

**The Ohio State University  
Faculty Senate Fiscal  
Updated February 19, 2024**

**TOPIC:**

Overhead Rates for FY 2025

**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 FY2025 are summarized below:

The Ohio State University Earnings Overhead Rates based on FY 2023 Actual Costs							
(\$ in millions)	FY2023 Actual Overhead Costs to be Recovered	Adjusted Revenues	Calculated FY2025 Rates	Proposed FY2025 Rates	FY2024 Rates	FY2023 Rates	Notes
Health System	\$ 62.6	\$ 3,018.9	2.07%	<b>\$ 62.6</b>	<b>\$ 59.7</b>	<b>\$ 56.6</b>	(A)
Instructional Clinics	1.5	42.6	3.60%	<b>3.60%</b>	3.41%	3.54%	
Regional Auxiliaries	0.3	10.1	2.85%	<b>2.85%</b>	2.93%	2.94%	
All Other Earnings Units	26.5	524.9	5.04%	<b>5.04%</b>	4.95%	5.14%	
Total	<u>\$ 90.9</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 \$4.7 million, to \$90.9 million, compared to the prior year. Increases in the allocations Office of Technology and Digital Infrastructure and Public Safety 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 – FY2022 and FY2023
- **Attachment C** – Allocations of Central Support Costs – FY2021-FY2023
- **Attachment D** – Total Earnings Overhead Recoveries – FY2019-FY2023
- **Attachment E** – Summary of Overhead Cost Pools – FY2023

## 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
<b>Facilities Support</b>					
Plant Administration	ASF	x	x	x	
Insurance	ASF	x	x	x	x
O&M – Other Services	ASF	x	x	x	
<b>Administrative Support</b>					
Academic Administration	MTDC	x		x	x
Central Support	MTDC	x	x	x	x
<b>Specialized Support</b>					
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 2/19/2024											
	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
	2022	2023	2022	2023	2022	2023	2022	2023	2023	2023	2023
<b>ADJUSTED REVENUE</b>	2,902,747,472	3,018,857,371	40,920,421	42,557,238	9,734,685	10,124,072	504,707,665	524,895,972			
<b>OVERHEAD TO BE RECOVERED</b>											
Operations & Maintenance (O&M)											
Plant Administration (1030&1035)	2,115,121	1,782,742	84,376	71,117			4,966,965	4,186,434	6,040,293	7,392,904	13,433,197
Insurance (1000)	1,296,860	1,191,536	51,734	47,533	87,948	80,805	3,045,431	2,798,098	4,117,971	4,860,409	8,978,380
O&M - Other Services (1045&1050)	3,111,160	3,821,261	163,780	199,076			8,053,456	9,896,384	13,916,721	21,063,855	34,980,576
<b>Total O&amp;M</b>	<b>6,523,141</b>	<b>6,795,538</b>	<b>299,890</b>	<b>317,726</b>	<b>87,948</b>	<b>80,805</b>	<b>16,065,852</b>	<b>16,880,916</b>	<b>24,074,985</b>	<b>33,317,167</b>	<b>57,392,153</b>
Administration & General (A&G)											
Academic Administration (2200)	-	-	329,696	409,742	7,445	9,252	657,617	817,277	1,236,271	21,302,319	22,538,591
Central Support (2100)	50,882,032	53,251,980	732,111	766,211	190,128	198,983	7,751,335	8,112,371	62,329,545	39,716,892	102,046,437
<b>Total AGN</b>	<b>50,882,032</b>	<b>53,251,980</b>	<b>1,061,807</b>	<b>1,175,952</b>	<b>197,573</b>	<b>208,236</b>	<b>8,408,952</b>	<b>8,929,649</b>	<b>63,565,816</b>	<b>61,019,211</b>	<b>124,585,027</b>
College Administration (CA)											
Health Services (2450)	2,294,662	2,575,530	33,641	37,759	-	-	38,186	42,861	2,656,150	726,065	3,382,215
<b>Total CAD</b>	<b>2,294,662</b>	<b>2,575,530</b>	<b>33,641</b>	<b>37,759</b>			<b>38,186</b>	<b>42,861</b>	<b>2,656,150</b>	<b>726,065</b>	<b>3,382,215</b>
Student Services (7500)	-	-	-	-	-	-	471,194	597,608	597,608	384,317	981,925
<b>TOTAL OVERHEAD TO BE RECOVERED</b>	<b>59,699,835</b>	<b>62,623,048</b>	<b>1,395,338</b>	<b>1,531,436</b>	<b>285,521</b>	<b>289,041</b>	<b>24,984,185</b>	<b>26,451,034</b>	<b>90,894,559</b>	<b>95,446,761</b>	<b>186,341,320</b>
<b>OVERHEAD RATES (as calculated)</b>	<b>2.1%</b>	<b>2.1%</b>	<b>3.4%</b>	<b>3.6%</b>	<b>2.9%</b>	<b>2.9%</b>	<b>5.0%</b>	<b>5.0%</b>			

