UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF CALIFORNIA

Williams v. Enterprise Resource Planning International, LLC

Williams · No. 25-cv-234-BTM-AHG · Decided June 26, 2025

SUMMARY

The United States District Court for the Southern District of California denied defendants' motion to dismiss a Fair Labor Standards Act overtime claim. The court held that, under the Service Contract Act, fringe-benefit payments are excluded from the FLSA regular rate only to the extent they are excluded under FLSA § 207(e), and that defendants had not shown that the health and wellness payments qualified for exclusion. The court concluded that cash payments to employees in lieu of health benefits were not excluded under the applicable statutory language.

CASE DETAILS

COURT	United States District Court for the Southern District of California
WRITING FOR THE COURT	Barry Ted Moskowitz
JURISDICTION	United States District Court for the Southern District of California
DECIDED	June 26, 2025
DOCKET	25-cv-234-BTM-AHG
DISPOSITION	other
PROCEDURAL POSTURE	Defendants moved under Federal Rule of Civil Procedure 12(b)(6) to dismiss Plaintiff's First Amended Complaint asserting an FLSA overtime claim.
STANDARD OF REVIEW	On a Rule 12(b)(6) motion, the court accepts well-pleaded factual allegations as true but does not accept legal conclusions as true, and asks whether the complaint states a claim for relief that is plausible on its face.
PRECEDENTIAL VALUE	unpublished, nonprecedential district court order; precedential status unknown
PARTIES	Enterprise Resource Planning International, LLC, ERP International, LLC v. Jasmine Williams

TOPICS

flsa · wage and hour · motions to dismiss · statutory interpretation · government contracts

PRACTICE AREAS

employment law · wage and hour · government contracts

QUESTIONS PRESENTED

1. Whether the Service Contract Act, 41 U.S.C. § 6707(e), excludes health and wellness or cash-in-lieu-of-benefits payments from the FLSA regular rate of pay when those payments are not excluded under 29 U.S.C. § 207(e).
2. Whether the First Amended Complaint plausibly stated an FLSA claim for unpaid overtime.

HOLDINGS

1. Section 6707(e) excludes SCA fringe-benefit payments from the FLSA regular rate only to the extent that the payments are excluded under FLSA § 207(e). Because the disputed health and wellness payments were not shown to fall within a § 207(e) exclusion, defendants did not establish that the payments were exempt from the regular rate.
2. The First Amended Complaint plausibly stated a claim for unpaid FLSA overtime, and defendants' motion to dismiss was denied.

KEY QUOTATIONS

> *"This Court agrees. Under Section 6707(e)'s plain language, fringe benefits payments are excludable from the regular rate of pay only if they are excluded under Section 207(e)."* (at 2)

> *"The plain language of Section 6707(e) governs and precludes Defendants' argument."* (at 3)

FACTUAL BACKGROUND

Williams alleged that defendants failed to include health and wellness payments in the regular rate of pay used to calculate overtime wages. The parties agreed that Williams's employment was governed by the Service Contract Act. Defendants argued that the SCA and implementing regulations exempted the payments from the FLSA overtime calculation, while Williams maintained that the payments had to be included.

PROCEDURAL HISTORY

Jasmine Williams filed a First Amended Complaint alleging that defendants failed to include health and wellness payments in the regular rate used to calculate overtime under the FLSA. Defendants moved to dismiss, arguing that the Service Contract Act and Department of Labor regulations excluded those payments from the FLSA overtime calculation. The district court denied the motion.

DISPOSITION

other

CASES CITED

- Flores v. City of San Gabriel, 824 F.3d 890, 898 (9th Cir. 2016)
- Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009)
- Menlo Service Corp. v. United States, 765 F.2d 805, 807 (9th Cir. 1985)
- Oliverio-Still v. AVMAC LLC, No. 24-cv-0870-L-DEB, 2025 U.S. Dist. LEXIS 37731, *12-13 (S.D. Cal. Mar. 3, 2025)
- Bonner v. Metro. Sec. Servs., No. SA-10-CV-937-XR, 2011 U.S. Dist. LEXIS 26251, *10-12 (W.D. Tex. Mar. 15, 2011)
- Barnes v. Akal Sec., Inc., No. 04-1350-WEB, 2005 U.S. Dist. LEXIS 12268, *10-17 (D. Kan. June 20, 2005)
- Wheeler v. City of Santa Clara, 894 F.3d 1046, 1054 (9th Cir. 2018)

OPINION

1 2 3 4 5 6 7 8 UNITED STATES DISTRICT COURT 9 SOUTHERN DISTRICT OF CALIFORNIA 10 11 Case No.: 25-cv-234-BTM-AHG JASMINE WILLIAMS, 12 individually and on behalf of all ORDER DENYING MOTION TO 13 others similarly situated, DISMISS Plaintiff, 14 v. [ECF NO. 13] 15 ENTERPRISE RESOURCE 16 PLANNING INTERNATIONAL, LLC; and ERP INTERNATIONAL, 17 LLC, 18 Defendants.

19 20 Pending before the Court is Defendants Enterprise Resource Planning 21 International, LLC and ERP International, LLC’s motion to dismiss Plaintiff Jasmine 22 Williams’s First Amended Complaint (FAC). (ECF No. 13).

For the reasons 23 discussed below, the motion is denied. 24 BACKGROUND 25 The FAC asserts a single cause of action under the Fair Labor Standards 26 Act (FLSA) for failure to pay overtime wages. The FAC alleges that Defendants 27 have violated the FLSA by failing to include health and wellness payments in 28 1 overtime rates.

