

UNIVERSITY of HOUSTON
MANUAL OF ADMINISTRATIVE POLICIES AND PROCEDURES

SECTION: Human Resources
AREA: Compensation

Number: 02.01.03

SUBJECT: Overtime/Compensatory Time
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I. PURPOSE AND SCOPE

This policy provides general guidelines to ensure compliance with the overtime provisions of the [Fair Labor Standards Act \(FLSA\)](#) and the General Provisions of the State of Texas [General Appropriations Act](#). The provisions of this policy apply to all staff employees of the University of Houston, regardless of the source of funds from which paid.

II. POLICY STATEMENT

It is the policy of the University of Houston to plan, organize, and schedule its activities so that work may be accomplished within the standard 40-hour workweek and overtime work is limited to that which is absolutely necessary. In unavoidable circumstances, such as emergencies or peak load periods, employees will be compensated for overtime and extra hours worked in accordance with this policy. In those circumstances, managers are responsible for planning staffing requirements to minimize overtime work.

III. DEFINITIONS

- A. Compensatory time (or compensatory leave): Leave time earned in lieu of pay for time worked beyond the 40-hour standard workweek. There are two types of non-exempt compensatory time, with different restrictions:
1. FLSA compensatory time (1.5, overtime): Leave that is earned at one and one-half hours for every hour actually worked in excess of 40 hours in a workweek.
 2. Straight-time compensatory time (1.0, state comp. time): Leave that is earned at the rate of one hour for every hour worked when hours actually worked during a workweek are 40 or fewer, but total hours for pay including paid leave and holidays exceeds 40.
- B. Employee: Any person employed by the University of Houston and paid through the payroll system.
- C. Exempt employee: An employee in a job that is not subject to the overtime provisions of the [Fair Labor Standards Act \(FLSA\)](#). Exempt employees include professionals, administrators, and executives; they are paid on a monthly basis.
- D. Extra hours: The hours in excess of 40, when hours actually worked during a workweek are fewer than 40, but total hours for pay including paid leave and holidays exceeds 40.
- E. Non-exempt employee: An employee in a job deemed non-exempt by the Fair Labor Standards Act and, therefore, subject to the overtime provisions of the FLSA. Non-exempt employees are paid biweekly on an hourly basis.

- F. Overtime: Hours actually worked over 40 in the standard workweek by a non-exempt employee.
- G. Overtime pay: Cash payment for time actually worked in excess of 40 hours in the standard workweek by a non-exempt employee. Overtime compensation is at the rate of one and one-half times the employee's regular rate of pay.
- H. Regular, full-time employee: A university employee who is employed at 100% FTE on a regular basis for at least four and one-half continuous months, excluding students employed in jobs that require student status as a condition of employment.
- I. Standard workweek: As defined at the University of Houston, for the purposes of overtime and compensatory time for non-exempt employees, the period beginning at 12:01 a.m. on Wednesday and extending through the seven-day period ending at midnight on the following Tuesday.

IV. GENERAL PROVISIONS

- A. All staff employees paid on a full-time basis are required to work a minimum of 40 hours per week unless on approved leave status. Employees are required to work whatever hours are necessary to satisfactorily accomplish the job; the acceptance of such a requirement is a condition of employment.
- B. All overtime and extra hours must be authorized in advance by the director of the department. 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 or extra hours. Working unauthorized time may subject the employee to disciplinary action, up to and including termination. Similarly, compensation for overtime or extra hours may not be waived by the non-exempt employee.
- C. The director of the department shall determine whether work in excess of the regular workweek will be compensated in compensatory time or cash. The employee will be notified of the type of compensation prior to the performance of the extra work.
- D. Managers are responsible for planning the workload and staffing requirements to minimize any overtime work. Managers shall ensure that any overtime or extra hours are needed to complete a required service or operation.
- E. When an employee works at multiple assignments, the appropriate business administrators are responsible for ensuring that total hours worked in a workweek are monitored and the employee is compensated in accordance with this policy.

V. COMPENSATION FOR OVERTIME - NON-EXEMPT EMPLOYEES

- A. Non-exempt employees are subject to the overtime provisions of the [Fair Labor Standards Act \(FLSA\)](#) and must be compensated according to [FLSA](#) guidelines for all hours actually worked in excess of 40 hours (overtime) in the standard workweek. Compensation to employees for overtime shall consist of either of the following methods:
 - 1. Compensatory time off (leave) at the rate of one and one-half hours for each overtime hour worked; or

