

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

HUMAN RESOURCES DIVISION

100 NORTH FIFTEENTH AVENUE • SUITE 261
PHOENIX, ARIZONA 85007

(602) 542-5482

MEMORANDUM

TO: Agency Directors, Boards and Commissions

FROM: Greg Carmichael, Strategic Workforce Administrator 

DATE: May 20, 2016

SUBJECT: Changes to FLSA Salary Basis – Exempt and Non-Exempt Status

The U.S. Department of Labor (DOL) has issued final changes to the salary basis component of the Fair Labor Standards Act (FLSA) regarding minimum wage and overtime pay protections. One of the most significant changes is the increase in the salary threshold from \$455/week (about \$23,660/year) to \$913/week (\$47,476/year). This threshold will then be updated every three years. This means that any employee in a position classified as Exempt that is earning less than this salary threshold, will experience a status change to Non-Exempt, and thus become eligible for overtime pay for hours worked beyond 40 in a work week. The regulations become effective December 1, 2016, which means that all position changes must be finalized by the beginning of the pay period on **November 19, 2016**.

As a result of these changes, agencies have three primary options:

1. **Increase Salary** - Increase the base salary of the employee to ensure it is above the new threshold after working with the Department of Administration (ADOA) to ensure the duties of the position are in fact exempt-level duties
2. **Pay Overtime** - Keep the employee's base salary unchanged, reclassify the position to non-exempt, take steps to promote accurate tracking of all hours worked, and begin paying overtime for all hours worked over 40 in a work week
3. **Realign Workload** - Keep the employee's base salary unchanged, reclassify the position to non-exempt, take steps to promote accurate tracking of all hours worked, and realign the workload to minimize occurrences of the employee working more than 40 hours in a work week

Please note that any salary increases are subject to the availability of funding at the agency, and must be managed within the agency's appropriation. Furthermore, no salary increases will be considered without first coordinating with the agency and ADOA Human Resources to ensure the employee and position are properly allocated to the correct classification.

The ADOA Human Resources Division will be working with your agency's Human Resources staff to coordinate and facilitate any proposed changes to salaries, classifications, and/or FLSA status. We will also work with the agency to review and evaluate all exempt positions and verify they are in fact performing exempt-level duties.

If you have any questions, please do not hesitate to contact me directly at 602-364-3460 or by email at: Greg.Carmichael@azdoa.gov