Budget and Resource Planning
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University Budget Committee Meeting Agenda
Friday, February 14, 2025
B011 Kerr Admin. Bldg. and Zoom

MINUTES

Committee Members Present: Susan Gardner, Allison Barr, Marc Norcross, Andrew Valls, Steve Hoelscher, Audrey Schlotter, Sophia Nowers, Jon Boeckenstedt, Tom DeLuca, Terri Libert, Wade Marcum, Bob Cowen, Laurie Hill, Jonathan Fram, Stephanie Harvey, John Gremmels, Jessica DuPont, Carter Glass

Committee Members Absent: La'akea Golis, Nicole Von Germeten,

University Staff Present: Brent Gustafson, Karley Lewis, Jan Lewis, Cameron Cox, Mealoha McFadden

1. Update on Tuition and Fees
    a. President will be submitting a recommendation that isn't in line with the UBC's majority vote. The committee vote was for lower tuition increase and highest of building fee options.
    b. The president will recommend a higher increase in tuition and a more modest 20% increase in building fees.
    c. Dupont: Does the president ever give feedback that can be shared on ultimate choice that gets shared to the BOT? Brent: No, consistent with UBC with recognizing for budgetary purposes the need to meet the 5% HECC limit. He felt she considered challenges of overall budget, access and affordability, deferred maintenance, general vs. target revenues.
    d. The board meets on March 14 for final approval.
    e. Steve: Can the final UBC recommendation be sent to UBC committee members? Action: Yes.
    f. Audrey: Was this over the 5% threshold? Brent: No.

2. Internal Administrative Assessments presented by Heidi Sann, Assistant Vice President for Finance & Controller

3. What are administrative assessments?

    a. Administrative overhead assessments are charged to cover the cost of services provided by administrative units.

    b. The costs of services provided by administrative units include activities that are necessary to support the mission of the university and are not directly incurred by units delivering that mission.

4. What types of activities do administrative assessments support?
    a. Legal advice and compliance
    b. Recruitment, hiring, training, benefits administration, and employee relations
    c. Recruiting, admitting, and enrolling new students
    d. Student records, course registration, and academic transcripts
    e. Integrates technology into teaching, learning, research, and administrative support
    f. IT infrastructure, including networks, servers and other technology resources
    g. Research administration and innovation
    h. Bills and collects revenue
    i. Pay vendors, taxing authorities, and employees
    j. Budget allocation and long-term financial planning
    k. Oversight of cash, investment, and debt management
    l. Supplier relationships and contract negotiation
    m. Campus security to ensure the safety of students, faculty, and staff

5. Every unit contributes to overhead cost through an assessment
    a. Administrative Assessment - Rate charged to recover the cost of administrative units to funds which are not directly supported by educational and general funds or sponsored grants and contracts.
    b. Facilities and Administrative (F&A) Rate - Rate negotiated with the federal government and assessed on sponsored awards.
    c. Assessments in the Shared Responsibility Budget Model (SRBM) - There are three assessments in the SRBM 1) dedicated resource assessment, 2) block funding assessment, and 3) academic productivity assessment.

6. Self-support and statewide public services pay the administrative assessments in a variety of ways
    a. General Liability assessment
    b. Property Pool assessment
    c. General Admin (F&A) assessment
    d. Central Overhead assessment
    e. Auto Pool assessment
    f. USSE assessment

7. Guiding Principles
    a. Transparent - Open and clear communication, providing visibility into processes and decisions
        i. Current State
            1. Multiple methods
            2. Complex and confusing
        ii. Future State
            1. Single consistent method
            2. Clearly explained

b. Equitable - Fair and impartial allocation of costs among organizational activities
    i. Current State
        1. Inconsistent Methodology
        2. Not consistently applied
    ii. Future State
        1. Consistent Methodology
        2. Consistently applied
c. Predictable - Consistent and reliable actions, allowing for accurate expectations and planning
    i. Current State
        1. Rate changes communicated annually
    ii. Future State
        1. Rates applied over longer term planning horizons

8. Determining the administrative assessment rate
    a. OSU periodically negotiates with the federal government to determine the Facilities and Administrative rate applied to sponsored research.
    b. The methodology to calculate the federal F&A Rate considers all costs of the organization and is highly scrutinized.
    c. The administrative assessment rate charged to self-support units and statewide public services is included in the study as "Other Institutional Activities".

