

**HB**

**347**

## House Bill 347

Existing law does not exempt flat-rate mechanics from overtime pay requirements. Employers currently prohibit their flat-rate mechanics from working overtime because of complications in existing regulations. House Bill 347 spells out the conditions and minimum allowable rates for flat-rate mechanics. It requires that these conditions and minimums must be agreed upon in writing by the employee and that overtime must be paid at the standard rate based on the agreed upon compensation. Finally, the bill requires that an employee's compensation, for overtime purposes, be computed on a weekly basis.

IT IS THE INTENT OF THIS AMENDMENT TO THE ALASKA WAGE AND HOUR ACT TO SIMPLIFY THE COMPUTATION OF THE REGULAR RATE OF PAY FOR FLAT RATE MECHANICS. WHEN A FLAT RATE MECHANIC IS PAID AN AMOUNT EQUAL TO OR IN EXCESS OF HIS/HER STRAIGHT TIME HOURS (UP TO 8 HOURS IN A WORKDAY OR 40 HOURS IN A WORKWEEK) AT THE FLAT HOURLY RATE DEFINED IN SUBSECTION (B) OF THE BILL, AND IS PAID FOR ALL HOURS WORKED IN EXCESS OF 8 HOURS IN A WORKDAY OR 40 HOURS IN A WORKWEEK, WHICHEVER IS GREATER, AT 1.5 TIMES SUCH FLAT HOURLY RATE THE MECHANIC IS EXEMPT FROM THE OVERTIME REQUIREMENTS OF THE ALASKA WAGE AND HOUR ACT. THIS IS TRUE WHETHER THE FLAT HOURLY RATE EARNINGS (BILLABLE HOURS TIMES THE MECHANICS FLAT HOURLY RATE) ARE LESS THAN OR GREATER THAN THE MECHANICS COMPENSATION COMPUTED IN ACCORDANCE WITH SUBSECTIONS (C) AND (D). IF THE FLAT RATE MECHANICS BILLABLE HOURS TIMES HIS/HER FLAT HOURLY RATE ARE GREATER THAN THE AMOUNT COMPUTED UNDER SUBSECTIONS (C) AND (D) THEN THE BILLABLE HOURS AMOUNT SHALL BE PAID AS THE EMPLOYEES GROSS PAY FOR THE WORKWEEK AND NO OVERTIME PREMIUM, DAILY OR WEEKLY IS DUE. TWO EXAMPLES FOLLOW USING A FLAT HOURLY RATE OF \$20.00.

#### EXAMPLE ONE

THE MECHANIC WORKS 9 CLOCK HOURS AND BILLS 9 HOURS EACH DAY MONDAY THROUGH FRIDAY. THE MINIMUM AMOUNT DUE THE MECHANIC PER 23.10.060 (d) (17) (C) AND (D) IS 40 STRAIGHT TIME HOURS (FIVE 8 HOUR DAYS) AT \$15.00 [75% OF \$20.00 IS \$15.00 OR TWICE THE ALASKA MINIMUM WAGE OF \$5.65 (\$11.30), SO THAT \$15.00 IS USED] OR A TOTAL OF \$600.00 REGULAR TIME PLUS FIVE HOURS IN EXCESS OF 8 HOURS IN A DAY OR 40 IN A WEEK, FIGURED ON A WEEKLY BASIS, AT 1.5 TIMES \$15.00 OR \$22.50 FOR OVERTIME PAY OF \$112.50 WHICH YIELDS \$712.50. THE MECHANICS FLAT RATE PAY IS \$900.00 (45 BILLABLE HOURS TIMES \$20.00) SO THAT THE EMPLOYEE IS PAID \$900, BECAUSE THIS AMOUNT EXCEEDS THE MINIMUM COMPENSATION DUE UNDER THE (d)(17) EXEMPTION NO ADDITIONAL OVERTIME PREMIUM IS DUE.

