

Determining a Billing Rate

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Overview and Background

A billing rate is an hourly rate used to charge staff time to BWSR grants. It consists of the employee's base hourly rate plus the costs of benefits, leave, facilities, and administration: costs necessary to keep a person employed and an office running. Billing rates can be an efficient method for charging costs to BWSR grants. By including costs in the staff time that is directly charged, the billing rate method automatically allocates those costs to the grants that should bear them.

Longstanding federal grant guidance classifies overhead costs into two broad categories: facilities and administration. As defined in the Code of Federal Regulations (2 Code of Federal Regulations, §200.414), facilities includes operations and maintenance costs such as insurance, rent, and utilities. Administration includes general administrative costs such as accounting/finance, clerical support, human resources, and management.

A proportionate share of direct and necessary administrative costs may be charged to BWSR grants. To factor the cost of administration in a billing rate, BWSR recommends using one of the following methods:

Option 1. Add 10% for facilities and administration costs to the modified base rate for each employee. The modified base rate includes salary, benefits, and leave. Costs in excess of normal facilities costs specific to achieving grant funded outcomes can be charged directly to grants.

Option 2. Add 10% of the total workable hours in the LGU in a year as general administrative time to the billing rate calculation. To use this option, the hours added must be documented as general administration and cannot also be charged to grants and can come only from administrative staff within the department where work on the grant is being done. The definition of administrative staff must be consistent with the organization of the grantee. For time tracking methods, see Time and Effort Documentation Guidance and Examples in this manual.

Option 3. Apply the organization's federally negotiated indirect cost rate to the staff costs of the program or project funded by BWSR grants. Federal indirect costs rates may be obtained from the cognizant federal agency responsible for reviewing, negotiating, and approving indirect cost proposals (See the Code of Federal Regulations, Title 2, Subtitle A, Chapter II, Subpart A, §200.19 at <https://www.ecfr.gov/>).

Application

Grantees are not required to charge facilities and administration costs to BWSR grants through a billing rate. If costs are needed, reasonable, consistently applied, and rationally allocated, grant recipients may still charge all allowable costs to BWSR grants directly. Costs directly charged cannot also be included in the billing rate calculation.

Grant recipients may include allowances or additions consistent with this policy and guidelines in the billing rates they use to charge staff time to BWSR grants. Allowances or additions to billing rates inconsistent with these guidelines will be disallowed from BWSR grants, effective for grant agreements executed after January 1, 2015.

Additional Requirements for Billing Rates

- Overhead costs, like all costs charged to BWSR grants, must be based on actual costs, as reported in the previous or current year's financial statements.
- Hours documented as general administrative time or hours for sick leave, holidays, or vacation must be based on actual.
- Billing rates must be calculated for each employee. Billing rates rounded per employee category, or a single rate as the average rate for all employees of the grantee, are not allowed.
- Billing rates should be evaluated annually, but may be recalculated more often to reflect changes in costs or employees.

Formulas and Examples for Calculating Billing Rates

Two spreadsheet templates are provided in this manual to assist grantees in calculating billing rates using Options 1 and 2. The templates are provided as examples only; grantees are not required to use them. The templates include:

- Option 1: How to Calculate Billing Rates Using MBR + 10%
- Option 2: How to Calculate Billing Rates Including Overhead Costs of Facilities and Administration

Correct formulas are built into the templates. A grantee need only input the figures highlighted, using actual costs from their previous or current year's financial statements, and billing rates that recover all allowable costs will result. BWSR may use this template to verify a grantee's own calculations. The formulas are also described and illustrated with examples below.

Example 1: Option 1

Option 1 adds 10% of an employee's modified base rate to the modified base rate to factor the costs of facilities and administration. The "modified base rate" includes salary, benefits, and leave.

If an employee’s modified base rate is \$25.00/hour, for example, a grantee is allowed to charge a rate of \$27.50/hour (\$25.00 + \$2.50) to BWSR grants. The additional \$2.50 per hour accounts for some of the employee’s share of facilities and administration costs.

