

SAMPLE CALCULATIONS

SIMPLIFIED BASIC CALCULATIONS FOR DEVELOPING FULLY LOADED HOURLY RATES FOR A SMALL CONTRACTOR OF CONSULTING SERVICES AT A GOVERNMENT FACILITY

Step 1: Assemble Direct and Indirect Costs

Direct Costs are costs created and necessitated by the existence of a project or contract (Consultant working on a contract)

Calculate the Hourly Labor Rate (annual salary divided by billable hours - see example of billable hours)

Calculate Fringe Benefit Costs and prorate per employee - see example

Indirect Costs are costs that are occurring even if there is no project or contract in place:

Labor costs of support staff: human resources, budget, computer help desk, and management/administrative

Costs of operating the office: rent, utilities, equipment depreciation, repairs, maintenance, and other costs

These indirect costs (overhead) are added up and distributed to the direct costs by using calculated overhead rate.

To calculate Overhead Rate divide Indirect Costs by Direct Costs (see calculations below)

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Step 2: Develop Fully Loaded Hourly Rate for a Consultant:

- Add items 1 and 2 and follow steps:
- | Item | |
|------|---|
| 1 | Hourly rate (annual salary divided by billable hours; see billable hours calculation below) |
| 2 | <u>Fringe Benefit Cost</u> (see calculations below) |
| 3 | Get subtotal of the above (add items 1 and 2) = Total Direct Labor Cost |
| 4 | <u>Multiply Item 3 by overhead rate</u> (see overhead calculations below) |
| 5 | Get subtotal of items 3 and 4 |
| 6 | <u>Multiply item 5 with profit rate</u> (see profit rate explanation below) |
| | Add items 5 and 6 = Fully Loaded Hourly Rate |

Sample Calculation of Fully Loaded Rate:

	Item		Rates	
Hourly rate	1	\$52.08 per hour		(\$100,000/1920 billable hours - see example below)
Fringe Benefit Costs	2	<u>\$11.89 per hour</u>	22.8%	(see fringe benefit calculations below)
S-T	3	\$63.97		
Apply Overhead Rate	4	<u>\$23.75</u>	37.1%	
S-T	5	\$87.72		
Apply Profit Rate	6	\$5.26	6.0%	
Fully Loaded Hourly Rate		\$92.98		
that can be charged to the contract				

- | | |
|-----------------------|--|
| Employee hourly rate: | actual hourly rate prorated to billable hours (1920) |
| Fringe Benefit Rate: | calculated (see sample below) |
| Overhead Rate: | calculated (see sample below) |
| Profit Rate: | determined by the vendor, based on level of risk, competition, and market conditions |

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Fringe benefits are **non-salary employee compensation** expressed as a percentage of salary.

Fringe Benefits can include employer contributions to: FICA, retirement plans, unemployment insurance, group life and disability insurance Workman's Compensation, health plan costs paid by the employer, as well as paid leave.

Fringe Benefit Rate: Add all the non-salary compensation paid all the employees and divide by total salaries of all employees

Example: Fringe Benefits: \$ 179,238 (calculated number; see example calculation below)
 All Salaries \$ 785,000 (President, Admin. Assistant, and 6 Consultants)
 Fringe Benefit Rate: \$179,238/\$785,000
 Fringe Benefit Rate: 22.8%

Enter your \$:	Fringe Benefit Costs	\$ 179,238	?	of all employees
	Annual Salaries	\$ 785,000	?	of all employees
	Fringe Benefit Rate	22.8%		

Overhead Rate:

To Calculate Overhead Rate Divide Indirect Costs by Direct Costs

Sample: Indirect Costs \$ 273,641
 Direct Costs \$ 736,997
 Overhead Rate: Indirect Cost/Direct Costs
 Overhead Rate: \$273,641/\$736,997
 Overhead Rate = 37.1%

Enter your \$:	Indirect Costs	\$ 273,641	?
	Direct Costs	\$ 736,997	?
	Overhead Rate:	37.1%	

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EXAMPLE

Example (these numbers are strictly used as an example and do not represent any actual company)

List of Possible Direct Costs:

6 Consultants @\$100,000 per year	\$ 600,000	
Fringe Benefit Costs of 6 Consultants	\$ 136,997	22.8%
Total Direct Costs	\$ 736,997	

List of Possible Indirect Costs:

Sample

Salaries of Administrative/Management Staff

Company President	\$ 140,000	
Administrative Assistant	\$ 45,000	
Subtotal	\$ 185,000	
Fringe Benefit Costs of Admin/Mgmt Staff	\$ 42,241	22.8%
Total Labor Indirect Costs	\$ 227,241	

List of Possible Other Indirect Costs

Rent	\$ 24,000	
Electricity	\$ 3,600	
Building Maintenance	\$ 1,000	
Telephone	\$ 3,600	
Training	\$ 1,000	
Insurance	\$ 500	
Consultants	\$ 2,500	
Janitorial Service	\$ 2,400	
Security Services	\$ 1,200	
Equipment Depreciation	\$ 2,000	
Printing/Reproduction	\$ 2,400	
Travel	\$ 1,000	
Supplies	\$ 1,200	
Total Other Indirect Costs	\$ 46,400	

Total Indirect Costs **\$ 273,641**

Please note that all costs and their components have to be considered allowable and reasonable.

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FRINGE BENEFIT COSTS (these costs may vary from one employer to another)

FICA (Social Security 6.2% of the first \$90,000)	President	6.2%	\$ 140,000	\$	5,580	\$90,000	limit
	Admin. Asst.	6.2%	\$ 45,000	\$	2,790	\$90,000	limit
	Consultant	6.2%	\$ 100,000	\$	5,580	\$90,000	limit
	Consultant	6.2%	\$ 100,000	\$	5,580	\$90,000	limit
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	Consultant	6.2%	\$ 100,000	\$	5,580	\$90,000	limit
	Consultant	6.2%	\$ 100,000	\$	5,580	\$90,000	limit
	Consultant	6.2%	\$ 100,000	\$	5,580	\$90,000	limit
FICA (Medicare HI 1.45% of all earnings)	President	1.45%	\$ 140,000	\$	2,030		
	Admin. Asst.	1.45%	\$ 45,000	\$	653		
	Consultant	1.45%	\$ 100,000	\$	1,450		
	Consultant	1.45%	\$ 100,000	\$	1,450		
	Consultant	1.45%	\$ 100,000	\$	1,450		
	Consultant	1.45%	\$ 100,000	\$	1,450		
	Consultant	1.45%	\$ 100,000	\$	1,450		
	Consultant	1.45%	\$ 100,000	\$	1,450		
Workers' Compensation Insurance	President	4.05%	\$ 140,000	\$	5,670		
	Admin. Asst.	4.05%	\$ 45,000	\$	1,823		
	Consultant	4.05%	\$ 100,000	\$	4,050		
	Consultant	4.05%	\$ 100,000	\$	4,050		
	Consultant	4.05%	\$ 100,000	\$	4,050		
	Consultant	4.05%	\$ 100,000	\$	4,050		
	Consultant	4.05%	\$ 100,000	\$	4,050		
	Consultant	4.05%	\$ 100,000	\$	4,050		

