Purpose
To ensure accountability and consistency in financial reporting, this policy identifies how to develop the labor rate and how to apply it to project costs.

Policy
Employees do not charge leave time (compensated absences) to projects. In order to charge projects an appropriate amount for compensated absences (sick leave, vacation, holidays, and administrative leave), a labor rate additive is developed. This rate is approved by the Federal Highway Administration (FHWA) and is a fixed percent added to labor charges on projects.

Background
Compensated absences are part of the cost of labor. In the attempt to fairly add this cost to projects, it was determined that a labor rate additive should be added to the actual labor charged to projects. The labor rate additive is included as an eligible cost for FHWA reimbursement.
Procedures
Labor Rate Additive

Responsibility: Cost Accountant

Actions

1. At the end of the year, determine the labor rate that will be applied to the following year by dividing the total paid leave amount by the direct labor amount.

Responsibility: State Finance

2. Set the labor rate in FINET.

3. As payrolls are processed, apply the rate to direct labor. The additive shows in object 9901 on project accounting.