

Overtime and your Authorized Funding

What is overtime?

Under the Fair Labor Standards Act, if an employee works more than 40 hours in the work week (Sunday-Saturday), hours in excess of 40 are considered overtime. Overtime hours are paid at the rate of time and a half the employee's normal rate of pay.

Example

Let's say your employee John Doe works 45 hours in a work week and their normal rate of pay is \$15.00 an hour. Hours 1-40 will be paid at the normal rate of \$15.00 an hour. Hours 41-45 will be paid at John's overtime rate of \$22.50 an hour ($\15.00×1.5).

When is the work week?

In the North Dakota self-direction program, the work week runs from Sunday-Saturday. This is true regardless of if the week crosses months or any other factors.

How does overtime interact with my authorized funding?

When your employees work overtime, their hours cost more than hours worked at the regular rate of pay. Because your funding is tracked in terms of dollars and not hours, overtime can cause you to exceed your funding even if you are not exceeding your total number of authorized hours.

Example

You have two employees, Jane Doe and John Doe. Jane and John both are paid at \$15.00 an hour and between the two of them you need 70 hours of work in the last work week of the month. You have \$1200.00 left in funding.

Below are two different ways of scheduling the 70 hours. The first schedule does not use overtime and the second schedule does.

Schedule 1

Employee Name	Hours Worked	Pay Rate	Employer Tax Rate	Cost of Hours
Jane Doe	35	\$15.00	9.25%	\$573.56
John Doe	35	\$15.00	9.25%	\$573.56
Total Cost of Hours				\$1147.12

Schedule 2

Employee Name	Hours Worked	Pay Rate	Employer Tax Rate	Cost of Hours
Jane Doe	50	\$15.00 for the first 40 hours \$22.50 for the last 10 hours	9.25%	\$655.50 (cost of the 40 regular hours) \$245.81 (cost of the 10 overtime hours)
John Doe	20	\$15.00	9.25%	\$327.75
Total Cost of Hours				\$1229.06

While the same number of hours are worked in both schedules, schedule 2 has 10 hours paid as overtime. Because of this, schedule 2 uses up \$81.94 more than schedule 1 and would put exceed your available funding. This could lead to potential delays in payroll, removal of payroll, and/or will result in out-of-pocket expenses on your behalf to pay funds owed in excess of your funding.

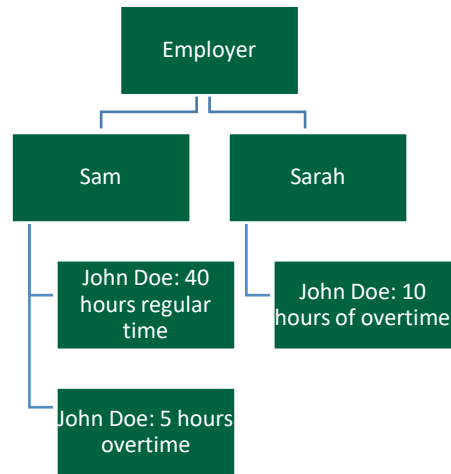
If I am the employer for multiple participants and my employee works with both/all of them in the same work week, how is overtime calculated?

An employee's overtime is calculated based on their hours worked per employer in a work week. If an employee works for multiple participants that are under the same employer in a work week, the hours will add up across participants with respect to calculating overtime.

Example

You are the employer for two participants on the program, Sam and Sarah Smith. Your employee John Doe works a total of 55 hours for you in a work week. 45 of these hours are worked with Sam and 10 hours are worked with Sarah. Hours 1-45 in the week are worked with Sam. Hours 46-55 are worked with Sarah.

Here is a breakdown of which hours would be paid at a regular rate and which would be paid at the overtime rate:



Note, the overtime will be paid from the participant's funding with whom they are working with at the time the overtime occurs.

How do I prevent going over my authorized funding?

Keeping the following in mind can help prevent you from exceeding your funding:

- ✓ **Know your authorized funding amount-** Knowing how many dollars are available to you is key in not exceeding your funding. Keep a copy of your current and previous budgets to ensure you have this information at your disposal.
- ✓ **Review hours before submitting-** Carefully review the hours for your employees before submitting to ensure accuracy. Errors in submission can cause inaccurate payments and by extension exceed your budget.
- ✓ **Track hours paid-** After each payroll, it is recommended you generate and review your member statement to see what hours were paid and how much money is left in your budget. This will allow you to know what can be submitted for the next payroll and still be within your budget. Information on generating a member statement can be found [here](#).
- ✓ **Use the employer payroll calculator-** To help schedule your employees in a way that keeps you within budget, there is the [Employer Payroll Calculator](#). This allows you to determine how much your employee's hours will cost simply by adding the number of hours the employee will work along with their pay rate into the calculator. The calculator then multiplies these amounts by your employer tax rate and provides you the cost of the hours. The calculator also allows you to take into account overtime and various employer tax exemptions to further understand what an employee's hours will cost.