,489 | 646,886 | | | 3,013,376 | |
| Total CAD | 1,865,926 | 2,294,662 | 27,355 | 33,641 | | | 31,052 | 38,186 | 2,366,489 | 646,886 | | | 3,013,376 | |
| Student Services (7500) | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | |
| TOTAL OVERHEAD TO BE RECOVERED | 56,672,674 | 59,699,835 | 1,390,225 | 1,395,338 | 275,710 | 285,521 | 24,052,582 | 24,984,185 | 86,364,879 | 88,003,966 | | | 174,368,844 | |
| OVERHEAD RATES (as calculated) | 2.0% | 2.1% | 3.5% | 3.4% | 2.9% | 2.9% | 4.9% | 5.0% | | | | | | |

Attachment C – Allocations of Central Support Costs

| Central Support Costs (CPLs 2050 and 2100): | 2020 | 2021 | 2022 | Variance over (under) prior year | Notes on FY 2022 Changes |
|---------------------------------------------------------------------|-------------------|-------------------|-------------------|----------------------------------------|----------------------------------------------------------------------------------|
| Government Affairs | 2,408,410 | 2,518,492 | 2,587,968 | 69,476 | |
| Marketing and Communications | 11,694,504 | 10,021,081 | 10,324,891 | 303,810 | |
| Board of Trustees | 665,501 | 647,190 | 899,142 | 251,952 | |
| Office of the President | 2,323,743 | 3,725,248 | 3,658,158 | (67,090) | |
| Legal Affairs Administration | 8,979,005 | 8,961,530 | 9,672,943 | 711,413 | |
| Business & Finance | 19,702,604 | 19,955,547 | 19,449,689 | (505,858) | |
| Office of the Chief Information Officer (OCIO) | 35,996,900 | 41,870,055 | 39,548,294 | (2,321,761) | |
| Academic Affairs Administration | 218,611 | - | - | - | |
| Diversity and Inclusion | - | 485,513 | 613,191 | 127,678 | |
| Institutional Equity | - | 975,996 | 4,850,645 | 3,874,649 | |
| General University and Cross Allocations* | 3,087,367 | 1,898,793 | - | (1,898,793) | Institutional equity initiatives, this was assumed in the FY23 Earnings Overhead |
| Subtotal - Actual Central Support Costs | 85,076,645 | 91,059,445 | 91,604,920 | 545,475 | |
| Projected Central Support Costs | | | | | |
| Strategy Office | | | | | |
| Office of Institutional Equity | | 4,178,979 | | | |
| Legal Affairs | | 375,000 | | | |
| OUCI | | 25,000 | | | |
| OCIO - Software as a Service for Workday | 2,300,000 | - | 5,900,000 | | |
| Incremental AMCP and Benefits for Central Administration | | | | | |
| Total Central Support Costs | 87,376,645 | 95,638,424 | 97,504,920 | | |
| Projected O&M - Other Services Costs (added to CPL 1150) | | | | | |
| Public Safety Task Force | | 875,500 | | | |
| Public Safety Operations | | 960,450 | | | |
| Public Safety Additional Staff | | 250,000 | | | |
| Total Projected O&M - Other Services Costs | | 2,085,950 | | | |
| Allocation of Central Support Costs | 2020 | 2021 | 2022 | | |
| | Amount | % | Amount | % | Amount |
| Health System | 44,408,563 | 50.8% | 53,966,837 | 56.4% | 50,882,032 |
| Other Earnings Operations | 8,146,633 | 9.3% | 9,199,423 | 9.6% | 8,673,574 |
| Other University Functions | 34,821,449 | 39.9% | 32,472,164 | 34.0% | 37,949,315 |
| Total | 87,376,645 | | 95,638,424 | | 97,504,920 |

* FY20 and FY21 include allocations from other indirect cost pools

Attachment D – Total Earnings Overhead Recoveries

| The Ohio State University | | | | | |
|------------------------------------------------|----------------|----------------|----------------|----------------|----------------|
| Earnings Overhead Recoveries - FY2018 - FY2022 | | | | | |
| (\$ in millions) | 2018 | 2019 | 2020 | 2021 | 2022 |
| Health System | \$ 53.4 | \$ 60.7 | \$ 61.9 | \$ 51.7 | \$ 54.0 |
| Other Earnings Operations | 28.3 | 29.7 | 26.5 | 9.0 | 23.3 |
| Total | \$ 81.7 | \$ 90.4 | \$ 88.4 | \$ 60.7 | \$ 77.3 |

**Attachment E – Summary of Overhead Cost Pools
Based on FY2022 Actual Costs**

| Cost Pool | Units with Expense in Cost Pool | Basis of Allocation | Total \$ to be Allocated | University Share | Health System Share |
|----------------------------------------------|--------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------|--------------------------|-----------------------|----------------------|
| Central Administration & Services | B&F, OCIO, Legal Affairs, Communications, President, Government Affairs, Trustees, General University – Dues/Memberships | MTDC – except affiliates, depreciation, interest, and operations & maintenance cost pools | \$ 97,504,920 | \$ 46,622,888 | \$ 50,882,032 |
| | | | | 48% | 52% |
| Property & Liability Insurance | General University – Treasury (insurance expense and claims) | ASF – all campus buildings | \$ 9,772,011 | \$ 8,475,151 | \$ 1,296,860 |
| | | | | 87% | 13% |
| Plant Administration | Administration & Planning – FOD Admin, A&P Admin | ASF – all campus buildings | \$ 9,225,243 | \$ 8,000,946 | \$ 1,224,297 |
| | | | | 87% | 13% |
| Facilities Design & Construction | Administration & Planning – Facilities Design & Construction, Physical Planning & Real Estate | ASF – all campus buildings | \$ 6,712,476 | \$ 5,821,653 | \$ 890,824 |
| | | | | 87% | 13% |
| Environmental Health & Safety | Administration & Planning – Environmental Health & Safety | ASF – space marked as Research Lab | \$ 6,913,173 | \$ 6,877,878 | \$ 35,295 |
| | | | | 99% | 1% |
| Facilities Services – Other | Administration & Planning – Public Safety, non-POM portion of FOD Operations | ASF – all campus buildings excl affiliates | \$ 22,317,903 | \$ 19,242,037 | \$ 3,075,866 |
| | | | | 86% | 14% |
| Health Sciences Administration | Health Sciences | MTDC – costs within health sciences colleges, health sciences, and WMC | \$ 3,013,376 | \$ 718,714 | \$ 2,294,662 |
| | | | | 24% | 76% |
| Academic Administration | Office of Academic Affairs, Office of Institutional Equity | MTDC | \$ 18,135,527 | \$ 18,135,527 | \$ - |
| | | | | 100% | 0% |
| Student Services Administration | Student Life | MTDC | \$ 774,215 | \$ 774,215 | \$ - |
| | | | | 100% | 0% |
| | | Total Allocable Costs | \$ 174,368,844 | \$ 114,669,009 | \$ 59,699,835 |
| | | | | 66% | 34% |