

# Wisconsin Human Resources Handbook

## Chapter 504

### Official Hourly Rate (OHR)

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#### Sec. 504.010 Introduction

The primary use of the Official Hourly Rate (OHR) is for payroll calculation purposes. Classified state employees are paid for hours in pay status each two-week period (i.e., biweekly). It has also been determined by the Department of Administration, Division of Personnel Management that computations of pay rates for most employees subject to this biweekly payroll cycle, who are covered under the Compensation Plan for non-represented employees, are based on the OHR rounded to two decimal places for base pay rates and supplemental pay. The OHR is also used when negotiating pay rates or pay ranges and supplemental pay for represented employees.

#### Sec. 504.020 Statutory and Rule Authority

Subsection 16.53 (1)(d)(1), Wis. Stats., provides that “. . . the secretary [of the Department of Administration], with the approval of the Joint Committee on Employment Relations, shall fix the time . . . and frequency for payment of salaries due elective and appointive officers and employees of the state. As determined under this subdivision, the salaries shall be paid either monthly, semimonthly or for each 2-week period.”

Subsection 16.53(1)(d)(3), Wis. Stats., provides that “In order to utilize modern accounting methods in processing payrolls, the Department of Administration may convert and adjust salaries of all state officers and employees so that they are payable in equal payments throughout the year. To this end, the secretary may promulgate rules necessary to administer this subdivision.”

The Department of Labor has determined that state employees are paid on a salary basis and therefore, while the OHR methodology is used to calculate wages earned, the consequent hourly rate amount is independent of the Fair Labor Standards Act (FLSA) decision as to whether an employee is considered or treated as an “hourly” employee (non-exempt) or “salaried” employee (exempt). See Chapter 520 – Fair Labor Standards Act (FLSA), of the *Wisconsin Human Resource Handbook* for further information on the Salary Basis Test.

**Sec. 504.030 Definitions**

1. “**Base pay**” or “**basic pay**” means the pay rate excluding any overtime or supplementary compensation.
2. “**Supplemental pay**” means an amount paid in addition to the base pay in recognition of factors or conditions not reflected in the base pay (e.g., Physician Board Certification Add-On, Supervisor Add-On, Certified Public Accountant Add-On, Certified General Appraiser Add-on, etc.).

**Sec. 504.040 Conversion of OHR to Other Rates**

In announcing positions and associated pay rates or pay ranges, it may be more appropriate to list a rate or range other than hourly. For example, most professional managerial positions are often announced with annual pay rates or ranges. When converting the OHR to other rates, the following formula is used:

|               |   |                              |   |      |         |
|---------------|---|------------------------------|---|------|---------|
| Biweekly Rate | = | OHR                          | x | 80   | (hours) |
| Monthly Rate  | = | Divide the annual rate by 12 |   |      |         |
| Annual Rate   | = | OHR                          | x | 2080 | (hours) |

When establishing a biweekly, monthly or annual rate, round to two decimal places using normal rounding procedures (i.e., if the third digit is 5 or greater round up; if the third digit is less than five round down).

**Note:** Agencies should exercise caution when using bi-weekly, monthly, or annual rates. Rounding and/or using other than actual hours will often result in bi-weekly, monthly, or annual rates that differ from the amount an employee actually receives.

**Sec. 504.050 Pay Adjustments—Calculating a New OHR**

When an OHR is affected by a pay adjustment, the following rounding procedure is used for both base pay rates and supplemental pay:

The computation is carried out to five decimal places and any digits beyond the fifth decimal place are dropped. If any digit other than zero appears in the third, fourth or fifth decimal column, the digit in the second decimal column is rounded up.

|                           |   |
|---------------------------|---|
| \$.4321012345             | Results of Initial Calculation  |
| \$.43210 <del>12345</del> | All digits beyond the 5 <sup>th</sup> decimal place dropped   |
| \$.432 <u>10</u>          | Determine if any positive digit is in the 3 <sup>rd</sup> , 4 <sup>th</sup> or 5 <sup>th</sup> place beyond the decimal                       |
| \$.44                     | Round up the 2 <sup>nd</sup> digit because there is a positive digit in the 3 <sup>rd</sup> , 4 <sup>th</sup> <u>or</u> 5 <sup>th</sup> place |

**Note:** Use of two decimal places for base pay rates is effective June 28, 2015. For transactions prior to that date or retroactive adjustments prior to that date, base pay rates will be calculated out to three decimal places and then rounded up to two decimal places effective June 28, 2015. Any subsequent adjustments will be calculated as provided above.

**Sec. 504.060 Effective Date of Compensation Adjustments**

Except as provided in s. 20.923(3), Wis. Stats., all compensation adjustments for state employees shall be effective on the beginning date of the pay period nearest the statutory or administrative date. For employees on a bi-weekly payroll, the administrative effective date is alternating Sundays as published by the Office of the State Controller (Central Payroll Section) in the Department of Administration.

**Sec. 504.070 Referral of Questions**

Questions should be directed to staff of the Classification and Compensation Section.

**Sec. 504.080 Administrative Information**

This handbook chapter was originally issued with Bulletin P-862 May 24, 1977 as Chapter 504 of the *Wisconsin Personnel Manual*. This handbook chapter was revised in September 2004 to incorporate the information into the *Wisconsin Human Resources Handbook*.

This handbook chapter was revised July 2015 to implement an Official Hourly Rate of two decimal places instead of three decimal places for base pay rates and the calculation of annual rates based on 2080 hours.

This chapter was revised February 2016 to indicate that monthly rates are to be determined by dividing the annual rate by 12. Pursuant to the changes introduced by 2015 Wisconsin Act 55, in July 2015, the Office of State Employment Relations was eliminated and the functions were transferred into the newly created Department of Administration, Division of Personnel Management. This chapter was updated to reflect the changes in terminology that resulted from the organizational restructuring.

In June 2018, minor updates were made to ensure that the information is current and to update the formatting of the chapter to align with the Wisconsin Human Resources Handbook standards. In May 2017, the Bureau of Compensation and Labor Relations was modified to be the Bureau of Compensation and Employment Relations. Updates were made to reflect this name change.

Chapter 504 was updated in August 2018 to reflect organizational changes that occurred to the Division of Personnel Management in conjunction with the implementation of Shared Services. The Bureau of Compensation and Employment Relations was divided into two separate bureaus: The Bureau of Classification and Compensation and the Bureau of Employee Management.