- The formula for calculating a modified base rate is: (Salary + Benefits / Workable Hours) + (Cost of Leave / Hours Actually Worked)
- The formula for calculating a billing rate using Option 1 is: Billing Rate (allowing for facilities and administration) = Modified Base Rate + (.10 * Modified Base Rate)

Example 2: Option 2

Option 2: 1-9 employees or **Option 2: 1-25 employees** factors the costs of facilities and administration in the billing rate. This example illustrates a staff of three employees: district manager, conservation technician, and administrative assistant. The elements of a billing rate are **salary, benefits, leave, and facilities and administration.**

Figure 1: Sample statement of operations for the year.

STORMY COUNTY/SWCD	
STATEMENT OF OPERATIONS 201x	
EXPENDITURES	
Salaries	
District Manager	\$54,579.00
Conservation Technician	\$40,501.00
Administrative Assistant	\$35,105.00
Benefits¹	
FICA	\$8,071.47
Medicare	\$1,887.68
PERA	\$9,438.41
Insurance	\$48,384.00
Total Salaries and Benefits	\$197,966.57
Facilities²	
Education/Training ³	\$948.93
Newsletters	\$327.27
Office Maintenance	\$288.82
Office Supplies	\$1,273.97
Postage	\$947.84
Professional Associations	\$1,600.00
Professional Services Ex:audit fees	\$863.33
Rent	6,326.49
Telephone/Internet/Fax	\$724.33
Unemp / Workers Comp Ins	\$2,143.29
Utilities	\$3,435.14

¹ The yellow highlighted rows are the total benefits costs for the employees.

² The green and blue rows are the total facilities costs.

³ The green rows are facilities costs shared across the agency and included in the billing rate calculation.

Vehicle Gas/Maintenance	\$1,757.10
Software Licenses ⁴	\$2,000.00
Field Supplies	\$400.00
Total Facilities	\$23,036.51
Total Facilities Included in Calculation	\$20,636.51
Total Facilities Directly Charged	\$2,400.00
TOTAL EXPENDITURES	\$221,003.08

- **Salary** is factored as an hourly base rate. To calculate an hourly base rate, divide an employee's annual salary by the workable hours in a year. For each full-time equivalent employee (FTE), workable hours = 2088.
- **Benefits** are specific to each employee. To factor the cost of benefits, divide the employer's portion of the employee's benefits by the workable hours in a year.

Note that the Legislative Coordinating Commission calculates FTEs based on a denominator of 2,088 workable hours in a year. See Minnesota Statutes 2013, section 3.303, subdivision 10.

Figure 2: Calculation of Base Rates and Cost of Benefits

Base Rates	
District Manager (= \$54,579 / 2088)	\$26.14
Conservation Technician (= \$40,501 / 2088)	\$19.40
Administrative Assistant (= \$35,105 / 2088)	\$16.81
Addition to Base Rates for Benefits	
District Manager (= \$24,260.27 / 2088)	\$11.62
Conservation Technician (= \$22,162.65 / 2088)	\$10.61
Administrative Assistant (= \$21,358.65 / 2088)	\$10.23

To factor the costs of **leave**, **facilities**, and **administration**, a different denominator of "hours actually worked" is used. Hours actually worked = workable hours minus sick leave, holidays, and vacation.

Figure 3: Data Regarding Leave: Workable Hours and Hours Actually Worked

"Workable" Hours	
Workable Hours in a Year	2,088
Total Workable Hours for grantee, Based on FTEs (= 3 * 2088)	6,264
Leave Hours	
District Manager	250
Conservation Technician	200

⁴ The blue rows are facilities costs (in this example) specific to a program or project. These costs are directly charged to the program or project grant and are not included in the billing rate calculation.

Administrative Assistant	200
Hours Actually Worked (Workable Hours Minus Leave) By	
District Manager (= 2088 - 250)	1,838
Conservation Technician (= 2088 - 200)	1,888
Administrative Assistant (= 2088 - 200)	1,888
Total Hours Worked by all Three Employees	5,614

Leave for each employee. To factor the cost of leave, multiply the actual number of leave hours by the employee's base rate plus benefits, then divide the total by the hours actually worked by that employee.

