July 5, 2016

Mr. Frank Haines
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex, P.O. Box 068
Trenton, NJ 08625-0068

Dear Mr. Haines:

Pursuant to your letter dated May 20, 2016, it was requested that I provide a written response to the questions posed by Chairman Sarlo following the May 19, 2016 hearing of the Senate Budget and Appropriations Committee. The questions and their subsequent answers are as follows:

On May 18, 2016, President Obama and Secretary Perez announced the publication of the Department of Labor’s final rule updating the overtime regulations, which will automatically extend overtime pay protections to over 4 million workers within the first year of implementation. To what degree will the new overtime rule affect State expenditures? How will the overtime rule impact State, local, and contract workers?

The final DOL rule raises the overtime salary threshold from $23,660 to $47,476, effective December 1, 2016.

As it relates to the State workforce, it is estimated that 479 employees could be eligible under the new rules. If all 479 employees worked overtime, the collective total cost for the State would be approximately $17,000 per hour. These employees do not currently meet the guidelines for overtime pay protection, therefore the State does not track how often they would qualify for overtime pay and would have no way of further estimating the yearly cost to the State.

For third party providers under contract with the State, those with social services agencies through the Departments of Human Services and Children and Families would be the most impacted. Most of these contracts are at a fixed price, and thus the rule would have no direct cost. However, residual effects could include providers laying off workers or cutting services to meet the increased overtime costs within a fixed-price contract.

Further estimates for State contracts and local government are not available.

Sincerely,

[Signature]
Ford M. Scudder
Acting State Treasurer