

**The Ohio State University
Faculty Senate Fiscal
Updated April 29, 2022**

TOPIC:

Overhead Rates for FY 2023

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 FY2023 are summarized below:

The Ohio State University Earnings Overhead Rates based on FY 2021 Actual Costs							
(\$ in millions)	FY2021 Actual Overhead Costs to be Recovered	Adjusted Revenues	Calculated FY2023 Rates	Proposed FY2023 Rates	FY2022 Rates	FY2021 Rates	Notes
Health System	\$ 56.7	\$ 2,818.2	2.01%	\$ 56.6	\$ 54.0	\$ 51.2	(A)
Instructional Clinics	1.4	39.7	3.50%	3.54%	3.7%	4.4%	
Regional Auxiliaries	0.3	9.5	2.92%	2.94%	2.4%	3.3%	
All Other Earnings Units	24.1	490.0	4.91%	5.14%	5.0%	5.7%	
Total	<u>\$ 82.4</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 \$56,553,000.

NOTES:

- Total overhead costs to be recovered increased \$4.4 million, to \$82.4 million, compared to the prior year. Increases in the allocations of OCIO and Office of Institutional Equity 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 – FY2019 to FY2021
- **Attachment C** – Allocations of Central Support Costs – FY2019-FY2021
- **Attachment D** – Total Earnings Overhead Recoveries – FY2017-FY2021
- **Attachment E** – Summary of Overhead Cost Pools – FY2021

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 04/29/2022											
	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
	2020	2021	2020	2021	2020	2021	2020	2021	2021	2021	2021
ADJUSTED REVENUE	2,786,988,212	2,818,201,429	36,900,589	39,728,564	9,901,871	9,451,150	454,373,737	490,007,442			
OVERHEAD TO BE RECOVERED											
Operations & Maintenance (O&M)											
Plant Administration (1030&1035)	1,776,128	1,846,028	70,852	73,640			4,170,881	4,335,027	6,254,695	7,655,367	13,910,062
Insurance (1000)	681,272	1,110,882	27,175	44,312	49,673	80,997	1,599,822	2,608,668	3,844,859	4,525,817	8,370,676
O&M - Other Services (1150&1045)	3,100,911	3,127,297	163,054	164,023			8,027,354	8,096,621	11,387,941	18,215,377	29,603,318
Total O&M	5,558,311	6,084,207	261,081	281,975	49,673	80,997	13,798,057	15,040,316	21,487,495	30,396,561	51,884,056
Administration & General (A&G)											
Academic Administration (2200)	2,728,697	-	401,783	362,662	9,072	8,189	801,630	723,371	1,094,222	18,854,652	19,948,874
Central Support (2050, 2100)	44,408,563	48,722,541	689,629	718,233	180,152	186,524	7,276,852	7,604,402	57,231,700	38,406,724	95,638,424
Total AGN	47,137,260	48,722,541	1,091,412	1,080,895	189,224	194,713	8,078,482	8,327,773	58,325,922	57,261,376	115,587,298
College Administration (CA)	83%	85%	2%	1%	0%	0%	14%	13%			
Health Services (2450)	1,299,405	1,865,926	19,050	27,355			21,624	31,052	1,924,333	526,021	2,450,354
Total CAD	1,299,405	1,865,926	19,050	27,355			21,624	31,052	1,924,333	526,021	2,450,354
Student Services (7500)	-						516,657	653,421	653,421	420,209	1,073,630
TOTAL OVERHEAD TO BE RECOVERED	53,994,976	56,672,674	1,371,543	1,390,225	238,897	275,710	22,414,820	24,052,562	82,391,171	88,604,167	170,995,338
OVERHEAD RATES (as calculated)	1.9%	2.0%	3.7%	3.5%	2.4%	2.9%	4.9%	4.9%			