Figure 4: Calculation of Leave

Cost of Leave = Leave Hours * (Base + Benefits)	
District Manager = 250 * (\$26.14 + \$11.62)	\$9,439.57
Conservation Technician = 200 * (\$19.40 + \$10.61)	\$6,002.27
Administrative Assistant = 200 * (\$16.81 + \$10.23)	\$5,408.40
Additions to Rate for Leave	
= Cost of Leave / Hours Actually Worked	
District Manager = \$9,439.57 / 1,838	\$5.14
Conservation Technician = \$6,002.27 / 1,888	\$3.18
Administrative Assistant = \$5,408.40 / 1,888	\$2.86

Facilities and **administration** are shared expenses. Each employee bears an equal share of the costs. To factor the cost of facilities, divide the total cost of facilities for the grantee by the total hours actually worked by all employees of the grantee.

Figure 5: Calculation of Facilities

Facilities Expenses	
Total Facilities Included in Calculation	\$20,636.51
Addition to Base Rate for Facilities	\$3.68
= Total Cost of Facilities / Total Hours Actually Worked	
= \$20,636.51 / 5614	

To factor the cost of **administration**, 10% of the total workable hours for the grantee may be added to the billing rate calculation. In the example of three full-time employees, the total workable hours = 6,264, so the administrative hours allowed = 626. These hours are distributed to the administrative staff of the grantee—the district manager and the administrative assistant—and valued at a rate that includes salary, benefits, leave, and the addition for facilities.

To factor the cost of administration, divide the total cost of administration by the total hours actually worked, *minus* the hours allowed for administration.

Figure 6: Calculation of Administration

Maximum Number of Hours Allowed for Administration = Total Workable Hours for the grantee * 10 percent = 6,264 * .10	626
Documented Administration Hours	
District Manager	500
Conservation Technician	200
Administrative Assistant	200
Total Documented Administrative Hours in LGU	900
Cost of Administration	
= Admin Hours * (Base Rate + Benefits + Leave + Facilities)	
District Manager = 500 * (\$26.14 + \$11.62 + \$5.14 + \$3.68)	\$23,284.98
Administrative Assistant = 126 * (\$16.81 + \$10.23 + \$5.14 + \$3.68)	\$4,231.39
Total Administration Included in Calculation	\$27,516.37
Addition to Rate for Administration	
= Total Cost of Admin / (Total Hours Actually Worked - Admin)	
= \$27,516.37 / (5,614 - 626)	
	\$5.52

These calculations result in the following billing rates:

Figure 7: Billing Rate Calculations Summarized

STORMY COUNTY/SWCD			
Calculation of Billing Rates Charged to BWSR Grants			
Formula	District Manager	Conservation Technician	Administrative Assistant
Base Rate	\$54,579 / 2088 = \$26.14	\$40,501 / 2088 = \$19.40	\$35,105 / 2088 = \$16.81
Base Rate + Benefits	\$26.14 + \$11.62 = \$37.76	\$19.40 + \$10.61 = \$30.01	\$16.81 + \$10.23 = \$27.04
Base Rate + Benefits + Leave	\$37.66 + \$5.14 = \$42.89	\$30.01 + \$3.18 = \$33.19	\$27.04 + \$2.86 \$29.91

Base Rate + Benefits + Leave + Facilities	\$42.89 + \$3.68 = \$46.57	\$33.19 + \$3.68 = \$36.87	\$29.91 + \$3.68 = \$33.58
Base Rate + Benefits + Facilities + Admin	\$46.57 + \$5.52 = \$52.09	\$36.87 + \$5.52 = \$42.38	\$33.58 + \$5.52 = \$39.10

Summary

Costs charged to BWSR grants must be direct and necessary to produce the outcomes funded by the grant. In general, if you can associate a cost with a specific grant, you should directly charge it to that grant. If a cost supports more than one grant, you should include it in your billing rate or allocate it consistently across grants. Costs direct charged cannot also be included in any billing rate calculation. If you are unsure of how to charge a cost to a BWSR grant or whether a cost is allowable at all, consult with your Board Conservationist or Grants Compliance Specialist. Whatever you directly charge to the grant must be itemized and documented.

History

Description of revisions	Date
Revised format; minor edits and text changes for clarity.	7/1/2017
Revised for clarity. Updated billing rate calculator spreadsheets, and added an <i>Option 2</i> spreadsheet for smaller organizations.	7/1/2018