

Compensatory Time Off for Overtime Exempt Employees (FMC 2.3 – January 1, 2022)

Section 1 – Background: Employees not covered by FMC 2.4 are exempt from eligibility for premium overtime compensation and the Fair Labor Standards Act (FLSA). The state has no legal obligation to pay overtime wages or provide compensatory time off to employees doing exempt work. However, from time to time, agency heads may wish to authorize compensatory time off for certain exempt employees. Agencies that authorize compensatory time off for exempt employees must comply with the officially promulgated personnel rules, the specific requirements of this circular, and with the philosophy expressed herein.

This Financial Management circular is intended to interpret 31 IAC 5-7-3(2), 31 IAC 5-7-6(1)(B) and 31 IAC 5-7-6(3)(B). It establishes criteria under which exempt employees may accrue and use compensatory time off. Work performed in accordance with these guidelines shall be deemed to satisfy the approval required by the above-cited rules.

Section 2 – Compensatory Time: Compensatory time off may be used to reward conscientious, hard-working state employees who have worked extra hours for sustained periods of time as a result of an extraordinary or seasonal agency workload. The State Personnel Department (SPD) and the State Budget Agency (SBA) view compensatory time off for professionals as a privilege which agency heads may accord to dedicated employees.

Exempt positions carry “professional,” “administrative,” and “executive” responsibilities which may require more than the regularly scheduled number of hours per week to complete routine duties. Professional employees should not expect compensatory time off for this type of work. However, if an agency's workload requires exempt employees to work substantially beyond their normal work schedule (e.g., holidays, weekends, and/or late nights), under circumstances, which are unavoidable with good planning, an agency head has the authority pursuant to the personnel rules, to authorize compensatory time off for exempt employees.

Agency heads are obligated to assure that compensatory time off is authorized and used in a manner consistent with this circular.

Section 3 – Eligibility for Compensatory Time: To be eligible for compensatory time off, an employee must receive prior approval from her/his supervisor to work on a specified task for a specified number of hours. Compensatory time should not accrue for overtime work segments which are less than four hours. To avoid misuse of this plan, it is important for a supervisor to evaluate an employee's productivity during normal work hours to determine whether compensatory time off should be authorized. An employee who does not use her/his normal work time efficiently should not be granted permission to work overtime which will be rewarded with compensatory time off. Occasionally, a supervisor may give prior approval to a project that will take four or more hours of overtime work but not require that the work be performed in four-hour segments. This provision is made to provide flexibility to supervisors but must be implemented within the intent and spirit of this circular.

Section 4 – Tracking and Use of Compensatory Time: The number of compensatory hours earned and the number of compensatory hours used must be kept for each employee in the payroll system maintained by the Auditor of State and reported on the Employee's Attendance Report.

Employees may use compensatory time off in quarter hour increments.

No exempt employee may use more than three weeks (or 112.5 hours) of compensatory time off during a calendar year. Accumulated unused earned comp time may be carried forward from one calendar year to the next.

Section 5 – Compensatory Time on Termination or Transfer: Upon separation, termination, or interagency transfer, an employee receives no compensation for accumulated compensatory time.

Section 6 – Exceptions: Overtime compensation for exempt employees that is not consistent with provisions of this circular must be approved by the Strategic Hiring Committee (SHC) based on an agency plan or specific occurrence.

A handwritten signature in black ink, appearing to read 'Zachary Q. Jackson', written over a horizontal line.

Zachary Q. Jackson, Director
State Budget Agency