Under the FLSA, overtime payments are calculated based on the 2 regular rate of pay, and Plaintiff alleges that the health and wellness payments 3 must, under the FLSA, be included in the regular rate. See generally Flores v. City 4 of San Gabriel, 824 F.3d 890, 898 (9th Cir. 2016) (ruling that “cash-in-lieu of 5 benefits payments may not be excluded under [the FLSA] and therefore must be 6 included in the... regular rate of pay”).

7 The Defendants assert, however, that the health and wellness payments 8 need not be included in the regular rate. According to Defendants’ motion to 9 dismiss, Plaintiff’s employment was governed by the Service Contract Act (SCA), 10 and the SCA and its regulations exempt health and wellness payments from the 11 FLSA’s overtime calculations. Plaintiff does not dispute that the SCA applies here 12 but instead maintains that the health and wellness payments must be included in 13 overtime rates.

MOTION TO DISMISS STANDARD

A complaint must contain facts “stat[ing] a claim to relief that is plausible on its face.” Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (citation omitted). “A claim has facial plausibility when the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” Id. On a Rule 12(b)(6) motion to dismiss, a court must accept the factual allegations, but not the legal conclusions, as true. Id.

DISCUSSION

A. Defendants have not shown that the fringe benefits payments are exempt from the regular rate of pay.

The SCA “requires government service contractors to satisfy certain minimum standards for wages and working conditions.” Menlo Service Corp. v. United States, 765 F.2d 805, 807 (9th Cir. 1985).

The SCA requires employers to provide certain fringe benefits but allows that requirement to “be discharged by furnishing any equivalent combinations of fringe benefits or by making equivalent or differential payments in cash under regulations established by the Secretary.” 41 U.S.C. § 6703(2). 41 U.S.C. § 6707(e) addresses whether fringe benefits payments must be included in overtime rates and provides as follows:

> In determining any overtime pay to which a service employee is entitled under Federal law, the regular or basic hourly rate of pay of the service employee does not include any fringe benefit payments computed under this chapter [41 USCS §§ 6701 et seq.] which are excluded from the definition of “regular rate” under section 7(e) of the Fair Labor Standards Act of 1938.

Department of Labor (DOL) regulations provide that fringe benefits payments are not included in overtime calculations. 29 C.F.R. § 778.7 (“If the employer furnishes equivalent benefits or makes cash payments, or both, to an employee as therein authorized, the amounts thereof, to the extent that they operate to discharge the employer’s obligation under the McNamara-O’Hara Act to furnish such specified fringe benefits, may be excluded pursuant to such Act from the employee’s regular or basic rate of pay in computing any overtime pay due the employee under the Fair Labor Standards Act.”); § 4.177(e) (“If [an employer] furnishes equivalent benefits or makes cash payments, or both, to such an employee as authorized herein, the amounts thereof, which discharge the employer’s obligation to furnish such specified fringe benefits, may be excluded pursuant to this Act from the employee’s regular or basic rate of pay in computing any overtime pay due the employee under any other Federal law.”).

The FLSA calculates overtime obligations based on a “regular rate” of pay, and FLSA Section 207(e) lists specific categories of renumeration excluded from the regular rate. 29 U.S.C. § 207(e). It is undisputed here that FLSA Section 207(e) does not expressly exclude from a regular rate fringe benefits payments like those under the SCA. Instead, Defendants claim that the SCA and the DOL's regulations exclude fringe benefits payments from the FLSA's overtime calculations.

Courts have read Section 6707(e) as simply providing that fringe benefits payments are excludable from the FLSA regular rate only insofar as they are excluded under Section 207(e). Oliverio-Still v. AVMAC LLC, No. 24-cv-0870-L-DEB, 2025 U.S. Dist. LEXIS 37731, *12-13 (S. D. Cal. Mar. 3, 2025); Bonner v. Metro. Sec. Servs., No. SA-10-CV-937-XR, 2011 U.S. Dist.

LEXIS 26251, *10-12 (W.D. Tex. Mar. 15, 2011); Barnes v. Akal Sec., Inc., No. 04-1350-WEB, 2005 U.S. Dist. LEXIS 12268, *10-17 (D. Kan. June 20, 2005). Under this approach, SCA Section 6707(e) does not exclude fringe benefits payments from the FLSA's regular rate, and the DOL regulations to the contrary do not control. This Court agrees.

Under Section 6707(e)'s plain language, fringe benefits payments are excludable from the regular rate of pay only if they are excluded under Section 207(e). In other words, Section 6707(e) simply incorporates Section 207(e)'s exceptions, and Defendants have not shown that the fringe benefits payments are excludable under Section 207(e). That section does exclude payments for health insurance from the FLSA regular pay rate if they are made to a third party.

29 U.S.C. § 207(e)(4) (excluding from the regular rate "contributions irrevocably made by an employer to a trustee or third person pursuant to a bona fide plan for providing old-age, retirement, life, accident, or health insurance or similar benefits for employees"). Congress could have excluded cash payments to employees in lieu of actual health insurance coverage from the regular rate, but it chose not to.

The absence of cash in lieu of benefits from Section 207(e)'s exclusions shows the drafter's intention not to exclude it. See Wheeler v. City of Santa Clara, 894 F.3d 1046, 1054 (9th Cir. 2018) (recognizing the presumption that "when a statute designates certain persons, things, or manners of operation, all omissions should be understood as exclusions" (citation omitted)).

Because Defendants' argument is inconsistent with the plain language of Section 6707(e), ||the DOL's regulations do not govern. The plain language of Section 6707(e) governs and precludes Defendants' argument. CONCLUSION ° For the reasons stated, Defendants' motion to dismiss is denied. ° IT IS SO ORDERED. Dated: June 26, 2025 Til Lusch Honade Barry Ted stosenig United States District Judge