



The Potential Impact of the 2024 Overtime Rule on Higher Education

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The Department of Labor’s Overtime Regulations

In April 2024, the Department of Labor (DOL) published a final rule to update the minimum salary threshold required for white-collar employees to maintain exempt status from overtime pay under the Fair Labor Standards Act (FLSA). The final rule increases the minimum salary threshold twice – once on July 1, 2024, to \$844 per week (\$43,888 per year) and again on January 1, 2025, to \$1,128 per week (\$58,656 per year) - and establishes automatic updates to the minimum salary threshold to occur every three years.

CUPA-HR members have expressed concerns about their institutions’ ability to comply with the increased salary thresholds, citing both financial and administrative concerns, as well as concerns about their ability to continue to provide campus services. To better understand these concerns, the CUPA-HR research team analyzed CUPA-HR’s annual workforce survey data to assess the potential impact of raising all affected positions to the July 1 and January 1 thresholds, respectively.¹ The results show that both salary thresholds will have a negative impact, particularly to institutions with lower operating expenses, but the January 1, 2025, threshold will likely result in extensive and widespread negative impact to higher ed institutions.

Background on Overtime Under the Fair Labor Standards Act

Since 1938, the FLSA has required that employers pay their employees at least a minimum hourly wage and an “overtime” rate of 1.5 times the employee’s regular hourly wage for every hour worked over 40 hours in a given week. The law exempts certain employees from these requirements, including executive, administrative, and professional employees, and the FLSA tasks DOL with defining executive, administrative, and professional employees by regulation. DOL is required by law to revisit these definitions “from time to time,” which they do via the FLSA overtime regulations.²

Under DOL’s overtime regulations, employees must satisfy the following three criteria to qualify as a white-collar employee exempt from federal overtime pay requirements:

1. The employee must be paid on a salaried basis (known as the “salary basis test”);
2. The employee’s salary must meet a minimum set by DOL (known as the “minimum salary requirement” or “minimum salary threshold”); and
3. The employee’s “primary duties” must be consistent with the executive, professional, or administrative positions as defined by DOL (known as the “duties test”).

¹ CUPA-HR. (2024). [The CUPA-HR 2023-24 Higher Education Workforce Surveys](#). [Data set].

² Code of Federal Regulations. (2024). [Overtime Compensation](#) (29 CFR Part 778).

Employees who do not meet all three requirements or fail to qualify for another exemption must be treated as “hourly” or “nonexempt” employees and must be paid for each hour worked and, for all hours worked over 40 in a given workweek, at a rate of one and a half times the employee’s normal hourly pay.

Final Rule

On April 23, 2024, DOL published the final rule to update the overtime pay regulations under the FLSA. In the final rule, DOL uses a two-step approach to increase the salary threshold: **beginning July 1, 2024, the minimum salary threshold will be \$844 per week (\$43,888 annually), and beginning January 1, 2025, the minimum salary threshold will be \$1,128 per week (\$58,656 per year).** These amount to a 23% increase and 65% increase from the current salary threshold, respectively.

The first increase updates the minimum salary threshold using the department’s current methodology, which was used in 2019 by the Trump administration to set the current threshold of \$684 per week (\$35,568 annually). The second increase implements DOL’s new methodology as introduced in the 2023 proposed rule, which sets the threshold to the 35th percentile of weekly earnings of full-time salaried workers in the lowest-wage census region.

In addition to the increased salary threshold, the final rule includes automatic updates to occur every three years, which will begin on July 1, 2027. The automatic updates with the new threshold will be issued in the *Federal Register* at least 150 days before the increase is set to go into effect, and DOL has the right to temporarily delay automatic updates through a separate notice-and-comment regulatory process.

Looking Ahead

To prepare for the July and January effective dates, higher education HR leaders should work in partnership with their general counsel, presidents and other campus leaders to determine the best approach to comply with the final rule.³ Institutions have several options to consider in order to comply with the final rule, such as reclassifying previously exempt employees to nonexempt status, increasing the pay of exempt employees to maintain their exempt status, and restructuring jobs or departments. This list is not exhaustive. For more resources on best practices for compliance, visit CUPA-HR’s [FLSA Overtime News and Resources](#) web page.

