



## 25.30 Wage Computations

### 25.30.10

May 1, 1999

#### Lagged payroll

RCW 42.16.010 establishes semi-monthly pay periods as a basis for paying all state officers and employees. The first pay period is from the first to the fifteenth of the month. The second pay period is from the sixteenth through the last calendar day of the month. Actual paydates are lagged but cannot be later than ten days following the close of each pay period, except when the paydate falls on a Sunday. In this case, the paydate is the following Monday. The Office of Financial Management establishes the paydates through WAC 82-50-021.

### 25.30.20

July 1, 2008

#### Paydates

25.30.20.a

##### Semi-monthly paydates

Agencies shall pay the salaries of all state officers and employees on the semi-monthly paydates identified in WAC 82-50-021, except in instances where it would conflict with contractual rights or as otherwise approved by the Office of Financial Management (OFM) as noted in Subsection 25.30.20.b. Refer to RCW 42.16.010 and WACs 82-50-021 and 82-50-031.

For information on specific paydates and other key dates, as well as information on the Department of Treasury “One Day” Deposit Rules for payrolls over \$100,000, refer to OFM’s Payroll Resources website at: <http://www.ofm.wa.gov/resources/payroll.asp>.

25.30.20.b

##### Exceptions

An agency may request in writing, and the director (or official designee) of OFM may grant in writing, paydate exceptions in the following instances:

1. For short-term, intermittent, non-career state employees;
2. For student employees of institutions of higher education;
3. For national or state guard members participating in state active duty;

4. For liquor control agency managers who receive a percentage of monthly liquor sales as part of their compensation; and
5. For a pay schedule of shorter duration than the official paydates established in WAC 82-50-021 provided that:
  - The agency still maintains a lagged, semi-monthly payroll, and
  - The official pay periods established by RCW 42.16.010(1) must be in effect.

25.30.20.c      **Termination of Exceptions**

The director (or official designee) of OFM may terminate any payday exceptions. Refer to RCW 42.16.010(2).

1. The termination notice from the director (or official designee) of OFM to the agency head must be in writing.
2. The agency head shall receive the notice by July 1.
3. The agency shall conform to WAC 82-50-021 on January 1 of the following year.

25.30.20.d      **RCW 42.16.010 permits agencies to pay overtime, penalty pay, and special pay on the next payday if:**

1. The employee fails to make an accurate and timely report of the information needed to determine the payment; or,
2. The employer lacks reasonable opportunity to verify the claim.

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**25.30.30**  
January 1, 2012

**Pay period, workdays, and rate computations**

25.30.30.a      **Full-Time Employees**

When employees work a full semi-monthly pay period (RCW 42.16.010 and WAC 82-50-021), their pay rate shall be one-half of the actual monthly gross pay. Time worked, for gross pay computations, includes paid leave and holidays.

**Exceptions:** Gross pay computations for full-time employees change when they work less than a full semi-monthly pay period, are on a leave-without-pay status, or their pay rate changes during the pay period.

25.30.30.a.(1)

**Compute gross pay by:**

- Calculating the ratio of time worked in days or hours to the scheduled time available for work in days or hours for that pay period.
- Scheduled time available for work includes paid leave and holidays.
- In cases of promotion or demotion, two calculations are done--one for each salary level. Both calculations are based on the percentage of the days or hours worked to total days or hours available for the pay period at each salary level.
- In addition to basic salary, gross pay includes remuneration for all other compensable services and *available to employees on designated paydates* (RCW 42.16.010). Refer to Subsection 25.30.20.d for a paydate exception provided by that statute. Other compensable services include overtime, assignment pay, call-back, standby, compensatory time, shift differential premium, performance pay, recognition payments, and other special pay provisions as provided for by law, civil service rules, agency policy or rule, or contract.

**Note:** In the 2011-2013 biennium only, refer to WAC Chapter 357-28 or collective bargaining agreements (CBAs) to determine the appropriate base salary rate for paying overtime or cashing out compensatory time.

