

**The Ohio State University
Faculty Senate Fiscal
DRAFT - Updated January 9, 2025**

TOPIC:

Overhead Rates for FY 2026

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 FY2026 are summarized below:

The Ohio State University Earnings Overhead Rates based on FY 2024 Actual Costs							
(\$ in millions)	FY2024 Actual Overhead Costs to be Recovered	Adjusted Revenues	Calculated FY2026 Rates	Proposed FY2026 Rates	FY2025 Rates	FY2024 Rates	Notes
Health System	\$ 67.1	\$ 3,139.6	2.14%	\$ 67.1	\$ 62.6	\$ 59.7	(A)
Instructional Clinics	1.6	44.3	3.61%	3.61%	3.60%	3.41%	
Regional Auxiliaries	0.3	10.5	2.56%	2.56%	2.85%	2.93%	
All Other Earnings Units	25.6	545.9	4.69%	4.69%	5.04%	4.95%	
Total	<u>\$ 94.6</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.

NOTES:

- Total overhead costs to be recovered increased \$3.7 million, to \$94.6 million, compared to the prior year. Increases in the allocations of public safety and central support costs account for the bulk of the increase (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 – FY2023 and FY2024
- **Attachment C** – Allocations of Central Support Costs – FY2022-FY2024
- **Attachment D** – Total Earnings Overhead Recoveries – FY2020-FY2024
- **Attachment E** – Summary of Overhead Cost Pools – FY2024

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 1/9/2025										
	HEALTH SYSTEMS (9400 & 9450)		INSTRUCTIONAL CLINICS (9560)		REGIONAL AUX (9550)		EARNINGS (9500, 9510, 9520 & 9600)		Total Costs to be Recovered through RCSC and Central Tax	Total Costs in Overhead Cost Pools
	2023	2024	2023	2024	2023	2024	2023	2024		
ADJUSTED REVENUE	3,018,857,371	3,139,611,666	42,557,238	44,259,527	10,124,072	10,529,035	524,895,972	545,891,811		
OVERHEAD TO BE RECOVERED										
Operations & Maintenance (O&M)										
Plant Administration (1030&1035)	1,782,742	1,505,195	71,117	60,045			4,186,434	3,534,668	6,241,938	11,341,847
Insurance (1000)	1,191,536	633,751	47,533	25,281	80,805	42,979	2,798,098	1,488,245	2,585,142	4,775,397
O&M - Other Services (1045&1050)	3,821,261	4,021,077	199,076	208,361			9,866,384	10,416,451	21,666,606	36,312,495
Total O&M	6,795,538	6,160,023	317,726	293,688	80,805	42,979	16,880,916	15,439,365	30,493,686	52,429,740
Administration & General (A&G)										
Academic Administration (2200)	-	-	409,742	424,327	9,252	9,582	817,277	846,370	22,060,625	23,340,904
Central Support (2100)	53,251,980	57,948,643	766,211	833,788	198,983	216,533	8,112,371	8,827,858	43,219,801	111,046,623
Total AGN	53,251,980	57,948,643	1,175,952	1,258,115	208,236	226,115	8,929,649	9,674,228	65,280,426	134,387,527
College Administration (CA)										
Health Services (2450)	2,575,530	3,005,531	37,759	44,063	-	-	42,861	50,016	847,286	3,946,896
Total CAD	2,575,530	3,005,531	37,759	44,063			42,861	50,016	847,286	3,946,896
Student Services (7500)	-	-	-	-	-	-	597,608	462,430	462,430	759,815
TOTAL OVERHEAD TO BE RECOVERED	62,623,048	67,114,197	1,531,436	1,595,866	289,041	269,093	26,451,034	25,626,039	94,605,195	191,523,979
OVERHEAD RATES (as calculated)	2.1%	2.1%	3.6%	3.6%	2.9%	2.6%	5.0%	4.7%		

Attachment C – Allocations of Central Support Costs

	Central Support Costs (CPLs 2050 and 2100):			Variance over (under) prior year
	2022	2023	2024	
Government Affairs	2,587,968	2,598,528	3,115,483	516,955
Marketing and Communications	10,324,891	10,990,733	11,965,433	974,700
Board of Trustees	899,142	779,553	1,088,834	309,281
Office of the President	3,658,158	3,123,525	3,277,341	153,815
Legal Affairs Administration	9,672,943	10,166,332	10,875,032	708,700
Business & Finance	19,449,689	18,229,146	21,640,190	3,411,044
Office of Technology and Digital Infrastructure (OTDI)	39,548,294	43,810,660	46,254,762	2,444,102
Diversity and Inclusion	613,191	666,516	686,692	20,176
Institutional Equity	4,850,645	5,781,444	6,242,857	461,413
Subtotal - Actual Central Support Costs	91,604,920	96,146,437	105,146,623	9,000,186
Projected Central Support Costs				
Incremental AMCP and Benefits for Central Administration	5,900,000	5,900,000	5,900,000	
Total Central Support Costs	97,504,920	102,046,437	111,046,623	
Allocation of Central Support Costs				
Health System	50,882,032	52.2%	53,251,980	52.2%
Other Earnings Operations	8,673,574	8.9%	9,077,565	8.9%
Other University Functions	37,949,315	38.9%	39,716,892	38.9%
Total	97,504,920		102,046,437	
			111,046,623	
			57,948,643	52.1%
			9,878,179	8.9%
			43,219,801	38.9%

Attachment D – Total Earnings Overhead Recoveries

The Ohio State University					
Earnings Overhead Recoveries - FY2020 - FY2024					
(\$ in millions)	2020	2021	2022	2023	2024
Health System	\$ 61.9	\$ 51.7	\$ 54.0	\$ 62.3	\$ 64.6
Other Earnings Operations	26.5	9.0	23.3	27.7	25.4
Total	\$ 88.4	\$ 60.7	\$ 77.3	\$ 90.0	\$ 90.0

**Attachment E – Summary of Overhead Cost Pools
Based on FY2024 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	\$ 111,046,623	\$ 53,097,980	48%	\$ 57,948,643	52%
Property & Liability Insurance	General University – Treasury (insurance expense and claims)	ASF – all campus buildings	\$ 4,775,397	\$ 4,141,647	87%	\$ 633,751	13%
Plant Administration	Administration & Planning – FOD Admin, A&P Admin	ASF – all campus buildings	\$ 3,312,035	\$ 2,872,489	87%	\$ 439,546	13%
Facilities Design & Construction	Administration & Planning – Facilities Design & Construction, Physical Planning & Real Estate	ASF – all campus buildings	\$ 8,029,812	\$ 6,964,163	87%	\$ 1,065,650	13%
Environmental Health & Safety	Administration & Planning – Environmental Health & Safety	ASF – space marked as Research Lab	\$ 7,410,845	\$ 7,373,010	99%	\$ 37,835	1%
Facilities Services – Other	Administration & Planning – Public Safety, non-POM portion of FOD Operations	ASF – all campus buildings excl affiliates	\$ 28,901,650	\$ 24,918,409	86%	\$ 3,983,241	14%
Health Sciences Administration	Health Sciences	MTDC – costs within health sciences colleges, health sciences, and WMC	\$ 3,946,896	\$ 941,366	24%	\$ 3,005,531	76%
Academic Administration	Office of Academic Affairs, Office of Institutional Equity	MTDC	\$ 23,340,904	\$ 23,340,904	100%	\$ -	0%
Student Services Administration	Student Life	MTDC	\$ 759,815	\$ 759,815	100%	\$ -	0%
		Total Allocable Costs	\$ 191,523,979	\$ 124,409,782	65%	\$ 67,114,197	35%