## Attachment C – Allocations of Central Support Costs

Central Support Costs (CPLs 2050 and 2100):	2021	2022	2023	Variance over (under) prior year
Government Affairs	2,518,492	2,587,968	2,598,528	10,560
Marketing and Communications	10,021,081	10,324,891	10,990,733	665,842
Board of Trustees	647,190	899,142	779,553	(119,589)
Office of the President	3,725,248	3,658,158	3,123,525	(534,633)
Legal Affairs Administration	8,961,530	9,672,943	10,166,332	493,389
Business & Finance	19,955,547	19,449,689	18,229,146	(1,220,543)
Office of the Chief Information Officer (OCIO)	41,870,055	39,548,294	43,810,660	4,262,366
Diversity and Inclusion	485,513	613,191	666,516	53,325
Institutional Equity	975,996	4,850,645	5,781,444	930,798
General University and Cross Allocations*	1,898,793	-	-	-
<b>Subtotal - Actual Central Support Costs</b>	<b>91,059,445</b>	<b>91,604,920</b>	<b>96,146,437</b>	<b>4,541,516</b>

### 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	-			
Incremental AMCP and Benefits for Central Administration		5,900,000	5,900,000	

<b>Total Central Support Costs</b>	<b>95,638,424</b>	<b>97,504,920</b>	<b>102,046,437</b>
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### 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
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<b>Total Projected O&amp;M - Other Services Costs</b>	<b>2,085,950</b>

Allocation of Central Support Costs	2021		2022		2023	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Health System	53,966,837	56.4%	50,882,032	52.2%	53,251,980	52.1%
Other Earnings Operations	9,199,423	9.6%	8,673,574	8.9%	9,077,565	8.9%
Other University Functions	32,472,164	34.0%	37,949,315	38.9%	39,716,892	38.9%
<b>Total</b>	<b>95,638,424</b>		<b>97,504,920</b>		<b>102,046,437</b>	

\* FY21 includes allocations from other indirect cost pools

Attachment D – Total Earnings Overhead Recoveries

<b>The Ohio State University</b>					
<b>Earnings Overhead Recoveries - FY2019 - FY2023</b>					
<b>(\$ in millions)</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Health System	\$ 60.7	\$ 61.9	\$ 51.7	\$ 54.0	\$ 62.3
Other Earnings Operations	29.7	26.5	9.0	23.3	30.2
Total	<b>\$ 90.4</b>	<b>\$ 88.4</b>	<b>\$ 60.7</b>	<b>\$ 77.3</b>	<b>\$ 92.5</b>

**Attachment E – Summary of Overhead Cost Pools  
Based on FY2023 Actual Costs**

<b>Cost Pool</b>	<b>Units with Expense in Cost Pool</b>	<b>Basis of Allocation</b>	<b>Total \$ to be Allocated</b>	<b>University Share</b>		<b>Health System Share</b>	
<b>Central Administration &amp; Services</b>	B&F, OCIO, Legal Affairs, Communications, President, Government Affairs, Trustees, General University – Dues/Memberships	MTDC – except affiliates, depreciation, interest, and operations & maintenance cost pools	\$ 102,046,437	\$ 48,794,457	48%	\$ 53,251,980	52%
<b>Property &amp; Liability Insurance</b>	General University – Treasury (insurance expense and claims)	ASF – all campus buildings	\$ 8,978,380	\$ 7,786,844	87%	\$ 1,191,536	13%
<b>Plant Administration</b>	Administration & Planning – FOD Admin, A&P Admin	ASF – all campus buildings	\$ 5,312,354	\$ 4,607,343	87%	\$ 705,011	13%
<b>Facilities Design &amp; Construction</b>	Administration & Planning – Facilities Design & Construction, Physical Planning & Real Estate	ASF – all campus buildings	\$ 8,120,843	\$ 7,043,113	87%	\$ 1,077,730	13%
<b>Environmental Health &amp; Safety</b>	Administration & Planning – Environmental Health & Safety	ASF – space marked as Research Lab	\$ 7,533,289	\$ 7,494,829	99%	\$ 38,461	1%
<b>Facilities Services – Other</b>	Administration & Planning – Public Safety, non-POM portion of FOD Operations	ASF – all campus buildings excl affiliates	\$ 27,447,287	\$ 23,664,487	86%	\$ 3,782,800	14%
<b>Health Sciences Administration</b>	Health Sciences	MTDC – costs within health sciences colleges, health sciences, and WMC	\$ 3,382,215	\$ 806,685	24%	\$ 2,575,530	76%
<b>Academic Administration</b>	Office of Academic Affairs, Office of Institutional Equity	MTDC	\$ 22,538,591	\$ 22,538,591	100%	\$ -	0%
<b>Student Services Administration</b>	Student Life	MTDC	\$ 981,925	\$ 981,925	100%	\$ -	0%
<b>Total Allocable Costs</b>			<b>\$ 186,341,320</b>	<b>\$ 123,718,272</b>	<b>66%</b>	<b>\$ 62,623,048</b>	<b>34%</b>