

# Overtime and your Budget

## 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 ( $\$15.00 \times 1.5$ ).

## When is the work week?

In CCO, the work week runs from Sunday-Saturday. This is true regardless of the service provided, if the week crosses months, or any other factors.

## How does overtime interact with my budget?

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

### 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 your budget.

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
<b>Total Cost of Hours</b>				\$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
<b>Total Cost of Hours</b>				<b>\$1229.06</b>

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 you over budget. 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 budget.

### How do I prevent going over budget?

Keeping the following in mind can help prevent you from going over budget:

- ✓ **Know your budget-** Knowing how many dollars are available to you is key in staying within your budget. 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-** It is recommended you generate and review your member statement after each payroll 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 get a full understanding of what an employee's hours will cost.