25.30.30.a.(2)

**Use the following formula to compute pay for fractional semi-monthly pay periods:**

$$\frac{\text{Actual time (hours/days) worked in semi-monthly pay period}}{\text{Scheduled work time(hours/days) available in semi-monthly pay period}} \times \frac{\text{Monthly salary rate}}{2} = \text{Gross pay}$$

**Example:** If an employee with a monthly rate of \$2,400 works 24 hours in a pay period containing 88 scheduled working hours, the pay would be computed as follows:

$$\frac{24}{88} \times \frac{\$2,400}{2} = \$327.27$$

In the case of a promotion from \$2,400 to \$2,800 a month, effective on the

third work day in the pay period, two calculations are required using the appropriate actual hours and pay rates:

**First Computation:**

$$\frac{16}{88} \times \frac{\$2,400}{2} = \underline{\$218.18} \text{ (Payment for first two days of pay period)}$$

**Second Computation:**

$$\frac{72}{88} \times \frac{\$2,800}{2} = \underline{\$1,145.45} \text{ (Payment for remaining days in pay period)}$$

**Total Gross:**

$$\$218.18 + \$1,145.45 = \underline{\$1,363.63} \text{ (Total payment for pay period)}$$

25.30.30.a.(3)

**Colleges and Universities**

With written approval by the Office of Financial Management (OFM), colleges and universities may use the employee's annualized straight time hourly pay rate for calculating leave-without-pay salary reductions. The annualized hourly rate is determined by dividing the monthly rate by 174, the average number of working hours during a month. If an institution of higher education historically has used an average number of monthly working hours rate other than 174, written OFM approval is required to continue using the other rate.

25.30.30.a.(4)

**State Elected Officials**

Use calendar days, including all holidays or workdays, when computing a partial pay period for elected state officials.

$$\frac{\text{Calendar days to pay in semi-monthly pay period}}{\text{Calendar days in semi-monthly pay period}} \times \frac{\text{Monthly salary rate}}{2} = \text{Gross pay}$$

25.30.30.b **Employees Paid on an Hourly Basis**

Compute employees' gross pay by multiplying the hours worked in the semi-monthly pay period times their hourly pay rate. The gross pay computation includes paid leave, if eligible. Time worked, for gross pay computations, includes paid leave and holidays.

$$\begin{array}{l} \text{Actual} \\ \text{hours} \\ \text{worked} \end{array} \times \text{Hourly rate} = \text{Gross pay}$$

**Example:**

$$\begin{array}{l} 25 \text{ hours} \\ \text{worked} \end{array} \times \begin{array}{l} \$10.00 \text{ hourly} \\ \text{rate} \end{array} = \underline{\$250.00}$$

Holidays are paid proportionate to the amount of time in pay status during the month to that required for full-time employment, if eligible (WAC 357-31-015, 020, 025 or CBAs).

$$\frac{\begin{array}{l} \text{Total month's actual} \\ \text{hours worked*} \end{array}}{\begin{array}{l} \text{Total month's work} \\ \text{hours available*} \end{array}} \times 8 \times \begin{array}{l} \text{Hourly} \\ \text{rate} \end{array} = \begin{array}{l} \text{Gross} \\ \text{holiday} \\ \text{pay} \end{array}$$

\* The calculation includes eligible paid leave, but excludes holidays.

**Example:** During the month of May 20xx, an hourly employee worked 90 hours, took one day each of vacation and sick leave, and took 5.2 hours of temporary salary reduction leave. There are 176 work hours available in May (including the Memorial Day holiday). The hourly rate is \$20.00.

90 actual hours worked + 8 hours vacation leave taken + 8 hours sick leave taken + 5.2 hours of temporary salary reduction leave = 111.2 hours. Total month's work hours available: 176 hours – 8 hours (holiday) = 168 hours.

Regular pay	111.2 hours x \$20.00		\$ 2,224.00
Holiday pay	111.2/168 hours x 8 hours x \$20.00	+	105.90
Total pay	(Regular pay + holiday pay)	=	<u>\$ 2,329.90</u>

25.30.30.c **Payments to Commissioners and Board Members**

Commissioners and board members are classified in five groups.

25.30.30.c.(1) **Members of a Class 1 Group**

These members are generally volunteers and do not receive any compensation (refer to RCW 43.03.220). Contact the Department of Labor and Industries regarding the appropriateness of medical aid coverage for these volunteers. Refer to RCW 51.12.035.

