

December 19, 2018

MEMORANDUM

To: Vice Presidents, Deans, Directors, and Department Heads

From: Jamie Moffitt, Vice President for Finance and Administration and CFO

Subject: FY2020 and FY2021 Overhead Rates for Designated Operations, Auxiliary Operations, Service Centers, Royalty Funds, and Continuing Education for Credit

Based on an updated analysis of cost pools, the university will be implementing changes to the administrative overhead rates for FY2020 and FY2021 for auxiliary operations, service centers, designated operations, royalty funds, and Academic Extension Continuing Education for Credit. The new overhead rates for FY2020 and FY2021 are listed below.

Detailed information about the rates, and the assessment and implementation processes can be found on the [Department Assessments website](#).

Background on Overhead Rates

Auxiliary operations, service centers, designated operations, royalty funds, and Academic Extension Continuing Education for Credit are expected to operate as self-sustaining enterprises and to price products and services appropriately to cover all costs, including the cost of using central services such as general counsel's office, human resources, the financial system, central communications, etc. Rather than individually charge for each of these services, the University looks at the cost of providing these central services to campus and establishes cost pools for these functions which are allocated out through overhead rates.

There are two separate cost pools for these functions:

1. Administrative cost pool – charged to all units. See website for detailed information about how the [administrative rate cost pool](#) was calculated.
2. Facilities cost pool – only charged to units that do not pay their own facilities costs – e.g., debt, leases, maintenance and repairs, and custodial services. See website for details of costs within the [facilities cost pool](#).

All auxiliary operations, service centers, designated operations, royalty funds, and Academic Extension Continuing Education for Credit are subject to the same overhead rates with the following exceptions:

1. Research Service Centers that provide services to internal researchers are exempt from paying overhead rates on expenses related to these services. This helps to keep costs down for university researchers.
2. Research Service Centers that provide services to external entities are charged the maximum allowable rates. This is generally done on a percentage of revenue basis.
3. Overhead rate exemptions – certain funds are excluded from overhead charges. Those funds include Publications, Federal Pass-Through, etc. Please see the website for detailed information related to [limited waivers](#).

Additionally, the university has established a structured rate schedule for all units which recognizes that larger departments generally have increased levels of self-funded administrative support (e.g., HR, IT, media, purchasing, contracts, etc.) within their organizations, as well as economies of scale. See the [structured rate schedule](#) for details.

New Overhead Rates for FY20 and FY21

In 2013 a task force with broad academic and administrative representation established a methodology for analyzing cost pools and establishing overhead rates. The methodology established in 2013 is still in place and was used to calculate new expected rates. Since 2013 we have been gradually raising rates in order to fully cover the costs of provided services.

Based on this analysis, the University is implementing the following overhead rate schedule for the next several fiscal years:

	FY19	FY20	FY21
Maximum Rate – Admin & Facility	11.0%	11.5%	12.0%
Maximum Rate – Admin Only	6.0%	6.5%	6.5%
Maximum Rate – Facility Only	5.0%	5.0%	5.5%
Research Service Centers – Overhead Rate for Internal Customers	0.0%	0.0%	0.0%
Research Service Centers – Rate charged to External Customers - REVENUE	10.8%	11.0%	11.0%

Administrative Overhead - Structured Rate Schedule

The following structured rate schedule will be applied to all units for the administrative overhead rate:

Base Amounts - Up to	Overhead total	FY19	FY20	FY21
\$ 5,000,000	\$ 325,000	6.0%	6.5%	6.5%
\$ 10,000,000	\$ 619,000	5.60%	5.88%	5.88%
\$ 20,000,000	\$ 1,154,500	5.10%	5.36%	5.36%
\$ 30,000,000	\$ 1,627,000	4.50%	4.73%	4.73%
Above \$30,000,000		4.00%	4.20%	4.20%

Units that have historically had expenditures above \$5 million include: Athletics, Health Center, and Housing.

FY 2018 - Large Units	FY18 Expenditure Base	FY20 Structured Rate	FY20 Effective Rate
Intercollegiate Athletics	\$ 62,567,543	2,994,837	4.8%
Residence Hall Operations	\$ 35,667,786	1,993,510	5.6%
Health Services	\$ 13,448,063	821,746	6.1%
Total		5,810,093	

Following is a detailed example of how the accounting would work for a unit with \$14 million of expenditures:

Expenditures	Admin Overhead Charged
First \$5 million	\$325,000
Next \$5 million	\$294,000
Next \$4 million	\$214,200
Total	\$833,200
Total Effective Rate	6.0%

Additional Information

For additional on overhead rates please see the Overhead Rate website - <http://ba.uoregon.edu/content/department-assessments> or contact Stuart Laing at slaing@uoregon.edu.