³ When discussing what changes you will be making to comply with the final rule, keep in mind that states and localities may have higher salary thresholds than the thresholds set forth in DOL’s final rule. Institutions will need to comply with whichever salary threshold is higher.

It is important to note that lawsuits challenging the final rule are ongoing. If the legal challenges are successful, either or both of the new minimum salary thresholds and the automatic updates could be struck down by federal court, meaning they will not go into effect and institutions will not need to comply with the new salary thresholds.

The Potential Impact on Higher Ed Institutions

To determine the potential impact of the final rule on colleges and universities, CUPA-HR examined data provided for the 2023-24 [Professionals in Higher Education Survey](#).⁴ Based on the salaries reported, the potential impact was assessed in two ways: 1) calculate the cost for institutions to raise their current salaries to each threshold, and 2) identify the positions most likely to be affected by each threshold.

The Analyses

All analyses were performed with survey data on exempt, full-time employees excluding coaches and childcare teachers.⁵ This selection criteria ensured that data were analyzed with incumbents who are affected by the new rule and removed exceptions. This selection retained a high amount of incumbent data, as the dataset was only reduced by 23%, allowing for reliable and valid interpretation of the analyses.⁶ From here forward, this reduced dataset is referred to as the filtered dataset.

Threshold 1: \$43,888 as of July 1, 2024

Institutions With Less Resources Will Be the Most Negatively Impacted

The first analysis calculated the potential cost of raising all affected employees to the July 1 threshold. First, only incumbent salaries less than \$43,888 were retained in the filtered dataset. Second, each salary was subtracted from \$43,888 to estimate the cost for each incumbent to be raised to the threshold. Third, the cost per incumbent was aggregated by institution, which provided a total cost for each institution. Each institution, along with its total cost, was then categorized into its respective total-expense quartile. The quartiles for total expenses create a four-group framework in which the 1st quartile represents institutions with the lowest operating expenses, the 2nd quartile represents institutions with slightly higher operating expenses, and so on, with the 4th quartile representing

⁴ CUPA-HR. (2024). [Professionals in Higher Education Survey, 2023-24](#) [Data set].

⁵ Teachers and coaches are exempt from DOL's overtime regulations. Faculty are not included in CUPA-HR's Professionals survey and are therefore excluded from our analyses.

⁶ The selection criteria reduced the dataset from 290,847 to 223,033 incumbents across 962 institutions.

institutions with the highest operating expenses.⁷ Finally, the total cost for each institution was divided by the institution's total operating expenses to create an impact score, or the proportion of cost to total expenses for each institution, expressed as a percentage. The results are shown in Table 1.⁸

**Table 1. Threshold 1 (July 1):
Summary Impact Results**

# Employees Impacted	10,944
# Institutions Impacted	646
# Positions Impacted	258
Total Operating Expenses Across Institutions	\$257,495,035,868
Total Cost Across Institutions	\$36,627,039
Average Impact Score	0.06%
Median Impact Score	0.02%

Nearly 11,000 employees across 646 institutions will be impacted by the July 1 threshold. On average, the cost for institutions to raise their exempt workforce salaries to the July 1 threshold is 0.06% of their total operating expenses. However, institutions with lower operating expenses will experience an impact of more than double that estimate (0.13%) (Table 2).

⁷ Institutions from the filtered dataset ($N = 962$) were sorted into quartiles based on their total operating expenses.

⁸ Numbers are derived from institutions reporting professionals data to CUPA-HR. Although these data are representative of higher ed, they do not encompass its entirety. Therefore, totals should be ascribed only to the sample.