25.30.30.c.(2) **Members of a Class 2, 3, 4, or 5 Group**

Consider members of a Class 2, 3, 4, or 5 groups as state employees and process their compensation through the payroll system. (Refer to RCW 43.03.230 through 43.03.265 for group definitions). For purposes of FTE computation, *each day of pay is considered equal to eight hours.*

25.30.30.c.(3) **Compensation**

Class 2, 3, 4, or 5 group members qualify for compensation for each calendar day they attend official group meetings and/or perform statutory duties approved by their chairperson. Maximum daily rates are defined in RCW 43.03.230 through 43.03.265. A calendar day of compensation includes all meetings or work performed on that day, regardless of how many hours worked or meetings attended. Compensation may only be paid to a member if it is authorized under the law dealing with the specific group to which a member belongs or dealing in particular with members of the specific group.

25.30.30.c.(4) **Exception**

If a member is employed full-time by the federal government, any Washington State agency, or local governments and receives any compensation from such government for working that day, the member is ineligible for compensation as a board or commission member.

Administering agencies of the Boards or Commissions are to require a written statement from the public employers that no compensation for work was paid for the same days a board or commission paid the member.

25.30.30.c.(5) **Expenditure Object Coding**

These payments are coded to Subobject AE - State Special.

25.30.30.c.(6) **The following deductions apply to the compensation paid to Class 2, 3, 4, and 5 group members:**

- Federal Withholding Tax.
- Old Age and Survivors Insurance (OASI) and Medicare -- Deduct the employee's portion of OASI and Medicare contributions.
- Labor and Industries -- Labor and Industry programs cover all compensated members of Class 2, 3, 4, and 5 groups.

For information regarding the appropriateness of retirement contributions, contact the Department of Retirement Systems at (360) 664-7000 or toll free at 1-800-547-6657.

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**25.30.40**

October 1, 2005

**Taxable fringe benefits**

Any property or service that an employee receives from an employer in place of or along with regular wages is a fringe benefit that may be subject to federal employment taxes. If taxable, these benefits are included in gross income and subject to federal income, OASI, and Medicare taxes.

Refer to IRS regulations for the appropriate calendar year regarding specific taxation, valuation, and reporting information. IRS Publication 15-B "Employer's Guide to Taxable Fringe Benefits" provides detailed information on several types of benefits and is available at: <http://www.irs.gov/pub/irs-pdf/p15b.pdf>.

Additionally, an IRS training handout on taxable fringe benefits is available on the IRS Federal, State & Local Governments website at: [http://www.irs.gov/pub/irs-tege/fringe\\_benefit\\_fslg.pdf](http://www.irs.gov/pub/irs-tege/fringe_benefit_fslg.pdf).

Agencies are strongly encouraged to attend training classes that are made available to the state by the IRS and the Social Security Administration (SSA) to obtain an understanding of federal tax requirements.

Fringe benefits that are taxable under certain circumstances include, but are not limited to:

- Gift certificates
- Awards and prizes
- Personal use of agency provided vehicles, such as commuting between official residence and official workstation
- Clothing allowances
- Educational assistance
- Lodging
- Meals
- Moving expenses
- Unspent, unreturned travel advances

To determine which, if any, fringe benefits are included in earnable compensation for retirement purposes, contact the Department of Retirement Systems at (360) 664-7000 or toll free at 1-800-547-6657.

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**25.30.50**

July 1, 2012

**Compensatory time - Cash-out payments**

25.30.50.a

**General**

Overtime-eligible state employees may be compensated in cash or in compensatory time. The Fair Labor Standards Act (FLSA), administered by the U.S. Department of Labor, sets standards regarding overtime pay. Based on this Act, the Office of Financial Management, Office of the State Human Resources Director provides rules for non-represented employees on overtime in addition to specific rules regarding compensatory time in WAC 357-28-255 through 285. For represented employees, refer to the applicable collective bargaining agreement (CBA). Agencies are advised to review these rules for more complete information.

Cash compensation for overtime is subject to federal employment taxes (income, Medicare, and OASI) and state retirement.

Most compensation for compensatory time cash-out payments are subject to state retirement. In limited circumstances, cash compensation for compensatory time cash-out payments are not subject to state retirement. For more information, contact the Department of Retirement Systems at (360) 664-7000 or toll free at 1-800-547-6657.



25.30.50.b **Calculating rate for compensatory time cash-out payments**

**Note:** In the 2011-2013 biennium only, refer to WAC Chapter 357-28 or CBAs to determine the appropriate base salary rate for paying overtime or cashing out compensatory time.