#### EXAMPLE TWO

THE MECHANIC WORKS 9 CLOCK HOURS AND BILLS 8 HOURS ON MONDAY AND TUESDAY AND WORKS 8 CLOCK HOURS AND BILLS 4 HOURS ON WEDNESDAY THROUGH FRIDAY. THE MINIMUM AMOUNT DUE THE MECHANIC UNDER THE (d)(17) EXEMPTION IS 40 STRAIGHT TIME HOURS (FIVE 8 HOUR DAYS) TIMES \$15.00 [75% OF \$20.00 IS \$15.00 AND 2 TIMES ALASKA MINIMUM WAGE IS \$11.30 SO THAT \$15.00 IS USED] OR \$600.00 OF STRAIGHT TIME HOURS PLUS 2 HOURS IN EXCESS OF 8 HOURS IN A DAY OR 40 IN A WEEK FIGURED ON A WEEKLY BASIS TIMES \$22.50 (1.5 TIMES \$15.00) OR \$45.00 WHICH YIELDS \$645.00. THE MECHANICS FLAT RATE OF PAY IS 28 (8+8+4+4+4) BILLABLE HOURS TIMES \$20.00 OR \$560.00.

THEREFORE THE EMPLOYEE IS PAID \$645.00 OF WHICH \$45.00 WAS PAY FOR THE 2 OVERTIME HOURS WHICH INCLUDES HALF-TIME OVERTIME PREMIUM OF \$15.00

*Example #1*

FLATRATE	\$20.00	REG HOURS	OT/ HOURS	BILLED HOURS
MONDAY		8	1	9
TUESDAY		8	1	9
WEDNESDAY		8	1	9
THURSDAY		8	1	9
FRIDAY		8	1	9
SATURDAY			0	0
<b>TOTAL HOURS</b>		<b>40</b>	<b>5</b>	<b>45</b>
<b>TOTAL \$ DUE</b>		<b>\$600.00</b>	<b>\$112.50</b>	<b>\$900.00</b>
<b>ACTUAL \$ VS BILLED \$</b>		<b>\$712.50</b>	<b>\$900.00</b>	

*Example #2*

FLATRATE	\$20.00	REG HOURS	OT/ HOURS	BILLED HOURS
MONDAY		8	1	8
TUESDAY		8	1	8
WEDNESDAY		8	0	4
THURSDAY		8	0	4
FRIDAY		8	0	4
SATURDAY			0	0
<b>TOTAL HOURS</b>		<b>40</b>	<b>2</b>	<b>28</b>
<b>TOTAL \$ DUE</b>		<b>\$600.00</b>	<b>\$45.00</b>	<b>\$560.00</b>
<b>ACTUAL \$ VS BILLED \$</b>		<b>\$645.00</b>	<b>\$560.00</b>	

# FISCAL NOTE

**STATE OF ALASKA**  
**1998 LEGISLATIVE SESSION**

**BILL NO.** HB 347

Revision Date (Note if correction): \_\_\_\_\_  
 Title: Overtime Wage Exemption  
for Mechanics  
 Sponsor: Representative Cowdery  
 Requestor: House Labor & Commerce

Department Affected: Labor  
 BRU: Labor Standards & Safety  
 Component: \_\_\_\_\_  
Wage & Hour Administration  
**COMPONENT SERIAL NO.** 345

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL</b>						
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<b>CHANGE IN REVENUE</b>						
<b>FUND SOURCE #</b>						

**FUNDING:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipt						
1006 GF/MHTIA						
Other (Specify Type)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS:**

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY98) impact: \$ None

**ANALYSIS:** (Attach a separate page if necessary)

This bill provides a new exemption from overtime in the Wage and Hour Act for auto mechanics employed on a flat rate of pay based upon a standardized industry manual. Such mechanics would not be entitled to overtime pay even though they may work more than eight hours in a single day or 40 straight time hours per week. This legislation will have no fiscal impact on Wage and Hour Administration.

Prepared by: Alan W. Dwyer, Director *AWD for* Phone: 465-4855  
 Division: Labor Standards & Safety Date: 2/12/98  
 Approved by Commissioner: Tom Cashen, Commissioner *Tom Cashen*  
 Agency: Department of Labor Date: 2/12/98

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