

How to Budget and Bill OWEB for Employee Actual Payroll Costs (Project Management and In-House Personnel)

Payroll costs normally appear in the budget categories of project management and in-house personnel.

Payroll costs include only direct costs for:

- Gross wages
- Payroll taxes (Medicare and Social Security)
- Health insurance
- Retirement benefits
- Accrued leave liability
- Workers' compensation/unemployment insurances.

Payroll costs do not include indirect costs, including, but not limited to:

- Office rent (rent is payable to councils through their Council Support grants and to soil and water conservation districts through their operational cost arrangements with ODA.)
- Other examples: Federal indirect rates, administration

BILLING INSTRUCTIONS

Unless otherwise required by OWEB, actual payroll expense may be billed on Grantee letterhead or by providing detailed QuickBooks expense transaction sheets. OWEB reserves the right to request detailed payroll records.

Effective January 2010 – grantee letterhead must show:

1. Dates for which the expenses were incurred;
2. Hourly rates;
3. The number of hours and amounts must be shown by budget category and names of individuals;
4. The letterhead must be signed and dated.

QuickBooks expense tracking sheets must show:

1. Dates;
2. Position description by budget category and name of person being paid;
3. Amounts; and
4. Must be signed by authorized Grantee or Fiscal Agent.

Expenditures billed in either manner are subject to a review. Actual payroll records must be kept on record by the grantee or fiscal agent.

OWEB FISCAL REVIEW

If Payroll hourly rates appear to be unusually high, Fiscal staff may request a review of those rates. Grantees/Fiscal agents will then need to provide a breakdown of their actual hourly rates, formatted similarly to the sample calculation table **on page 2 of these instructions**. OWEB will reimburse only actual payroll costs. Hourly rates shown in application budgets may be subject to OWEB Fiscal review at the time payroll expenses are charged to the grant. If you have questions or concerns, please contact your OWEB regional program representative.

EXAMPLE ON HOW TO CALCULATE ACTUAL PAYROLL COSTS

If you are:

- Completing a budget for an OWEB application, or
- Submitting a payment request for a funded grant

Refer to the example below to calculate actual payroll costs (hourly rates) for in-house project managers and in-house personnel. This is just an example; you will need to add your own actual numbers.

Example

First, calculate hours *actually* worked in a year:

365 days in a year

Less 104 weekend days

Less 14 vacation days

Less 10 days sick leave

Less 8 holiday/personal days

Equals 229 work days, or **1,832 hours actually worked in a year**

Next, calculate annual direct payroll costs:

Direct Payroll Categories	Annual Direct Payroll Costs
Wages	\$30,000.00
Medical insurance	\$7,200.00
Dental insurance	\$1,200.00
Retirement benefits	\$1,200.00
Workers' comp premiums	\$600.00
Employer State Unemployment (2.4%)	\$720.00
Employer Federal Unemployment (0.8% on first \$7,000)	\$56.00
Employer Medicare taxes (1.45%)	\$435.00
Employer Soc Sec taxes (6.2 %)	\$1,860.00
TOTAL ANNUAL DIRECT PAYROLL COSTS	\$43,271.00

Finally, divide the Total Annual Direct Payroll Cost (\$43,271.00) by the Total number of hours actually worked in a year (1,832) to get an hourly rate of \$23.62 (This rate will allow you to charge for payroll accruals and have the money available when the employee actually takes sick, vacation, or holiday/comp time leave). Rates maybe recalculated as actual payroll costs change.