1. Except for terminating employees as noted in (2) below, compensatory time cash-out payments shall be paid at the FLSA regular rate earned by the employee for the pay period the employee receives such payment.

**Example:** Employee A is receiving a compensatory time cash-out provided under agency policy or collective bargaining agreement. The employee is continuing employment. Pay compensatory time at the employee's current FLSA regular rate.

2. Upon termination of employment, compensatory time cash-out payments shall be paid at the higher of:
  - a. The FLSA regular rate in effect for the employee in the pay period the employee receives such payment (or the final pay period, whichever is earlier), **or**
  - b. The average FLSA regular rate received by the employee during the last three years of employment. If the employee has been employed continuously for less than three years, use the period of time subsequent to the last permanent break in service. The average FLSA regular rate shall be calculated by summing total regular pay (excluding overtime premium pay) earned in the periods observed and dividing by total hours worked in the periods observed.

**Example:** Employee B is terminating October 25 and is receiving final pay for all wages owed and leave accrued, including compensatory time. The employee's FLSA regular rate (\$20.15/hour) in the current period is lower than the average FLSA regular rate over the past three years of employment (\$21.00/hour). Pay compensatory time at \$21.00/hour.

25.30.50.c **Recording compensatory time payable**

Agencies are to record a liability for accumulated compensatory time not cashed out by the end of the fiscal year. Refer to Subsection 85.72.65 for instructions on how to estimate and record the compensatory time payable in both governmental and proprietary/trust type accounts.

**25.30.60**  
July 1, 2011

**Other compensation**

*On June 15, 2011, the Governor signed Engrossed Substitute Senate Bill (ESSB) 5860. This bill restricts compensation increases for state employees through June 29, 2013. The bill provides that exceptions may be granted for positions for which the employer has demonstrated difficulty retaining qualified employees.*

*Additionally, ESSB 5860 provides that no monetary performance-based awards or incentives may be granted to employees pursuant to a performance management confirmation under WAC 357-37-055. ESSB 5860 further provides that recognition awards may not be given in the form of cash or cash equivalents, such as gift certificates or gift cards.*

25.30.60.a

**Performance Pay**

Under WAC 357-28-295, agencies that have received **performance management confirmation** for decentralized compensation administration may authorize additional pay to individuals or groups of employees on a lump sum basis to recognize outstanding accomplishments or the achievement of pre-defined work goals by individual employees or units.

Any additional pay granted under this section is a **premium** that is not part of base salary.

This provision is for non-represented employees only.

Performance pay is to be recorded using the sub object used for the associated work effort and is subject to federal employment taxes and retirement.

25.30.60.b

**Relocation Payments**

If the employee receiving the relocation payment terminates or causes termination with the state within one year of the date of the appointment or transfer, that employee may be required to pay back the lump sum payment.

If the termination is a result of layoff, disability separation, or other good cause as determined by the agency head, the employee will not have to pay back the relocation payment.

Refer to WAC 357-28-310 through 320 or individual CBAs.

Relocation payments are subject to federal employment taxes and should be coded to sub-object BZ "Other Employee Benefits."

25.30.60.c

**Recruitment and Retention Premiums**

An employer may adjust an employee's base salary within the salary range to address issues that are related to recruitment, retention or other business related reasons. Under certain conditions, an employer may authorize additional pay to support the recruitment or retention of the incumbent or candidate for a specific position. Refer to WAC 357-28-090 and 095.

Recruitment and retention premiums are coded to the sub-object used for the employee's normal salaries and wages.

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**25.30.70**

October 1, 2011

**Settlement payments**

Sometimes an agency pays a settlement to a current or former employee that is attributable to wages. These settlements are negotiated through either the Department of Enterprise Services, Office of Risk Management or the Office of the Attorney General.

The person handling the settlement should conduct an analysis of the origin of the claim. If any portion is attributable to wages, that portion should be identified and processed through an agency's payroll system. Refer to Subsection 25.10.30.

If applicable, once the agency has approved the settlement, a request for reimbursement from the self insurance Liability Account (Account 547) should be forwarded by the agency to the Office of Risk Management.

For more information, refer to OFM's Payroll Resources website at:  
<http://www.ofm.wa.gov/resources/payroll.asp>.