

WASTE MANAGEMENT DIVISION
REMEDIATION PROGRAMS
COST RECOVERY MULTIPLIER

January 22, 2009

In accordance with RSA 146-A:3, 146-C:11, 147-B:10 and 147-F:14 responsible parties are liable for all costs incurred by the state in containment, cleanup, restoration and removal of spills or releases of petroleum and hazardous wastes in the state. The Department's costs include salaries, benefits, overhead costs, expenses, and contractor services.

In October 1990, a cost recovery formula was developed by the then-Groundwater Protection Bureau and approved by the Department. The multiplier adopted at that time was 1.771. In 2002, the multiplier was recalculated and was increased to 1.986.

As a result of increases in health insurance and other overhead costs over the past six years, it has been necessary for the Department to review and recalculate the multiplier. The calculations presented below deal with the revision of that multiplier.

The normal method of recovering benefits and overhead costs, such as health insurance, FICA, retirement, vacations, rent, telephone usage, non-billable employees and other similar costs is the use of a labor multiplier. These non-job specific costs are included in a multiplier that is applied to all labor costs charged to a project.

The following calculations present the factors used in developing the revised multiplier for Remediation Programs of the Waste Management Division. These calculations utilize many factors approved by EPA for federal grant programs.

1. Direct labor cost = 1.0 L

Most staff members are not 100% billable and nearly all have some administrative or non-billable time. The percentage of time the employee would be chargeable to projects is often referred to as the utilization rate. A 100% utilization rate means all of an employee's time is directly billable to projects. The utilization rate will be discussed further under Item 8, below.

2. Compensated Time Off:

There are a maximum of 260 workdays per year. However, the State provides vacation, sick, holidays, and bonus leave to employees. This leave time reduces the annual number of working days that can be charged to projects. This time can only be recovered by apportioning it to projects through the salary multiplier. The following are calculations showing the reduction in workdays due to leave and the effect on the multiplier.

Direct labor days per year = (52 weeks) (5 days/week) = 260 days

Compensated days per year:	
Vacation	15 days
Holidays	12 days
Sick leave	3 days
Bonus leave	4 days
<u>Training</u>	<u>5 days</u>
Total	39 days

Adjustment to total hours for billable hours = $(260)/(260-39) = 1.176 L$

3. Benefits:

Full time - Health Insurance, retirement contribution and FICA = 0.483 L on total full time hours. In addition there are additional fringe benefits that are also provided for employees at 0.082L, for a total of $0.483+0.082 = 0.565L$

4. Other DES Indirect Costs:

Accounting and Commissioner's Office indirect costs of 3.06% of salary and benefits. Since benefits are equal to 56.5% of salary costs for full time employees, the percentage of indirect costs based on salary alone is:

$(1+0.565)(0.0306) = 0.048$, i.e., 4.8% of labor or 0.048L on total full time hours.

5. Administrative Services Indirect Costs:

Charges by Administrative Services to the Department at 5% of salary and benefits. Since benefits are equal to 56.5% of salary costs for full time employees, the percentage charge attributable to this category is:

$(1+0.565)(.05) = 0.07826$, i.e., 7.8% of full time labor or 0.078L.

6. Expenses, Rent, Equipment Maintenance, OIT Support & Computers:

Expenses per employee per year =	\$3,548
Employee Assistance Program =	\$ 28
Equipment Maintenance =	\$ 160
Transfers to General Services (rent)	\$3,513
OIT Charges per employee	<u>\$5,866</u>
Total	\$13,115

Average remediation staff annual salary = \$69,263

$$\text{Expenses, Rent, etc. as a fraction of labor} = (\$13,115/\$69,263)L = \underline{0.189L}$$

SUBTOTAL OF LABOR MULTIPLIER FOR REMEDIATION STAFF

$$(1.0 + 0.565 + 0.048 + 0.078 + 0.189 = 1.88) * (1.176) = \underline{2.212L}$$

7. Non-billable Support Staff:

The Department does not have provisions for support and/or administrative staff to bill against projects. All hours billed are to overhead. Those support/administrative staff who support technical personnel on project billable time and who are paid from Remediation Programs are as follows:

POSITION	POSITION NUMBER	LABOR GRADE	ANNUAL SALARY
Librarian II	42134	21	\$50,916
Engineering Tech IV	40503	19	\$46,412
Program Assistant I	42171	12	\$34,870
Clerk IV	40150	12	\$34,870
Exec. Secretary	12117	11	\$33,389
Exec. Secretary	19527	11	\$33,389
Clerk III	40502	8	\$29,727
Sub-total			\$263,573
Rent, telephone, supplies, computers \$13,115 * 7			\$ 91,805
Total			\$355,378

Although these administrative staff provide support to Remediation Programs, they also support other staff whose costs are not recoverable. There are 69 staff supported by the above administrative positions and 40 billable remediation staff.

$$\text{Full time support/admin. salary cost per remediation staff} = (\$355,378/69) = \$5,150$$

Please note that the multiplier applied to Remediation Staff salaries for rent, expenses, OIT charges, etc., can not be used for support staff since the average salaries for Support Staff is about one half of the Remediation Staff. Consequently, the calculated cost for rent, etc., was added to the annual salaries and a multiplier without the value calculated in Category 6 was used, i.e. $(1.0+0.565+0.048+0.078 = 1.691)*(1.176) = 1.99$ vs. 2.198

$$\text{Adjusted for benefits and other indirect charges} = (\$5,150)(1.99) = \$10,248$$

$$\text{Average remediation staff annual salary} = \$69,263$$

$$\text{Support/admin. labor multiplier} = ((\$10,248)/\$69,263)L = \underline{0.148L}$$

8. Adjustment for Actual Staff Utilization Rate:

Item 1, above, assumes the staff hours are 100% billable to projects, i.e., every hour worked is charged to a billable project. None of the staff are able to meet that goal since some time is not directly chargeable to projects or staff may occasionally be assigned to non-billable activities. As a result, there is a "utilization rate" for the staff which reflects the percentage of time staff charge to billable projects. The higher the utilization rate, the more time an employee charges to projects. Since staff are paid for non-project chargeable hours, these hours must be recovered by spreading the non-billable time over all billable projects.

Based on a review of time sheets of the staff assigned to remediation sites, it has been determined that a reasonable utilization rate is 90%, i.e., 10% of staff time is non-project billable. Consequently, in order to recover this time, direct labor will be multiplied by $(100\%)/(90\%) = 1.11$

TOTAL COST RECOVERY MULTIPLIER

$$(1 + 0.565 + 0.048 + 0.078 + 0.189 + 0.148)L * 1.176 * 1.11 = 2.652 L$$

Use 2.65 L

Other costs which will be charged to a project but which are not included in the multiplier include the following:

- Travel expenses
- Direct material expenses
- Laboratory costs
- Consultant and/or contractor costs

Recommended for use in the Waste Management Division Cost Recovery Program:



Michael Wimsatt, P.G.
Director

1/23/09
Date

Approved for use in the Waste Management Division Cost Recovery Program:



Thomas S. Burack
Commissioner

1/26/2009
Date