**FAQs – Labor**

**Q1.** Whose labor goes into what sections of the budget?

**A1.** Labor may be in the form of these categories:

1. Senior/Key Person
2. Other personnel
3. Consultants
4. Subawards
5. Independent contractors (1099s)

**Senior/Key Person** budget is reserved for the Small Business PI and any others identified in the technical narrative as a Key Person. These would be individuals working for the small business as a W2 employee. In the case of an STTR, the PI labor budget may be with the STTR partner as a Key Person.

**Other Personnel** budget is for those small business employees not mentioned in the technical narrative.

**Consultants** are typically 3rd-party individuals whose budget would fall under Section F. of the budget. Consultants may be identified as “Key Persons” in the Technical Narrative.

**Subaward** labor will reside within the total budget from the subawardee, Section F.

**Independent contractors** (1099s) budget would also be shown in Section F.

**Q2**. How should LLC members be shown in the budget?

**A2**. LLC members can generate an hourly rate as if they were “salaried” individuals for purposes of calculating labor costs.

**Q3**. What are the rules and limitations for the PI?

**A3.** They must be a U.S. citizen and employed by the small business at least half time. They must work on the SBIR/STTR project a minimum of 156 hours.

**Q4.** How much salary should I propose for the budget?

**A4.** While there is no formal cap on salary, salary levels will be evaluated as being “fair and reasonable.” One objective measure of salary I the Bureau of Labor Statistics database. The DOE will also accept salary data from website such as Salary.com and Glass.door.com. Other resources may be professional organization salary surveys, or other reputable HR resource you can access.

**Q5**. How is labor actually calculated?

**A5.** The common method is to select a reasonable annual salary, then divide by 2,080 standard work hours in a year to derive an hourly rate. Do this even if you only work part time. Estimate the hours dedicated to the project. Multiply those hours by the hourly rate to derive the labor budget.

**Q6.** How are fringe benefits and payroll taxes related to labor?

**A6.** Fringe would not be part of an individual’s salary or hourly rate when calculating the budget. See the FAQs for Fringe.

**Q7.** Should the PI have more time than other employees? Can the PI be part-time but other employee can be full time?

**A7.** As long as the PI is otherwise employed half time by the small business, their only requirement is performing a minimum of 156 hours on the project. It’s not unusual for PI hours to be substantially less than others.

**Q8.** When it comes to scoring Workshare to meet the SBIR and STTR requirements, how are these elements of labor scored?

**A8.** An SBIR small business must perform at least 67% of the work. An STTR small business must perform a minimum of 40% or the work. It’s very important to keep this in mind when developing a budget, especially with labor:

1. Company W2 and LLC member labor – Contributes to small business workshare
2. Consultants, Subawards, 1099s – Considered 3rd party contributors, non-small business workshare

**Q9.** Can labor and therefore compensation be in the form of company equity?

**A9.** Government grants presume company employees are either compensated via normal W2 payroll or guaranteed payments. The cost allowability rules surrounding equity as compensation are so complex as to make this approach impractical.

**Q10.** What are the requirements for foreign nationals working on an SBIR/STTR project?

**A10.** According to the FOA, “Non-U.S. citizens are eligible to perform work on SBIR/STTR projects provided they are legally empowered to work in the U.S. at the time that an award is made and throughout the duration of the project. That is, a foreign national working on an SBIR/STTR project must NOT be an illegal alien and must be an immigrant alien or a foreign national visiting the U.S. on an approved visa.”

**Q11.** Can eligible personnel work from overseas?

**A11.** Not unless it is pre-approved by DOE during the application cycle.

**Q12.** As a small business, an employee can perform many different tasks. Can that employee have different hourly rates for each task?

**A12.** No, an employee can only have one labor rate.