**Table 2. Threshold 1 (July 1):
Impact Score by Operating Expense Quartile**

Operating Expense		Operating Expense Quartile	Average Impact Score	Number of Institutions
Less than	\$57,021,593	1	0.13%	170
From	\$57,021,593	2	0.06%	172
To	\$120,732,973			
From	\$120,732,974	3	0.03%	153
To	\$299,669,435			
More than	\$299,669,435	4	0.01%	151

The results show a clear pattern of descending impact with higher operating expenses. The impact on institutions in the 1st quartile (those with the lowest operating expenses) is more than double (2.17) the impact of institutions in the 2nd quartile, more than quadruple (4.33) the impact of institutions in the 3rd quartile, and 13 times the impact of institutions in the 4th quartile. Given the estimates in Table 2, an institution with total operating expenses of \$55,000,000 will experience a cost of \$71,500, on average, to raise their exempt employee salaries to the July 1 threshold.⁹ In contrast, an institution with total operation expenses of \$300,000,000 will experience a cost of \$30,000, on average.¹⁰

⁹ This was calculated with the Average Impact Score from Quartile 1, or 0.0013.

¹⁰ This was calculated with the Average Impact score from Quartile 4, or 0.0001.

The second analysis assessed the positions that are at risk of being affected by the July 1 threshold. As with the previous analysis, only incumbent salaries of less than \$43,888 were retained in the dataset. The dataset was aggregated by position, so a single median salary was provided for each position, and then sorted by the number of incumbents for each position. The results are shown in Table 3.

**Table 3. Threshold 1 (July 1):
At-Risk Positions**

Position #	Position Title	Median Salary	Number of Incumbents
401130	Academic Advisor/Counselor	\$41,600	1,621
411110	Student Admissions Counselor	\$40,695	1,571
414130	Student Residence Hall Manager (R&B incl)	\$39,234	887
325000	Administrative Specialist/Coordinator	\$42,000	491
413110	Student Financial Aid Counselor	\$41,000	468
412130	Student Success Professional	\$41,200	323
469110	Athletics Trainer - Physical Therapist	\$41,588	258
470650	Medical Sciences - Research Assistant	\$41,200	225
414120	Student Housing - Residence Life Officer	\$39,999	199
415130	Student Activities Officer	\$41,200	183

Across 646 institutions (Table 1), the top 10 positions with the most incumbents are listed in descending order in Table 3. These are the at-risk positions for the July 1 threshold that will likely require attention from institutions, particularly jobs for academic advisor/counselor and student admissions counselor. On average, incumbents in these top 10 positions are paid about \$2,900 less than the threshold, requiring roughly a 7% raise to meet the threshold.

Threshold 2: \$58,656 as of January 1, 2025

Widespread Negative Impact

The first analysis calculated the potential cost of raising all employees to the January 1 threshold. First, only incumbent salaries between \$43,888 and \$58,655 were retained in the dataset.¹¹ Second, each salary was subtracted from \$58,656 to estimate the cost for each incumbent to be raised to the threshold. Third, the cost per incumbent was aggregated by institution, which provided a total cost for each institution. Each institution, along with its

¹¹ Because the January 1 threshold occurs after the July 1 threshold, the salary range here includes incumbent salaries above the July 1 threshold but under the January 1 threshold.

total cost, was then categorized into its respective total-expense quartile.¹² Finally, the total cost for each institution was divided by the institution’s total operating expenses to create an impact score, or the proportion of cost to total expenses for each institution, expressed as a percentage. The results are shown in Table 4.

**Table 4. Threshold 2 (January 1):
Summary Results**

# Employees Impacted	58,453
# Institutions Impacted	882
# Positions Impacted	326
Total Operating Expenses Across Institutions	\$374,678,816,153
Total Cost Across Institutions	\$382,885,757
Average Impact Score	0.25%
Median Impact Score	0.19%

Nearly 59,000 employees across 882 institutions will be impacted by the January 1 threshold. On average, the cost for institutions to raise their exempt workforce to the January 1 threshold will be 0.25% of their total operating expenses. This is more than four times the average cost-to-operating expenses for institutions to meet the July 1 threshold. Also, institutions with lower operating expenses will experience the most negative impact at almost double that estimate (Table 5).

¹² Institutions from the filtered dataset ($N = 962$) were sorted into quartiles based on their total operating expenses.

