

**UNIVERSITY OF HOUSTON SYSTEM  
ADMINISTRATIVE MEMORANDUM**

**SECTION: Human Resources**

**NUMBER: 02.B.02**

**AREA: Compensation**

**SUBJECT: Overtime and Compensatory Time**

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1. PURPOSE

The purpose of this document is to prescribe policies and procedures to be followed in order to comply with the overtime provisions of the [Fair Labor Standards Act \(FLSA\)](#), and appropriate state statute(s).

2. POLICY

2.1. It is the policy of the System to plan, organize, and schedule its activities so that work may be accomplished within 40 hours in the standard workweek and overtime is limited to that which is absolutely necessary. However, in unavoidable circumstances, such as emergencies or peak load periods, non-exempt employees will be compensated for overtime and extra hours worked in accordance with these policies, regulations and procedures. Managers should plan staffing requirements to minimize overtime work.

2.2. All overtime and extra hours worked must be authorized in advance by the designated ~~component~~-university officials. Supervisors are responsible for monitoring the work hours of non-exempt employees to ensure overtime and extra hours worked have been authorized. Non-exempt employees may not make unauthorized decisions to work overtime. Working unauthorized overtime may subject the employee to disciplinary action, up to and including termination. Similarly, compensation for overtime and extra hours shall not be waived by the non-exempt employee.

2.3. Supervisors cannot require employees to use compensatory time in lieu of sick leave, when accrued sick leave is available.

3. DEFINITIONS

3.1. Employee: An employee is any individual for whom employment records are maintained through the payroll/personnel system, and who is paid through System payroll.

3.2. Exempt employee: An employee occupying a position deemed to be exempt from the overtime provisions of the [FLSA](#). Exempt status is to be determined by

~~component~~ the university level review of job content, using the tests set forth in the [FLSA](#).

- 3.3. Hours worked: A non-exempt employee may only work in excess of 40 hours a week with prior approval from their supervisor. Overtime compensation must be paid for hours worked in excess of 40 hours in a standard workweek or compensatory time at the rate of time and one-half is granted during the 12-month period following the standard workweek in which the overtime was worked. Work which is not requested by an employer but is permitted must be counted as hours worked. Vacation, holiday, sick leave and other official leaves of absence are not counted as hours worked for the purpose of assessing overtime liability. Compensatory time should not be substituted for sick leave when sick leave is available.
- 3.4. Non-exempt employee: An employee occupying a position deemed to be non-exempt according to the [FLSA](#) and who is subject to the overtime provisions of [FLSA](#).
- 3.5. Pay period:
- a. The pay period for non-exempt employees is biweekly and is a period of two consecutive standard workweeks, with certain exceptions as provided in the [FLSA](#), and in accordance with the schedule published by the payroll department at the beginning of each fiscal year available at <http://www.uh.edu/human-resources/payroll/http://www.uh.edu/human-resources/TRAM/>.
  - b. The pay period for exempt employees is monthly, beginning on the first day of the month and ending on the last day of the month.
- 3.6. Regular hourly rate: For the purpose of calculating overtime for non-exempt employees, the hourly rate consists of the total of the following items:
- a. The rate per hour as recorded in the payroll/personnel system
  - b. Longevity pay (prorated hourly)
  - c. Shift differential pay (prorated hourly)
  - d. Hazardous duty pay for commissioned police officers (prorated hourly)
  - e. Educational incentive pay for commissioned police officers (prorated hourly)

The State's contributions for social security, retirement, and insurance benefits are not included in the calculation of the regular hourly rate.

- 3.7. Standard workweek: The standard workweek is defined within the System to be the period beginning at 12:01 a.m. on Wednesday and extending through the seven-day period ending at midnight the following Tuesday. For the purposes of computing overtime or compensatory time, each standard workweek stands alone.

#### 4. SUPPORT INFORMATION

##### 4.1. COMPENSATION FOR OVERTIME – NON-EXEMPT EMPLOYEES

Non-exempt employees are subject to the [overtime provisions](#) of the FLSA. Compensation for all hours worked in excess of 40 hours in the standard workweek shall be either:

- a. compensatory time off during the 12-month period following the end of the workweek in which the overtime occurred at the rate of one and one-half hours for each hour of overtime worked. An employee may not accrue more than 240 total hours (in the case of employees involved in public safety, emergency response, or seasonal work, the maximum hours limit is 480) of compensatory time for overtime hours worked. Any compensatory time not taken at the end of the 12-month period following the end of the workweek in which the overtime occurred, or any compensatory time in excess of the 240 or 480 maximum allowed, must be paid at the employee's rate of pay when the payment is processed. The System has the option to pay off accrued compensatory time at any time, or
- b. at the discretion of the designated ~~component~~ university official, granted at a rate equal to one and one-half times the employee's regular hourly rate when granting compensatory time off is impractical. Such compensation must be provided within the same pay period that the overtime is worked.

A non-exempt employee who performs two or more different kinds of work, involving two or more different regular hourly rates during a single workweek, will be paid one and one-half times the weighted average of such rates. The weighted average hourly rate is calculated by dividing the total pay, which is included in the employee's regular rate of pay per hour (the special calculation of "regular hourly rate" for purposes of paying overtime at time and one-half set forth in Section 3.6. of this document), by the total number of hours worked. Such payments require the supervisor to obtain prior written agreement from the employee.

