THE OHIO STATE UNIVERSITY

Office of Business and Finance

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To: Justin Kieffer, Chair
2025-2026 Senate Fiscal Committee

From: Trevor Brown, Executive Vice President and Provost TB
Mike Papadakis, Senior Vice President and Chief Financial Officer MP

Date: July 6, 2026

Subject: Overhead Rate Recommendation for FY 2027

We have discussed the recommended Overhead Rates for FY 2027, including proposed changes to the historical rate methodology and allocation cost drivers, which had been held steady from FY 2020. After leadership review, we have adopted the proposed framework recommended by the Senate Fiscal Committee alongside the following adjustments:

- **Change the calculation of modified total direct costs (MTDCs)** to exclude the Medicaid Franchise Fee expense from the Health's Systems costs. This change was recommended by OSUWMC Leadership.
- **Change the proposed property and liability insurance cost pool allocator** from modified total direct costs to negotiated shares of cost pool expenses based upon total insured value (TIV) for applicable insured property and MTDCs.
- **Introduce a one-year central university cash commitment, totaling $1.1 million**, to smooth the Health System's transition to the new overhead methodology.

There will be an additional consultation, initiated in the summer of 2026, to finalize the FY 2028 overhead rate methodology. The consultation will include university and OSUWMC staff with a proposal ready for Senate Fiscal Committee's review and consideration during the 2026-2027 academic year.

If you have any questions, please contact Katie Hensel at 7-1546 (hensel.92@osu.edu).

CC: Kris Devine
Katie Hensel
Tom Ewing
Senate Fiscal Committee

The Ohio State University
Faculty Senate Fiscal
Updated April 24, 2026

TOPIC:

Overhead Rates for FY 2027

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 FY2027 are summarized below:

The Ohio State University
Earnings Overhead Rates
based on FY 2025 Actual Costs

($ in millions)	FY2025 Actual Overhead Costs to be Recovered	Adjusted Revenues	Calculated FY2027 Rates	Proposed FY2027 Rates	FY2026 Rates	FY2025 Rates	FY2024 Rates	Notes
Health System	$ 73.6	$ 4,701.5	1.57%	$ 73.6	**$ 67.1**	**$ 62.6**	**$ 59.7**	**(A)**
Health System				$ 72.5				
Central - One-time Commitment				$ 1.1				
Instructional Clinics	2.1	63.6	3.31%	3.31%	**3.61%**	3.60%	3.41%	
Regional Auxiliaries	0.2	7.5	2.81%	2.81%	**2.56%**	2.85%	2.93%	
All Other Earnings Units	24.2	402.2	6.02%	6.02%	**5.04%**	5.04%	4.95%	
Total	$ 100.2							

(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 reimbursement policies.

NOTES:

- Based on recommendations from Senate Fiscal, FP&A and the Office of the Controller reviewed the earnings overhead methodology, updated key drivers of cost allocations, updated revenue bases used to calculate the rates and performed a detailed analysis of cost pool expenditure detail.

- Total overhead costs to be recovered through earnings overhead rates increased $5.6 million, to $100.2 million, compared to the prior year. The increase relates primarily to updates in allocation drivers (assignable square footage and modified total direct costs), which shifted allocated costs to the Health System, reflecting its growth. Total overhead costs to be recovered through earnings overhead, regional campus service charges and central tax were relatively stable, declining $1.8 million, to $189.7 million (see Attachments B and E).

ADDITIONAL DETAIL:

- **Attachment A** – Notes on Methodology and Overhead Cost Pools
- **Attachment B** – Summary of Allocated Overhead Costs and Adjusted Revenues by Rate Group – FY2024 and FY2025
- **Attachment C** – Allocations of Central Support Costs – FY2023-FY2025
- **Attachment D** – Total Earnings Overhead Recoveries – FY2021-FY2025
- **Attachment E** – Summary of Overhead Cost Pools – FY2025

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). Insurance costs are allocated to the Health System per negotiated allocation; non-HS costs are allocated based on 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

		Participating Rate Groups			
Cost Pools	**Basis of Allocation**	**Earnings**	**Health System**	**Instructional Clinics**	**Regional Campuses, ATI, OARDC**
Facilities Support					
Plant Administration	ASF	x	x	x	
Insurance	Other	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 and liability insurance paid centrally by 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
FY25 Activity driving FY27 Proposed Rates

