



January 24, 2023

MEMORANDUM

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

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

Subject: FY2024 & FY2025 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 and facilities overhead rates for FY2024 & FY2025 for auxiliary operations, service centers, and designated operations. The new overhead rates for FY2024 & FY2025 are listed below.

Background on Overhead Rates

Auxiliary operations, service centers, designated operations, royalty funds and Continuing Education for Credit are expected 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 out 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 as overhead rates to auxiliary operations, service centers and designated operations.

There are two separate cost pools for these functions:

1. ***Administrative cost pool*** – charged to all units. See overhead website <https://ba.uoregon.edu/content/department-overhead-assessments> 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). Click here for details of costs within the facilities cost pool: <https://ba.uoregon.edu/content/department-overhead-assessments>.

All auxiliary operations, designated operations and services centers 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 UO 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.

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3. Overhead rate exemptions – certain funds are excluded from overhead charges. Those funds include publications, federal pass-through, etc. Please see link related to limited waivers. <https://ba.uoregon.edu/content/department-overhead-assessments>.

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 link related to structured rate schedule: <https://ba.uoregon.edu/content/department-overhead-assessments>.

New Overhead Rates for FY24 and FY25

We review the costs pools that are the basis for the overhead rates every few years. The central cost pools need to be reviewed both due to changes in costs related to the passage of time, as well as the fact that new units are periodically added to the University (e.g., ombuds program, internal audit, university board secretary).

Please note that starting January of 2023, departments will no longer be charged monthly per-phone telecom fees. Instead, the rates listed below (FY23 Jan – June) have been adjusted to include the cost of providing communications and collaborative technologies (CCT) to campus. See [Documents – Communications and Collaborative Technologies \(CCT\) Program \(uoregon.edu\)](#) for details on this change to the billing model for communications technology.

Based on the updated cost pool analysis, the University is implementing the following overhead rate schedule for the remainder of FY23 and the next two fiscal years (FY24 and FY25):

	FY22	FY23 (July – Dec)	FY23 (Jan – June)	FY24	FY25
Maximum Rate – Admin & Facility	12.40%	12.70%	13.17%	13.07%	13.47%
Admin Only	6.60%	6.60%	7.07%	7.07%	7.47%
Facility Only	5.80%	6.10%	6.10%	6.00%	6.00%
Research Service Centers – Internal Customers	0%	0%	0%	0%	0%
Research Service Centers – External Customers - REVENUE	11.30%	11.30%	11.70%	11.70%	11.90%

Administrative Overhead - Structured Rate Schedule

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

<u>Base Amounts (Up to)</u>	<u>Overhead total (FY22)</u>	FY22	FY23 (July – Dec)	FY23 (Jan – June)	FY24	FY25
\$ 5,000,000	\$ 330,000	6.60%	6.60%	7.07%	7.07%	7.47%
\$ 10,000,000	\$ 628,000	5.97%	5.97%	6.73%	6.73%	7.11%
\$ 20,000,000	\$ 1,172,000	5.44%	5.44%	6.07%	6.07%	6.41%
\$ 30,000,000	\$ 1,652,000	4.80%	4.80%	5.83%	5.83%	6.16%
Above \$ 30,000,000		4.26%	4.26%	4.24%	4.24%	4.48%

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

FY 2024 - Large Units	FY22 Expenditure Base	FY24 Structured Rate*	FY24 Effective Rate*	FY25 Effective Rate*
Intercollegiate Athletics	\$ 66,711,137	\$ 3,435,792	5.15%	5.44%
Residence Hall Operations	\$ 43,878,110	\$ 2,468,063	5.62%	5.94%
Health Services	\$ 15,141,565	\$ 1,002,002	6.62%	6.99%
EMU	\$ 9,015,752	\$ 623,769	6.92%	7.31%
PE and REC	\$ 4,296,884	\$ 303,951	7.07%	7.47%
Total		\$ 6,905,856		
*Effective rates are estimates based on FY22 expenditure levels.				

Following is a detailed example of how the accounting would work for a unit with \$15 million of expenditure for FY24:

Expenditures	Admin Overhead Charged
First \$5 million	\$ 353,688
Next \$5 million	\$ 336,277
Next \$5 million	\$ 303,445
Total	\$ 993,410
Total Effective Rate	6.62%

Additional Information

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