**Table 5. Threshold 2 (January 1):
Impact Score by Operating Expense Quartile**

Operating Expense		Operating Expense Quartile	Average Impact Score	Number of Institutions
Less than	\$57,021,593	1	0.43%	213
From	\$57,021,593	2	0.30%	214
To	\$120,732,973			
From	\$120,732,974	3	0.18%	233
To	\$299,669,435			
More than	\$299,669,435	4	0.11%	222

Similar to the July 1 threshold, the results show a clear pattern of descending impact with higher operating expenses. The impact on institutions in the 1st quartile is 1.4 times the impact of institutions in the 2nd quartile, 2.4 times the impact of institutions in the 3rd quartile, and quadruple the impact of institutions in the 4th quartile. Therefore, institutions with fewer resources will be the most negatively impacted. Given the estimates in Table 5, an institution with total operating expenses of \$55,000,000 will experience a cost of \$236,500, on average, to raise all of their exempt employee salaries to the January 1 threshold.¹³ In contrast, an institution with total operation costs of \$300,000,000 will experience a cost of \$330,000, on average.¹⁴

The second analysis assessed the positions that are at risk of being affected by the January 1 threshold. As with the previous analysis, only incumbent salaries between \$43,888 and \$58,656 were retained in the dataset. The dataset was aggregated by position, so a single median salary was provided for each position, and then sorted by the number of incumbents for each position. The results are shown in Table 6.

¹³ This was calculated with the Average Impact Score from Quartile 1, or 0.0043.

¹⁴ This was calculated with the Average Impact score from Quartile 4, or 0.0011.

**Table 6. Threshold 2 (January 1):
At-Risk Positions**

Position #	Position Title	Median Salary	Number of Incumbents
401130	Academic Advisor/Counselor	\$50,927	8,205
325000	Administrative Specialist/Coordinator	\$52,800	3,719
411110	Student Admissions Counselor	\$50,299	3,088
412130	Student Success Professional	\$51,840	2,154
413110	Student Financial Aid Counselor	\$50,836	1,404
443115	Communications/Marketing Specialist	\$52,942	1,376
469110	Athletics Trainer - Physical Therapist	\$50,630	1,285
430120	Accountant	\$52,922	1,269
412100	Student Career Counselor	\$52,272	1,095
472020	Extension or Engagement or Public Service Professional	\$52,087	889
414130	Student Residence Hall Manager (R&B incl)	\$49,955	865
449110	Event Coordinator	\$52,354	852
415130	Student Activities Officer	\$51,500	815
470600	Clinical Research Coordinator - Non-R.N.	\$52,623	792
500000	Office - Admin Support - Clerical Manager	\$53,500	701

Across 882 institutions (Table 3), the top 15 positions with the most incumbents are listed in descending order in Table 6. These are the at-risk positions for the January 1 threshold that will likely require attention from institutions. On average, incumbents in these top 15 positions are paid about \$6,800 less than the threshold, requiring roughly a 13% raise to meet the threshold.

Conclusions

The potential impact of the new overtime regulations was assessed using salaries reported in CUPA-HR's 2023-24 [Professionals in Higher Education Survey](#). The July 1 threshold will have the largest impact on institutions with low operating expenses and less available resources. The impact decreases substantially for institutions with higher operating costs and more available resources. Although the same pattern is evident for the January 1 threshold, the negative impact on all institutions will be far greater if the threshold withstands legal challenges. The number of incumbents that will be affected is more than five times the estimate for the July 1 threshold, and the cost will be more than 10 times the estimate for July 1. Similarly, the number of positions at risk of being impacted by the January 1 threshold is 26% higher than for the July 1 threshold and the average raise

required to meet the January 1 threshold is nearly double the estimate for the July 1 threshold.

Additional Resources

- The Exempt Status Comparison Report on [DataOnDemand](#) can help institutions plan for changes to employee salaries and/or exempt status. Learn more [here](#).
- CUPA-HR continues to update our [FLSA Overtime News and Resources](#) page with additional resources higher ed HR leaders can review and use when implementing changes.
- CUPA-HR hosted a [webinar](#) (recording now available) on the overtime final rule, which covered a summary of the FLSA overtime regulations, DOL's final rule, and exemptions for higher ed.
- CUPA-HR will share the latest updates on the legal challenges to the overtime rule via Washington Insider Alert emails and [The Higher Ed Workplace Blog](#).

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