

**SAM – MISCELLANEOUS ACCOUNTING PROCEDURES**

**BILLING FOR SERVICES OF EMPLOYEES PAID ON MONTHLY BASIS**

**8740**

(Revised 01/2017)

This section provides the methodology and formula for determining the hourly billing rate when a department bills for the services of employees paid on a monthly basis on or after January 1, 2017. As outlined below, the hourly billing rate is computed using the total actual working time per year and the state’s staff benefit contribution percentage.

Total actual working time per year is determined by deducting the number of hours for Saturdays, Sundays, holidays, and other absences from total hours for the calendar year. To determine other absences, departments will compile and average absences such as vacation leave, annual leave, personal leave program, sick leave, bereavement leave, informal time off, jury duty leave, military leave, furlough leave, and professional development leave.

This formula only provides billing for hours actually worked. The formula does not include an amount for such costs as identifiable operating expenses incurred in rendering the service, charges for other than incidental use of equipment, overhead, and other costs. In addition, Workers’ Compensation, Industrial Disability, Unemployment Compensation, and Life Insurance benefits are not included in the formula since these expenses can vary substantially among departments. However, such costs should be included in billing for services in accordance with SAM sections 8752.1 and 8758.

**HOURLY BILLING RATE CALCULATION – TOTAL ACTUAL WORKING TIME PER YEAR**

CALENDAR YEAR	365 days x 8 hours =	2920 hrs.
LESS DEDUCTIONS		
Saturdays	52 days x 8 hours =	416 hrs.
Sundays	53 days x 8 hours =	424 hrs.
Holidays:		
New Year’s Day		
Martin Luther King Jr. Day		
President’s Day		
Cesar Chavez Day		
Memorial Day		
Independence Day		
Labor Day	12 days x 8 hours =	96 hrs.
Veteran’s Day		
Thanksgiving Day		
Day After Thanksgiving		
Christmas Day		
Personal Holiday		
Other Absences (averages):		
Vacation/Annual Leave*		
Personal Leave Program (PLP)*		
Miscellaneous – Sick,		
Bereavement, Informal Time Off,		
Jury Duty, Military, Furlough Off,		
Professional Development Leave*		

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Subtotal of Other Absences  
(Vacation, PLP, and Miscellaneous) -----

**TOTAL DEDUCTIONS**  
(include all amounts calculated under Deductions) -----

**TOTAL ACTUAL WORKING TIME PER YEAR**  
(2920 hrs. less Total Deductions) -----

\*Statewide data is not available. Each department, based on previous experience and expertise, must compile the information for Other Absences. Remember to calculate a separate average for each type of Other Absences (i.e. average vacation/annual leave, average PLP, and average miscellaneous absences).

**STATE'S STAFF BENEFIT CONTRIBUTION PERCENTAGES**  
(Effective January 1, 2017)

Employee's Retirement	26.73
OASDI	6.20
Medicare	1.45
Health, Vision, and Dental Benefits	<u>14.78</u>
TOTAL PERCENT	49.16 1/

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### **BILLING FOR SERVICES OF EMPLOYEES PAID ON MONTHLY BASIS**

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#### **FORMULA FOR CALCULATING THE HOURLY BILLING RATE:**

(Monthly Salary Rate x 1.4916) divided by  
("Total Actual Working Time per Year" divided by 12)

Note: Monthly Salary Rate should be adjusted as necessary to reflect (average) salary reductions for PLPs and furloughs.

#### **Formula for calculating daily rate for 2,000 hours or less per year:**

The number of working hours per month is not appropriate for employees not expected to work 2,000 hours per year, less vacation and sick leave. In such instances, an estimate of actual working time per month or year, considering average holiday, vacation, and sick leave should be used. For example, billing rates for academic year employees, such as college instructors, would be computed on the basis of the number of workdays in a year, less the average of sick leave usage. (Holidays and vacation are not considered in this instance since they are considered in determining the number of working days.)

Daily Rate = (Annual Salary Rate x 1.4916) divided by (Working Days per Year - Average Sick Leave Days Used per year)

Hourly Rate = Daily Rate divided by 8

1/Note: The 49.16 percent rate is applicable only to employees who are Miscellaneous Tier 1 members of the Public Employees' Retirement System. For those employees who are not Miscellaneous Tier 1 members, but who still belong to Social Security, their appropriate retirement contribution rate will be substituted for the 26.73 percent rate. Those employees who are not Miscellaneous Tier 1 members and who do not belong to Social Security will include their appropriate Medicare and retirement rates, and health, vision, and dental benefit rates. For example, the appropriate total rate for members of the Safety Retirement Category who do not belong to Social Security is 36.17 percent consisting of:

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### **BILLING FOR SERVICES OF EMPLOYEES PAID ON MONTHLY BASIS**

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Employee's Retirement (State Safety)	19.94
Medicare	1.45
Health, Vision, and Dental Benefits	<u>14.78</u>
TOTAL PERCENT	36.17

This 36.17 percent figure will be used in lieu of the 49.16 percent figure shown above. State departments with employee members in different retirement categories may use a composite employer contribution rate, based on department experience. Also, any department may use other rates for [OASDI](#), Medicare, and health, vision, and dental benefits if more accurate rates can be determined from the actual experience of their operations.