

The Charge of the Rate Brigade



Structuring In-House Construction Rates

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Introduction



Experience at Mizzou

Feedback from the APPA Institute

CFaR Project

Why Charge for Services?



Funding cuts lead to cost shifting

Protect the O&M Budget

How to Charge for Services



No Published Standard Practice

What to Charge for Services



The 1999 Arkansas Study

Rates vs. Ratios

University of Arkansas

Wage and Recharge Rate Study (July 1999)

<u>Institution</u>	<u>Recharge Rate</u>	<u>Average Wage</u>	<u>Recharge to Wage</u>
Miami University	\$17.29	\$14.49	1.19
Illinois	\$31.35	\$24.52	1.28
Southern Illinois	\$31.91	\$24.54	1.30
Kansas	\$17.32	\$12.51	1.38
Arkansas	\$25.99	\$17.94	1.45
Georgia	\$23.13	\$15.61	1.48
Wichita State	\$18.00	\$11.78	1.53
Kansas State	\$20.74	\$12.75	1.63
Mississippi	\$17.84	\$10.65	1.68
UT Austin	\$22.36	\$12.85	1.74
Arizona State	\$28.26	\$15.97	1.77
Ohio State	\$25.00	\$13.91	1.80
North Dakota	\$25.50	\$13.50	1.89
Colorado State	\$35.33	\$17.99	1.96
Missouri	\$30.00	\$15.29	1.96
Iowa State	\$29.33	\$14.29	2.05
Michigan	\$49.34	\$23.54	2.10
Vanderbilt	\$30.30	\$14.08	2.15
Indiana	\$32.20	\$14.93	2.16
Duke	\$36.40	\$16.14	2.26

Critical Elements



Direct Wages

Fringe Benefits

Supervision

Shop Overhead

Billable Hours

Direct Wages



Front line service provider

Hourly wages

Variances among trades

Variances among individuals

Fringe Benefits



Health Insurance

Retirement

Other

Shop Overhead



Tools, equipment, vehicles, uniforms, etc.

Management & Support Staff

Facilities Costs

Other

Billable Time



Total Time (2080 hours) less:

Vacation

Holidays

Safety Meetings

Campus Events

Training

Sick Leave

Other

Hourly Billing Rates



Annual Available Hours	2080
Less:	
Vacation/Personal Days	152
Sick Leave	96
Funeral/Jury	8
Holidays	64
Training	24
Other	16
Total Billable Hours	1720

Hourly Billing Rates



How do you determine hourly billing rates?

Budget / (billable hours x # of employees)

Hourly Billing Rates



Sample Determination:

Budget / (billable hours x # of employees)

$$\$3,100,000 / (1720 \times 60) = \$30.04$$

Hourly Billing Rates



The \$15/hr worker, with benefits averaging 23% and who bills only 82% of their paid time is effectively costing...

$$(\$15/\text{HR} \times 1.23)/.82 = \$22.50/\text{hr}$$

The remaining \$7.50/hr covers all other support, management, and operating expenses

Billing Rates Rule of Thumb



Recharge rates should approximate twice the employee's direct wages:

- 1.00x for the employees direct wages
- .25x for the benefits
- .25x for non-billable time
- .50x for supervision and support

Rate Calculation #2



Second Sample Determination:

Budget / (billable hours x # of employees)

$$\$440,000 / (1720 \times 8.5) = \$30.09$$

CFaR Data Collection



Survey Instrument

Responding Institutions

Ratios

What they told us

Subsidization



Deliberate Subsidization

Benefits - Institutional vs. Department Cost

Lack of apportioned costs

Barriers to Change – Politics and Price Shock

Managing the Bottom Line



Billable Hours

Work Slow Down

Impact of Understaffing

Profit & Loss

Overtime

Discussion

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