

Determining a Billing Rate

Effective Date: January 1, 2015

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 that are 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.

Background

Longstanding federal grant guidance classifies overhead costs into two broad categories: "facilities" and "administration" (F&A).¹ As defined in the [Code of Federal Regulations](#) (CFR), facilities includes operations and maintenance costs like insurance, rent, and utilities. Administration includes general administrative costs like accounting/finance, clerical support, human resources, and management. Past guidance did not allow general administrative costs, as the CFR defines them, to be charged to BWSR grants.

Policy

A proportionate share of direct and necessary administrative costs may now be charged to BWSR grants. To factor the cost of administration in a billing rate, grant recipients may use one of three options:

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.)

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. These hours cannot also be charged to grants. For approved methods, see [Time and Effort Documentation](#).
- Can come only from administrative staff within the department where work on the grant is being done.

Additionally,

- The definition of administrative staff must be consistent with the organization of the LGU.

Option 3. Apply their organization's federally negotiated indirect cost rate to the staff costs of the program or project funded by BWSR grants.

¹ 2 *Code of Federal Regulations*, §200.414

Application of Policy

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

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

Additional Requirements for Billing Rates

- Billing rates—like all costs charged to BWSR grants—must be based on actual costs. Actual costs must be taken from the previous or current year’s financial statements. Similarly, hours documented as general administrative time, and hours taken in sick leave, holidays, or vacation, must be based on actuals. Leave hours must be actual, not accrued.
- Billing rates must be calculated for each employee. Billing rates rounded per employee category, or a single rate that is the average rate for all employees of an LGU, are not allowed for charging staff time to BWSR grants.
- Billing rates should be evaluated annually, but may be recalculated more often, to reflect changes in costs or employees.

Formulas and Examples of Calculating Billing Rates

BWSR provides spreadsheet templates on this website to assist LGUs in calculating billing rates using **Options 1 and 2**.

- 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. An LGU 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 an LGU’s own calculations.

The templates are provided as examples only. LGUs are not required to use these templates.

The remainder of this chapter describes the formulas that are built into the templates, and illustrates them with examples.

Option 1 Example

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 grant recipient is allowed to charge a rate of \$27.50/hour (\$25.00 + \$2.50) to BWSR grants. The \$2.50 per hour pays for that employee's share of facilities and administration.

- ✓ The formula for calculating a modified base rate is:

$(\text{Salary} + \text{Benefits} / \text{Workable Hours}) + (\text{Cost of Leave} / \text{Hours Actually Worked})$

- ✓ The formula for calculating a billing rate using Option 1 is:

$\text{Billing Rate (allowing for facilities and administration)} = \text{Modified Base Rate} + (.10 * \text{Modified Base Rate})$

Option 2 Example

In this example, a hypothetical LGU uses [Option 2](#) to factor the costs of facilities and administration in its billing rate. The LGU is staffed by three employees: a district manager, a conservation technician, and an administrative assistant.

Here is the LGU's statement of operations for the year.

Figure 1: LGU's Statement of Operations

STORMY COUNTY/SWCD	
STATEMENT OF OPERATIONS 201x	
EXPENDITURES	
Salaries	
District Manager	\$54,579.00
Conservation Technician	\$40,501.00
Administrative Assistant	\$35,105.00
Benefits²	
FICA	\$8,071.47
Medicare	\$1,887.68
PERA	\$9,438.41
Insurance	\$48,384.00
Total Salaries and Benefits	\$197,966.57
Facilities³	
Education/Training ⁴	\$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
Vehicle Gas/Maintenance	\$1,757.10
Software Licenses ⁵	\$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

The elements of a billing rate are **salary, benefits, leave, and facilities and administration.**

² The yellow highlighted rows are the LGU's total benefits costs for its employees.

³ The green and blue rows are the LGU's total facilities costs.

⁴ The green rows are facilities costs that are shared across the LGU. They are included in the billing rate calculation.

⁵ The blue rows are facilities costs that (in this example) are specific to a program or project. They are directly charged to that program or project grant. They are not included in the billing rate calculation.

Salary is factored in 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 = 2088.⁶

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.

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 leave: sick leave, holidays, and vacation. Here is that data:

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

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

⁶ 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.

Leave is specific to 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 their costs.

- ✓ To factor the cost of facilities, divide the total cost of facilities for the LGU by the total hours actually worked by all employees in that LGU.

Figure 5: Calculation of Facilities

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

To factor the cost of **administration**, 10% of the total workable hours in the LGU may be added to the billing rate calculation.

In the example for this LGU of three full-time employees, the total workable hours in the LGU = 6,264, so the administrative hours allowed = 626. These hours are distributed to the administrative staff of the

LGU—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 for the LGU by the total hours actually worked in the LGU, *minus* the hours allowed for administration.

Here is that data for this LGU:

Figure 6: Calculation of Administration

Maximum Number of Hours Allowed for Administration = Total Workable Hours in LGU * 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	\$5.52
= Total Cost of Admin / (Total Hours Actually Worked in LGU - Admin) = \$27,516.37 / (5,614 - 626)	

These calculations result in the following billing rates for this hypothetical LGU:

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 that are 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 that you are directly charging 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.