Attachment C – Allocations of Central Support Costs

Central Support Costs (CPLs 2050 and 2100):	2019	2020	2021	Variance over (under) prior year	Notes on FY 2021 Changes	
Government Affairs	2,463,691	2,408,410	2,518,492	110,082		
Communications	10,861,822	11,694,504	10,021,081	(1,673,423)	Decreases in use of outside services and salaries	
Board of Trustees	893,658	665,501	647,190	(18,311)		
Office of the President	2,549,296	2,323,743	3,725,248	1,401,505	Administrative faculty appointment salaries and vacation payouts	
Legal Affairs Administration	9,889,264	8,979,005	8,961,530	(17,475)		
Business & Finance	19,478,899	19,702,604	19,955,547	252,943		
Office of the Chief Information Officer (OCIO)	41,634,271	35,996,900	41,870,055	5,873,155	Pandemic-related Enterprise Networking increases; migration of excluded-Enterprise project staff back to OCIO departments post WD go-live and administration of Amazon Web Services	
Academic Affairs Administration	2,377,965	218,611	-	(218,611)		
Human Resources	9,351,883	-	-	-		
Diversity and Inclusion			485,513	485,513	Diversity and inclusion initiatives	
Institutional Equity			975,996	975,996	Institutional equity initiatives	
General University	1,208,910	1,333,778	-	(1,333,778)		
Cross Allocations*	4,686,030	1,753,589	1,898,793	145,204		
Subtotal - Actual Central Support Costs	105,395,689	85,076,645	91,059,445	5,982,800		
Projected Central Support Costs						
Strategy Office	700,000					
Office of Institutional Equity	3,552,553		4,178,979		Projected spend in FY23+ above FY21 included in CRIS	
Legal Affairs			375,000		Projected spend in FY23+ \$375K above FY21 level	
OUCI			25,000		Policy administration and oversight (1 FTE) - EthicsPoint Software Maintenance	
OCIO - Software as a Service for Workday		2,300,000	-			
Total Central Support Costs	109,648,242	87,376,645	95,638,424			
Projected O&M - Other Services Costs (added to CPL 1150)						
Public Safety Task Force			875,500		5 Police Officers	
Public Safety Operations			960,450		FY22 variance + FY23 expected additional costs	
Public Safety Additional Staff			250,000		FY23 - 5 video/communications staff	
Total Projected O&M - Other Services Costs			2,085,950			
Allocation of Central Support Costs	2019	2020		2021		
	Amount	%	Amount	%	Amount	%
Health System	55,265,198	50.4%	44,408,563	50.8%	48,722,541	50.8%
Other Earnings Operations	9,720,487	8.9%	8,146,633	9.3%	8,509,159	8.9%
Other University Functions	44,662,557	40.7%	34,821,449	39.9%	38,406,724	40.2%
Total	109,648,242		87,376,645		95,638,424	

* Includes allocations from other indirect cost pools

Attachment D – Total Earnings Overhead Recoveries

The Ohio State University										
Earnings Overhead Recoveries - FY2017 - FY2021										
(\$ in millions)	2017	2018	2019	2020	2021					
Health System	\$	48.9	\$	53.4	\$	60.7	\$	61.9	\$	51.7
Other Earnings Operations		26.5		28.3		29.7		26.5		9.0
Total	\$	75.4	\$	81.7	\$	90.4	\$	88.4	\$	60.7

**Attachment E – Summary of Overhead Cost Pools
Based on FY2021 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	\$95.6 million	\$46.9 million	49%	\$48.7 million	51%
Property & Liability Insurance	General University – Treasury (insurance expense and claims)	ASF – all campus buildings	\$8.4 million	\$7.3 million	87%	\$1.1 million	13%
Plant Administration	Administration & Planning – FOD Admin, A&P Admin	ASF – all campus buildings	\$6.7 million	\$5.8 million	87%	\$0.9 million	13%
Facilities Design & Construction	Administration & Planning – Facilities Design & Construction, Physical Planning & Real Estate	ASF – all campus buildings	\$7.2 million	\$6.3 million	87%	\$0.9 million	13%
Environmental Health & Safety	Administration & Planning – Environmental Health & Safety	ASF – space marked as Research Lab	\$6.7 million	\$6.6 million	99%	\$34 thousand	<1%
Facilities Services – Other	Administration & Planning – Public Safety, non-POM portion of FOD Operations	ASF – all campus buildings excl affiliates	\$22.9 million	\$19.7 million	86%	\$3.2 million	14%
Health Sciences Administration	Health Sciences	MTDC – costs within health sciences colleges, health sciences, and WMC	\$2.4 million	\$0.5 million	24%	\$1.9 million	76%
Academic Administration	Office of Academic Affairs, Office of Institutional Equity	MTDC	\$20.0 million	\$20.0 million	100%	\$0	0%
Student Services Administration	Student Life	MTDC	\$1.1 million	\$1.1 million	100%	\$0	0%
Total Allocable Costs			\$171 million	\$114.3 million	67%	\$56.7 million	33%