Introduction to Recharge

Calculating Available Personnel Hours for a Recharge Consultation Rate

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Calculating Available Personnel Hours for a Recharge Consultation Rate

When a recharge rate is based solely on a person’s actual time, such as billing for consultation, there is a direct correlation between the number of hours allocated to a rate and billable units.

In these instances we need to take special care on calculating available hours to be billed (annual billing units).
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It is generally assumed that a full time permanent position equals 40 hours a week, with 52 weeks per year. This would yield 2080 hours per year. However, it is not a realistic expectation that a person will actually perform billable services for 2080 hours per year.

Therefore, we need to derive a more accurate calculation of billable hours when the service rate is for a direct one-to-one relationship between the billable rate and time actually spent.
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To calculate a more appropriate annual billing level, we’ll begin with the base hours of 2080, then subtract out 88 paid holiday hours per year (11 paid holiday days at UNC), 80 hours assumed vacation days, and 40 assumed sick days for remaining total of 1872 actual working hours in the lab.

<table>
<thead>
<tr>
<th>2080</th>
<th>hours in a work-a-day year</th>
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<tbody>
<tr>
<td>-88</td>
<td>paid holidays</td>
</tr>
<tr>
<td>-80</td>
<td>assumed leave time</td>
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<tr>
<td>-40</td>
<td>assumed sick time</td>
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<tr>
<td>1872</td>
<td>working hours in a year</td>
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Now that we have determined a more accurate number of working hours per year, we need to ensure that the number of hours we plan to sell over the course of the year equates with actual available hours.

As an example, we are going to calculate the number of hours we expect to sell for a consultation rate with core facility personnel:
Calculating Available Personnel Hours for a Recharge Consultation Rate

Direct Costs ÷ Annual Billable Units = Price per Unit of Service

In this example, our core facility staff consultant estimates that they spend 10% of their effort on consultations.

Since this is the only person providing this consultation service, we would calculate the annual billable hours for that service rate to be 10% of the 1872 available hours per year, or 187 hours.
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Direct Costs ÷ Annual Billable Units = Price per Unit of Service

If this staff person has 10% effort or 187 hours dedicated to providing this service, it means we don’t have more than those 187 hours to sell, so we can’t sell more units of that rate unless we increase the percent of effort the staff consultant spends on billable consultations. Neither should we set the annual billable units to be much less than 187 hours. If we expect to only sell 120 hours of the consultation rate over the course of the year and not 187 hours, then the percent of effort should be reduced to reflect an amount of time in the range of 120 hours; otherwise we would have to ask what the consultant is actually doing for the hours unaccounted for in the rate if we determined the rate based on sales of 120 hours?
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Direct Costs ÷ Annual Billable Units = Price per Unit of Service

To determine the percentage equal to 120 hours instead of 187 hours, divide 120 hours into 1872 annual hours. This would yield an effort level of 6.4%, or rounded up to 7% effort.

Adjustments to calculating actual billable hours for a rate would be required if there is more than one person providing the same service (calculate hours for both persons), or if the consultant position is not full time, etc.
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Office of Research Technologies (ORT) provides assistance with this and other calculations for recharge rate development.

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