Compensatory Time Policy

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§ 1. Policy

Employees that are designated as Administrative, Executive or Professional under the Overtime Compensation Policy are exempt from the provision for overtime pay. FLSA Not Subject employees are not entitled to compensatory time. However, the agency head has the discretion to authorize FLSA Not Subject employees to earn compensatory time and decide how compensatory time should be granted using the following provisions.

§ 2. Covered Employees

Full-time and part-time (half-time or more) permanent, probationary, and time-limited employees are eligible for compensatory time.

Temporary and part-time (less than half-time) employees are not eligible for compensatory time.

§ 3. Amount

Compensatory time is awarded at a rate not to exceed the individual's straight-time equivalent rate.

§ 4. Not Cumulative

Compensatory time is not cumulative beyond a twelve-month period.

§ 5. Transferable

Compensatory time, up to 160 hours, may be transferred to another state agency, subject to approval by the receiving agency head. If agencies choose to accept

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compensatory time, agencies must accept all transferring employees' compensatory time balances up to the limit set by the receiving agency, which shall be no more than 160 hours.

§ 6. Limitations

Compensatory time is not transferable to any other types of leave, including voluntary shared leave. Compensatory time for FLSA Not Subject employees may not be paid out when an employee separates from state service.

§ 7. Managing Transfers and Separations

Compensatory time is lost when an employee transfers to another agency unless the receiving agency agrees to accept the compensatory time within the agency's established limit. Any compensatory time above the established limit is forfeited.

The transferring agency must enter the compensatory time balance into the HR payroll system in the amount communicated. The receiving agency must then confirm that the compensatory time balance in the HR payroll system matches the communicated amount.

It is the agency's discretion to authorize FLSA Not Subject employees to exhaust compensatory time prior to a known separation, provided granting of the compensatory time is reasonable and will not adversely affect agency operations or agency employees. The employee's separation date may not be moved forward in order to pay for compensatory time. The separation date must be the last day worked. If an agency allows an employee to exhaust some or all of their compensatory time prior to separation, the employee must still work for at least one day after using compensatory time for the date of separation to occur after the use of the compensatory time.

As a non-binding best practice, OSHR recommends that ordinarily, short uses of compensatory time would be appropriate for approval by the employee's supervisor, but that the agency's chief deputy or a named designee approve any use of large amounts of compensatory time (for example, one month or longer) prior to a known separation.

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§ 8. Agency Responsibilities

Agencies should develop their own policy within these guidelines that includes:

- Whether they will allow employees transferring to their agency to retain compensatory time;
- The amount of compensatory time, not to exceed 160 hours that may be transferred;
- The procedure for communicating and updating compensatory time balances in the HR payroll system; and
- The proper approval procedures for uses of compensatory time by separating employees.

9. Sources of Authority

This policy is issued under any and all of the following sources of law:

N.C.G.S. § 126-4(5)

It is compliant with the Administrative Code rules at:

25 NCAC 01E .1000

10. History of This Policy

Date	Version
September 1, 1954	Dept. head responsible for decision to grant equivalent time off for compensatory leave – not cumulative beyond a 12-month period.
July 1, 1971	Added reference to the State's overtime compensation policy that designates certain employees as Administrative, Executive or Professional. Employees in these categories are exempt from the provisions for overtime pay.
October 1, 2007	Under the paragraph Amount, added Advisory Note to state that before generating compensatory leave, the BEACON HR/Payroll System will use hours worked in excess of the employee's established work schedule to: • pay back advanced leave liabilities owed to the State, • pay back adverse weather liabilities owed to the State, and • offset paid leave hours reported in the same workweek.

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July 1, 2008	Title and all references changed from “compensatory leave” to “compensatory time” to standardize the terminology.
September 7, 2017	Policy revised to delete all reference to trainee appointments, per appointment types and career status.
June 4, 2020	The policy statement was reworded. The explanation of part-time covered employees wording changed from “20 hours” to “half-time”).
April 18, 2024	Policy revised to clarify compensatory time for FLSA Not Subject employees is not an entitlement. Also, updated to clarify it is the agency’s discretion to allow FLSA Not Subject employees to exhaust compensatory time when there is a known separation. Added that the separation date must be the last day worked. This means if an agency allows an employee to exhaust some or all of their compensatory time prior to separation, the employee must still work for at least one day after using compensatory time for the date of separation to occur after the use of the compensatory time. Added an Agency Responsibilities section.
March 5, 2026	Policy revised to correspond with the amended changes to administrative rules 25 NCAC 01E .1006. Updated Section § 5 Compensatory time to state that it may be transferred from one state agency to another state agency, transferring up to 160 hours of compensatory time. Also provided the meaning of “consistently” and “ensuring receipt” of compensatory time. Added in Section § 6. Non-transferable. Compensatory time is not transferable to any other type of leave. Updated Section § 7. Separation - Compensatory time is lost when an employee transfers to another agency unless an agency agrees to receive compensatory time from another state agencies or is separated from State service. Updated Section § 8. Agency Responsibilities-to state that agencies should develop a policy around the transfer and use of compensatory leave.

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September 24, 2026 (Effective October 1, 2026)	Policy repealed and replaced with the Employee Leave Options policy.