	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
	2024	2025	2024	2025	2024	2025	2024	2025	2025	2025	2025
ADJUSTED REVENUE (Revenue less COGS for UNIV)	3,139,611,666	4,701,465,000	44,259,527	63,623,968	10,529,035	7,545,530	545,891,811	402,238,825			
OVERHEAD TO BE RECOVERED											
Operations & Maintenance (O&M)											
Plant Administration (1030&1035)	1,505,195	2,387,633	60,045	124,290		-	3,534,668	3,449,955	5,961,878	6,717,721	12,679,600
Insurance (1000)	633,751	5,414,446	25,281	121,633	42,979	115,871	1,488,245	942,608	6,594,558	4,992,575	11,587,133
O&M - Other Services (1045&1050)	4,021,077	5,222,597	208,361	378,036		-	10,416,451	8,417,075	14,017,708	21,356,243	35,373,951
Total O&M	6,160,023	13,024,677	293,688	623,960	42,979	115,871	15,439,365	12,809,638	26,574,145	33,066,539	59,640,684
Administration & General (A&G)											
Academic Administration (2200)	-	-	424,327	410,664	9,582	27,348	846,370	3,233,575	3,671,587	18,217,530	21,889,116
Central Support (2100)	57,948,643	58,290,464	833,788	1,018,484	216,533	67,825	8,827,858	8,019,569	67,396,342	36,650,764	104,047,106
Total AGN	57,948,643	58,290,464	1,258,115	1,429,147	226,115	95,172	9,674,228	11,253,145	71,067,928	54,868,294	125,936,222
College Administration (CA)											
Health Services (2450)	3,005,531	2,329,472	44,063	37,830	-	-	50,016	15,947	2,383,248	955,949	3,339,198
Total CAD	3,005,531	2,329,472	44,063	37,830		-	50,016	15,947	2,383,248	955,949	3,339,198
Student Services (7500)	-	-	-	15,503	-	1,032	462,430	122,071	138,606	687,730	826,336
TOTAL OVERHEAD TO BE RECOVERED	67,114,197	**73,644,612**	1,595,866	**2,106,440**	269,093	**212,076**	25,626,039	**24,200,800**	**100,163,928**	**89,578,512**	**189,742,440**
OVERHEAD RATES (as calculated)	2.1%	1.6%	3.6%	3.3%	2.6%	2.8%	4.7%	6.0%			

Attachment C – Allocations of Central Support Costs

Central Support Costs (CPLs 2050 and 2100):	2023	2024	2025	Variance over (under) prior year
Government Affairs	2,598,528	3,115,483	3,149,018	33,535
Marketing and Communications	10,990,733	11,965,433	11,978,521	13,088
Board of Trustees	779,553	1,088,834	1,246,011	157,177
Office of the President	3,123,525	3,277,341	4,150,121	872,781
Legal Affairs Administration	10,166,332	10,875,032	17,868,316	6,993,284
Business & Finance	18,229,146	21,640,190	20,644,395	(995,795)
Office of Technology and Digital Infrastructure (OTDI)	43,810,660	46,254,762	40,554,219	(5,700,544)
Diversity and Inclusion	666,516	686,692	674,919	(11,774)
Institutional Equity	5,781,444	6,242,857	-	(6,242,857)
Subtotal - Actual Central Support Costs	96,146,437	105,146,623	100,265,519	(4,881,104)
Projected Central Support Costs				
Incremental AMCP and Benefits	5,900,000	5,900,000	3,781,587	(2,118,413)
Total Central Support Costs	**102,046,437**	**111,046,623**	**104,047,106**	(6,999,517)

	2023		2024		2025	
Allocation of Central Support Costs	**Amount**	**%**	**Amount**	**%**	**Amount**	**%**
Health System	53,251,980	52.2%	57,948,643	52.1%	58,290,464	56.0%
Other Earnings Operations	9,077,565	8.9%	9,878,179	8.9%	9,105,878	8.8%
Other University Functions	39,716,892	38.9%	43,219,801	38.9%	36,650,764	35.2%
Total	**102,046,437**		**111,046,623**		**104,047,106**	

Attachment D – Total Earnings Overhead Recoveries

The Ohio State University
Earnings Overhead Recoveries - FY2021 - FY2025

($ in millions)	2021	2022	2023	2024	2025
Health System	$ 51.7	$ 54.0	$ 62.3	$ 64.6	$ 67.7
Other Earnings Operations	9.0	23.3	27.7	25.4	28.7
Total	**$ 60.7**	**$ 77.3**	**$ 90.0**	**$ 90.0**	**$ 96.4**

Attachment E – Summary of Overhead Cost Pools
Based on FY2025 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, Non-Operating Expenses)	$ 104,047,106	$ 45,756,643	44%	$ 58,290,464	56%
Property & Liability Insurance	Risk Management (insurance expense and claims)	Negotiated HS/UNIV split; UNIV portion allocated by MTDC	$ 11,587,133	$ 6,172,687	53%	$ 5,414,446	47%
Plant Administration	Administration & Planning – FOD Admin, A&P Admin	ASF - All Campus Buildings	$ 4,768,693	$ 3,870,724	81%	$ 897,969	19%
Facilities Design & Construction	Administration & Planning – Facilities Design & Construction, Physical Planning & Real Estate	ASF - All Campus Buildings	$ 7,910,906	$ 6,421,243	81%	$ 1,489,664	19%
Environmental Health & Safety	Administration & Planning – Environmental Health & Safety	ASF - space marked as Research Lab	$ 8,084,009	$ 8,000,247	99%	$ 83,762	1%
Facilities Services – Other	Administration & Planning – Public Safety, non-POM portion of FOD Operations	ASF - All Campus Buildings	$ 27,289,942	$ 22,151,107	81%	$ 5,138,835	19%
Health Sciences Administration	Health Sciences	MTDC - costs within Health Sciences colleges, Health Sciences, and WMC	$ 3,339,198	$ 1,009,726	30%	$ 2,329,472	70%
Academic Administration	Office of Academic Affairs	MTDC (except Affiliates, Depreciation, Interest, Non-Operating Expenses) Excludes Health System	$ 21,889,116	$ 21,889,116	100%	$ -	0%
Student Services Administration	Student Life	MTDC (except Affiliates, Depreciation, Interest, Non-Operating Expenses) Excludes Health System	$ 826,336	$ 826,336	100%	$ -	0%
		Total Allocable Costs	**$ 189,742,440**	**$ 116,097,828**	**61%**	**$ 73,644,612**	**39%**