9. FY23 example

    1) Capture all base costs for OSU, FY2023 $1227.3B
        i) Depreciation, interest, and operating & maintenance costs $179.5M
        ii) General and Administrative (GA) $89.2M
        iii) Base costs excluding depreciation, interest, operating & maintenance, and general administrative are $958.6M
        iv) Other Institutional Activities (OIA) portion $210.0M (21.9% Base Costs)
    2) Allocate $89.2M general administrative base costs to direct cost groups proportionately
        i) Allocate $5.6M building, equipment, interest, and O&M base costs, $94.8M
        ii) Exclude $14.2M in student services administration and research administrative costs, $80.6M
    3) Determine OIA share of GA costs **($80.6*21.9% = $17.6)**
    4) Calculated general administrative rate **($17,595,897/$210,017,462 = 8. 38%)**
    5) Assess rate on direct expenses for OIA

10. Process & Timeline
    a. In FY2026 we will begin moving towards Applying the full rate to expenditures (currently exploring frequency and potential to automate).
    b. Rate will be re-evaluated with each F&A rate negotiation proposal (earliest possible update will be FY2026 as a base year).
    c. Financial Strategic Partners will provide an estimated impact of rate change based on FY2024 costs.
    d. Requests for glide path to rate increase will be evaluated in the spring.

11. Q&A and comments
    a. Susan Gardner: With F&A rate guidelines most likely changing, do we have any contingency plans? Heidi: We are looking at scenarios of what the impact will be with any changes. To cover the changes, we need to look at the organization as a whole with our overall budgets. Brent: Federal administrative reimbursement from grants is $60M for the current year, funds are flexible and budgeted as part of E&G. With recent federal executive order freezes, that would reduce the amount of F&A from some federal funding agencies. It's a source of concern for research universities.
    b. Steve Hoelscher: Are the IT assessments included in the scope of this analysis? Heidi: Believes it is within the scope but will need to find out for sure.
    c. Why is our overhead rate lower than other universities? Heidi: We have submitted a proposal for a rate to the federal government on the FY23 base year. We are in the early stages of negotiations to determine the strategy to raise our rate in comparison to some of our peers. Heidi would like to return to speak to this directly
    d. Jon Boeckenstedt: If our overhead rate goes up, that means there is less funding from the grant to go to research. How does that affect the PWS goal for research? Does it just affect the overall research amount? If the return overhead allowance increases, does that mean subsidy from tuition for research activities comes back into E&G in some way that makes the budget process better? Heidi: Why do want to increase our rate compared to peers in terms of PWS? A lot of that rate and specifically, our organized research rate - in order to grow our research in general, we need to have the infrastructure to support that research. Clarified that the administrative side of that rate is capped by the federal government at 26% but a lot of the growth area is on the facilities infrastructure side. Marc Norcross: As a researcher, he doesn't think about indirect, most budget caps are on direct costs. Allowed to tack on that negotiated rate. Once you are outside the federal government, a foundation cap is at about 15%.
    e. Steve Hoelscher: On transparency for guiding principles, can it be communicated what exact services are being provided from these assessments. Inclusions on the transparency principle would be very useful so the unit can then further charge for services above and beyond those provided through assessment funds.
    f. Marc Norcross: Will changing the rates change the total amount collected? Where does that get made up or does the net total get made up elsewhere? Heidi: It will have an impact. There are variables since we are tying these to expenses. It will increase what is collected. Marc: Would this mean that we would need to further assess units through the SRBM? Brent: This proposal is only for the administrative assessment. We've been talking a today about F&A overhead but that is separate. The SRBM assessment is also unrelated to the productivity allocation or the 55% on collegiate revenues is not part of this analysis. Budgetary impact would be higher than what most units are currently paying some at 4%, some at 7.4%. Currently that is an inflow to the E&G budget. Would require operations, Self Supports, Statewide Public Services to deal with a higher assessment through higher charges, additional revenues, potential reallocations to bear that higher assessment.
    g. Steve Hoelscher: Would the intent be to roll this out in FY26? Historically, this assessment have been an in-year assessment based on retroactive basis, which

means the costs from last year help compute the assessments from this year. Moving forward, will it be costs from the past FY or costs from the current FY? Heidi: It will be based on current FY costs. Brent: They are still considering when to roll this out. Welcome feedback.

h. Kayla Campbell: Do you have an estimated assessment FY26 F&A assessment and central overhead assessment so units can anticipate for next year's planning? Heidi: It is 8.3 %. We need to look at the reasonable glide path so there is only one % not multiple.
i. Steve Hoelscher: Concerned about an increase in assessment % rate at the same time will be moving to assessment base on current year's costs instead of previous year's costs just during this transition year.
j. Stephanie Harvey: Can she share Heidi's PPT within her college? Heidi: She prefers that she and FSPs do college and unit presentations.