2. Cash payment at the rate of one and one-half times their regular rate of pay for all overtime hours, in addition to the regular pay for the pay period during which it was earned.
- B. Paid leaves and/or holidays taken are not counted as hours worked for purposes of determining overtime hours. Only hours actually worked during that workweek are counted.
- C. When the non-exempt employee is granted compensatory time under [FLSA](#) for overtime work, the following guidelines apply:
1. An employee may not accrue more than 240 total hours of compensatory time for overtime hours worked. (In the case of employees involved in public safety, emergency response, or seasonal work, the maximum accrual limit is 480 hours.);
 2. Accrued compensatory time must be taken during the 12-month period following the end of the workweek in which the overtime was worked;
 3. Any [FLSA](#) compensatory time not taken within 12 months or such compensatory time in excess of the applicable 240- or 480-hour accrual maximum must be paid at a rate equal to 1-1/2 times the employee's current rate;
 4. The University of Houston has the option of paying off accrued [FLSA](#) compensatory time at any time;
 5. Accrued [FLSA](#) compensatory time must be paid in cash to the employee upon termination or to the employee's estate upon death; and
 6. When an employee transfers to another job within the University of Houston, his/her compensatory time becomes the liability of the hiring department. When a non-exempt employee transfers to an exempt job, [FLSA](#) compensatory time must be paid out by the department from which the employee is transferring at the time of the transfer.

VI. COMPENSATION FOR EXTRA HOURS - NON-EXEMPT EMPLOYEES

- A. In a situation 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 must be compensated for the excess hours over 40 by either of the following methods:
1. Compensatory time at the rate of one hour for each extra hour over 40 hours; or
 2. Cash payment for the hours in excess of 40 on an hour-for-hour basis at the employee's regular rate of pay, in addition to the regular pay for the pay period during which it was earned, when taking compensatory time off would be disruptive to normal teaching, research, or other critical functions.
- B. When the non-exempt employee is granted straight-time compensatory time for extra hours over 40, the following guidelines apply:
1. Straight-time compensatory time is subject to the limits defined in Section V.C.1, 2, and 6 above:

- a. 240 or 480 hour maximum accrual limits;
 - b. 12-month period within which the compensatory time must be taken; and
 - c. Transferability of liability to the hiring department.
2. Under state law, employees may not be paid for any unused straight-time compensatory time. Therefore, accrued compensatory time will be forfeited in the following circumstances: if accrued beyond the stated limits; if not taken within the 12-month period; or upon termination.

VII. HOLIDAY COMPENSATION

- A. All eligible employees who are required to work on a scheduled holiday are entitled to equivalent time off with pay to be taken during the following 12-month period.
- B. Employees may be paid for holiday compensatory time hours earned on a straight-time basis when the supervisor determines that allowing the employee to take compensatory time off would be disruptive to normal teaching, research, or other critical functions.

VIII. REPORTING OVERTIME AND COMPENSATORY TIME

- A. Non-exempt employees report time worked by entering in and out punches on the web clock in P.A.S.S. (employee self-service) or on time collection devices to which they are assigned. Hours worked are calculated by subtracting the "in" punch from the "out" punch and totaled per work day. Portions of an hour, or minutes, are rounded to the nearest quarter of an hour.
- B. Supervisors must approve a non-exempt employee's electronic time sheet at the end of each workweek. Supervisors are required to correct non-exempt employee's electronic time sheets for missed punches or to adjust leave requested and not taken.
- C. A time administration process is run weekly that converts approved reported time into payable time. Payable time is reported time that has been assigned time reporting codes and includes calculated compensatory and overtime hours in accordance with this policy.
- D. Non-exempt employees request compensatory leave by submitting an electronic absence request form available in P.A.S.S.
- E. [MAPP 02.05.02](#) should be consulted for detailed information on Employee Time Reporting.
- F. Extra hour and overtime pay will be added to the employee's pay for the time period in which it was accrued and reported. The calculation of hourly rates for overtime pay will include the following:
 1. The hourly pay rate recorded in the payroll/personnel system;
 2. Longevity pay, if applicable (prorated hourly);
 3. Shift differential pay, if applicable;
 4. Hazardous duty pay for commissioned peace officers (prorated hourly); and

5. Educational incentive pay for commissioned peace officers (prorated hourly).

State contributions for social security, retirement, and insurance benefits are not included in the calculation for the overtime rate.

G. A non-exempt employee who works at multiple assignments with two or more different hourly rates during a single workweek will be paid overtime at the rate of one and a 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 calculated hourly rate for overtime pay, by the total number of hours worked.

H. Compensatory time earned and taken will be recorded in the university payroll system and updated and reported to the employee with pay information. The payroll system will track compensatory time and at the end of the 12-month period, FLSA compensatory time not taken will be calculated as pay and automatically added to the employee's paycheck. Likewise, straight-time compensatory time not taken will be deleted from the employee's record automatically at the end of the 12-month period.

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

IX. REVIEW AND RESPONSIBILITIES

Responsible Party: Interim Associate Vice President for Human Resources

Review: Every five years on or before June 1

X. APPROVAL

/Jim McShan/

Senior Vice President for Administration and Finance

/Renu Khator/

President

Date of President's Approval: May 17, 2019

XI. REFERENCES

- [Fair Labor Standards Act \(FLSA\)](#)
- [State of Texas General Appropriations Act](#)
- [UH System Administrative Memorandum \(SAM\) 02.B.02 – Overtime and Compensatory Time](#)
- [MAPP 02.02.03 - Leaves of Absence](#)
- [MAPP 02.05.02 - Employee Time Reporting](#)