OHIO HOTEL & LODGING ASSOCIATION

OHLA Government Affairs Update

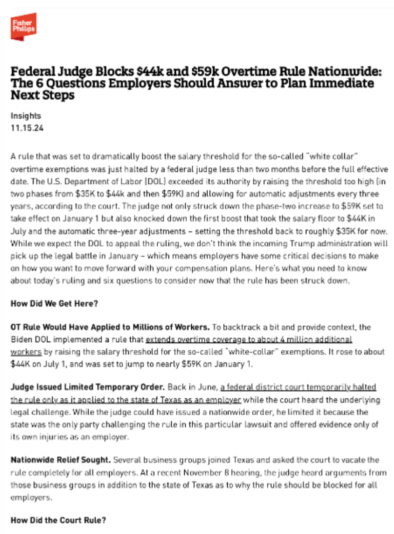
December 4, 2024

Overtime Changes Scheduled for January Won't Happen

A federal court has invalidated a U.S. Department of Labor rule on overtime thresholds, meaning planned increases to nearly $59,000 scheduled for Jan. 1, 2025, will not happen.

The recent increase which took effect on July 1, 2024, is also overturned. The salary threshold for the so-called "white-collar" exemptions rose to about $44,000 on July 1 and was set to jump to nearly $59,000 on January 1, 2025. The previous thresholds set in 2019 will now be back in effect.

The Biden Administration could appeal the ruling, but observers feel that is unlikely to change the outcome before President-elect Trump takes office in January.



Fisher Phillips

Federal Judge Blocks $44k and $59k Overtime Rule Nationwide: The 6 Questions Employers Should Answer to Plan Immediate Next Steps

Insights
11.15.24

A rule that was set to dramatically boost the salary threshold for the so-called "white collar" overtime exemptions was just halted by a federal judge less than two months before the full effective date. The U.S. Department of Labor (DOL) exceeded its authority by raising the threshold too high (in two phases from $35K to $44k and then $59K) and allowing for automatic adjustments every three years, according to the court. The judge not only struck down the phase-two increase to $59K set to take effect on January 1 but also knocked down the first boost that took the salary floor to $44K in July and the automatic three-year adjustments – setting the threshold back to roughly $35K for now. While we expect the DOL to appeal the ruling, we don't think the incoming Trump administration will pick up the legal battle in January – which means employers have some critical decisions to make on how you want to move forward with your compensation plans. Here's what you need to know about today's ruling and six questions to consider now that the rule has been struck down.

How Did We Get Here?

OT Rule Would Have Applied to Millions of Workers. To backtrack a bit and provide context, the Biden DOL implemented a rule that extends overtime coverage to about 4 million additional workers by raising the salary threshold for the so-called "white-collar" exemptions. It rose to about $44K on July 1, and was set to jump to nearly $59K on January 1.

Judge Issued Limited Temporary Order. Back in June, a federal district court temporarily halted the rule only as it applied to the state of Texas as an employer while the court heard the underlying legal challenge. While the judge could have issued a nationwide order, he limited it because the state was the only party challenging the rule in this particular lawsuit and offered evidence only of its own injuries as an employer.

Nationwide Relief Sought. Several business groups joined Texas and asked the court to vacate the rule completely for all employers. At a recent November 8 hearing, the judge heard arguments from those business groups in addition to the state of Texas as to why the rule should be blocked for all employers.

How Did the Court Rule?

An overview of the ruling and its impact on the now exterminated overtime changes from Fisher Phillips law firm can be viewed here.

If you have already made changes, you can reduce your salary threshold back to the $35,000 range. But the labor attorneys point out, there can be impacts with employee morale and relationships. Many employers report retaining the increases they put in effect July 1, but not moving ahead with the Jan. 1 increases.

In the mid-November ruling by Judge Sean Jordan of the U.S. District Court for the Eastern District of Texas, the court said that since the white-collar exemptions turn on duties, not salary, and since the new rule makes salary predominate over duties for millions of employees, the changes exceed the Department of Labor's authority.

The judge said that the rule attempted to introduce "sweeping changes to the regulatory framework, designed on their face to effectively displace the FLSA's duties test with a predominate – if not exclusive – salary-level test." He concluded by saying the DOL "simply does not have the authority" to do this.

Business groups including OHLA, the American Hotel & Lodging Association, the U.S. Chamber of Commerce, and others had advocated for relief from the regulatory oversteps since the rules were first published.

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Travel Economy Associations Support Funding to Boost State Travel Marketing

Ohio Tourism Works, a coalition of entities representing businesses and allies in the travel sector, has released new data underscoring the positive economic impact of marketing conducted by the State of Ohio to bring visitors and their dollars into Ohio.

The coalition, including OHLA, the Ohio Travel Association, the Ohio Association of CVBs, the Ohio Restaurant and Hospitality Alliance, the Ohio Chamber, and others, is calling on state lawmakers to ensure that funding for this critical need is included in the state budget that will be introduced after January 1.

The total economic impact of the travel economy in Ohio is $56 billion, with $43 billion in visitor spending and $13 billion in additional related sales. More than 436,000 Ohio jobs depend on a strong travel economy, and travel produces more than $4.6 billion in state and local taxes across all of Ohio.

But the coalition points out that Ohio is being outspent in travel marketing by competing states, including those bordering Ohio. While Ohio allocated $7.5 million for TourismOhio this year, Kentucky spent $15 million, Pennsylvania $19 million, Indiana $20 million, Illinois $22 million, Michigan $35 million and West Virginia a whopping $39 million.

Additionally, TourismOhio is also now charged with marketing to attract permanent residents and workers to Ohio, a worthy endeavor but one which places more demand on limited resources.

Policy steps recommend by OHLA and its allies include increasing investment and commitment to marketing Ohio as a destination for leisure travel; ensuring strategic decisions to increase the travel economy are made at a high level and not overshadowed by other priorities; investing in Ohio's quality of life to enhance the state's sense of place to keep current residents here and attract new ones; incentivizing and encouraging tourism business development, expansion and attraction; and developing competitive incentive programs for bringing large-scale events to the state, including conventions and conferences.

The state's biennial appropriations bill will be released by the Governor and introduced into the General Assembly after January 1 and must be enacted as a Constitutional requirement by June 30.

You can download an information sheet on the positive economic impact of travel and the return on investment on marketing efforts related to travel and tourism [here](#).

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