

FLSA FAQs for Sponsored Projects

Can I pay overtime to an individual with federal grant money?

Yes. If appropriate, federal grant money can be used to support overtime pay. Please contact the [RSP accountant](#) with questions, as the terms and conditions attached to an individual award may contain restrictions, e.g., may require prior sponsor approval for overtime pay. Note that changes are being made to Department of Labor regulations issued under the Fair Labor Standards Act, a federal law that requires the University's compliance. As a result of these regulatory changes, University policy is being updated.

Are flow-down terms from collaborators on subawards going to be the same?

Yes. The Fair Labor Standards Act is a Federal law with which UW-Madison is required to comply, regardless of whether an individual UW-Madison employee's salary is supported, in part, by an incoming subaward.

Can I redo my grant's budget in light of the FLSA change?

Sponsored projects typically allow rebudgeting authority. If funds are to be rebudgeted within a sponsored project to pay overtime, the overtime charges must be allocable to that sponsored project. That is, the individual must have worked the overtime on that sponsored project. Please contact the [RSP accountant](#) with questions, as the terms and conditions attached to an individual award may contain restrictions.

What kind of impact will these changes have on my grant's budget?

Through December 28, 2024, if an employee earns less than \$43,888 a year, they will be paid at a premium rate (time and a half) for all hours worked over 40 in a defined work week. Fringe benefits will be calculated on the additional salary, and F&A must be applied to salary and fringe. The amount below which the premium rate must be paid is called the Standard Salary Level.

On January 1, 2025, and then on July 1, 2027 and every three years thereafter, the Standard Salary Level will increase. This will mean that individuals compensated at an increasingly higher salary (or equivalent) may be required to be paid at a premium rate. Details are available at this link: <https://www.dol.gov/agencies/whd/overtime/rulemaking>.

I am about to submit a continuation request (or a new proposal) to the sponsor. Should I include funds to accommodate these changes?

Yes. If you anticipate that non-exempt staff working on the project may need to work overtime, then you should include funding in the budget to accommodate such need.

If the project budget cannot absorb overtime costs, what are the options?

Options may include:

1. Limiting the hours of non-exempt staff on the project to 40 hours per week
2. Paying for overtime with non-sponsored funds (e.g., 101, 150, or 233)
3. Provide compensatory time to eligible employees

What do I do if paying overtime means that I don't have the money I need to do my research?

If paying overtime will have a significant impact on the project budget, one option is to request a change of scope from the sponsor. Another option would be to request supplemental funding from the sponsor. Each situation will be different and you may want to reach out to appropriate individuals in your department or college to address any immediate funding concerns.