Paid leave and/or holidays taken are not counted as hours worked in determining overtime hours described in the preceding paragraph; only the hours actually worked during a workweek are counted.

4.2. COMPENSATION FOR EXTRA HOURS – NON-EXEMPT EMPLOYEES

- a. In situations where a non-exempt employee has not worked more than 40 hours in a workweek, but the total of hours worked and hours of paid leave and/or paid holidays exceeds 40 hours, the employee may be compensated for the excess hours over 40 either:
- by allowing the employee to take, on an hour-for-hour basis, compensatory time off for the hours in excess of 40. Such hours must be taken within the 12-month period following the end of workweek in which such excess hours occurred or the hours will be forfeited. The employee may not be paid for unused balances for such hours upon transfer or termination. The 240 and 480 maximum hours limit discussed above is also applicable. If an employee requests in writing to use the accrued time 90 days prior to the date that the accrued time will be forfeited, the supervisor must approve the employee’s request or provide the employee with an alternate date on which the employee must use the compensatory time, or
  - by paying for the hours in excess of 40 on a hour-for-hour basis at the employee’s regular rate of pay per hour (the special calculation of “regular hourly rate” for purposes of paying overtime at time and one-half set forth in Section 3.6- of this document is not used in this case). Such compensation must be provided within the same pay period that the excess hours are worked.
- b. All accrued compensatory time must be cleared before an employee transfers unless by prior written agreement, the receiving department agrees to accept the liability.

5. REVIEW AND RESPONSIBILITY

Responsible Party: Associate Vice Chancellor for ~~Finance~~ Human Resources

Review: Every five years on or before March 1

6. APPROVAL

Approved: Jim McShan  
~~Interim Senior~~ Vice Chancellor for Administration and Finance

Renu Khator  
Chancellor

Date: December 4, 2015**REVISION LOG**

<b>Revision Number</b>	<b>Approval Date</b>	<b>Description of Changes</b>
1	09/ <del>01</del> 04/1990	Initial edition
2	05/15/1992	Revised Section 2.3 on Exempt Employee definition in the determination from campus-level review to component-level review of job content. Changed Section 3.2 from “a component of the University of Houston System” to “of a university of the University of Houston System.” Added Sections 5.1, 5.2, and 5.3 for Compensatory Time – Exempt Employees. Added Personnel Directors to Responsible Parties.
3	11/04/1994	Changed title of SAM 02.B.02 to “Overtime and Compensatory Time” from original “Overtime Policy.” Changed Definition for Non-Exempt Employee in Section 2.2, removing references to O&C, TS&C, and part-time, temporary and student employees. Removed references in Section 2.3 to Executive, Administrative, or Personnel (including faculty). Added to Section 2.4 that each workweek stands alone for purposes of computing overtime or compensatory time. Revised Section 2.6.a. to remove total weighted average information. Added Section 2.7 on Hours Worked for non-exempt employees. Added disciplinary action to Section 3.2 for working unauthorized overtime. Added Section 3.3 on additional part-time employment, Section 3.4 on exempt positions working in a non-exempt position, Section 3.5 on the overtime rate for non-exempt employees working at two jobs during a workweek, and Section 3.6 on liability based on a Department of Labor investigation. Added information to Section 4.1.b. on non-exempt employees working two or more different kinds of work. Changed numbering system in Section 4. Removed Section 5 on Exempt Employees and Section 6 on Dual (Joint) Employment/Overtime. Removed Personnel Directors and University Counsel from Responsible Parties. Changed review period from even numbered years on or before August 31 <sup>st</sup> to odd numbered years on or before August 31 <sup>st</sup> .

Revision Number	Approval Date	Description of Changes
4	06/09/2009	Applied revised SAM template to meet current documentation standards. Revised Section 1, and added policy to Section 2. Added hyperlinks to documentation as applicable. Moved Definitions to Section 3. Added Hours Worked to Section 3.3, and moved Standard Workweek to Section 3.7. For Section 3.6, removed information on housing emoluments (prorated hourly). Added information on non-exempt employees in Section 4 on Policy Provisions. Changed Responsible Party from Vice Chancellor for Administration and Finance to Associate Vice Chancellor for Finance. Changed review period from odd numbered years on or before August 31 <sup>st</sup> to every five years on or before March 1 <sup>st</sup> . Added Executive Vice Chancellor for Administration and Finance to Section 6. Removed Section 7, Indexing Terms
5	12/04/2015	Applied revised SAM template and added new Revision Log. Modified Section 2.2 to remove Chief Executive Officer authorization, and include information on supervisory responsibility on authorized overtime for non-exempt employees. Removed Sections 2.3, 2.4, 2.5, and 2.6. Added links to documentation as applicable. Added web site for schedule of standard workweeks to Section 3.5.a. Added information on weighted average hourly rate to Section 4.1.b. Changed title in Section 6 to Interim Vice Chancellor for Administration and Finance
<u>6</u>	<u>TBD</u>	<u>Removed “component” from documentation. Added Section 2.3 regarding supervisors cannot require employees to use compensatory time in lieu of sick leave. Added information to Section 3.3 on the same topic. Changed the responsible party from the Associate Vice Chancellor for Finance to the Associate Vice Chancellor for Human Resources. Updated titles and links as applicable</u>