

# Frequently Asked Questions Furlough Program

Oregon State University  
November 17, 2009

The goal under consideration is to achieve payroll-related budget savings by spreading the payroll savings across the University workforce. The initial proposal was to achieve those savings through a salary reduction and associated leave program. For the reasons that follow, this document proposes a furlough program instead.

Faculty have expressed interest in exempting from this budget reduction the portions of employee effort that are funded by sponsored research funds. We have learned that in order to achieve that outcome, the University would need to institute a furlough program rather than a program of salary reduction with associated optional leave. That is because it is impermissible to pay differential salary rates for employee time funded by federally sponsored research dollars compared to time funded by other sources. Under a furlough program, salary is not reduced. Instead, budget reductions are achieved by requiring employees to take a fixed amount of unpaid time off during the period of the program. Our best judgment is that it is permissible to exempt the portions of employee time funded by sponsored research dollars from a furlough program, but not from a salary reduction/optional leave program.

It should be noted that the resulting effect on salary for affected employees would be the same under either a furlough program or salary reduction program. It should also be noted that implementation of such a program will be subject to multiple layers of federal and state laws, and will be complex. We have made our best effort here to describe a furlough program in broad outlines, recognizing that some of the parameters and the details would need to be worked as the University implemented such a program.

## **Introduction**

**What is a Furlough Program?** The 2009-10 Fiscal/Academic Year Furlough Program would reduce employees' paid work time by a specified number of days or hours each month.

The Program would be based on a sliding scale. Faculty members who earn more would be required to take a larger number of unpaid furlough days. The goal is to be responsive to our economic environment and to do so in a manner that is equitable and effective. It is similar in intent to programs implemented for OUS classified staff and five other OUS campuses and the Chancellor's Office.

**Why would the University implement such a program?** The Program would be a tool to assist the University in managing budget reductions during this biennium. For the Education and General (E&G) budget, \$5.4 million in budget reductions has been distributed to academic and support units for 2009-10. However, a proportion of those cuts will only be achieved through reduction of fixed-term instructors and professional faculty positions. The Furlough Program would allow units to preserve some of those positions, allowing management of reduction through attrition or retirements, and enabling units to develop longer-term plans for change and transformation. The Statewide Public Service Programs (Agricultural Experiment Station, Forest Research Laboratory, and the OSU Extension Service) need to phase in reductions of \$5.9 million for 2009-2010. With no tuition to offset cuts, the Furlough Program would enable continuity of services for those programs and management of program reduction in a more intentional way. The impact would be even more severe if the tax measures on the January 2010 ballot result in loss of \$733 million in State revenue.

**Would the salary savings stay with the units?** The salary savings realized from the Program would stay with the index from which an employee's salary is paid.

#### **Implementation and Administration of the Program**

**When would the Program begin?** Effective January 1, 2010, a specified amount of unpaid furlough time would be allotted to unclassified employees based on their salary levels. Employees would be required to take the specified amount of unpaid furlough time each month. The unpaid leave time would be reflected beginning with the January 31, 2010, paycheck. The unpaid furlough days assigned to an employee would take into consideration the employee's FTE and appointment basis.

**How would the number of unpaid furlough days be determined?** The Furlough Program is similar to the program applicable to the classified staff, except that two additional tiers would be added for employees earning \$5,733 or greater per month, as described in the material distributed at last week's Faculty Senate meeting.

**Would the University close for one or more days to observe the furloughs?** No. Employees would be required to spread furlough time evenly across the six month period from January through June, 2010.

**Would base annual salary rate be affected by this program?** No. The Program would require employees to take unpaid time off, which would not affect base salary rate.

**Is this Program intended to be permanent?** No. The Program would extend from January 1, 2010 through June 30, 2010, and would assist the University in meeting current economic and budgetary conditions.

**Is there a possibility that the Furlough Program would extend beyond June 30, 2010?** The University administration would consult with the Faculty Senate to assess the financial circumstances projected for the second year of the biennium to determine if the Program is to be extended through the 2010-2011 fiscal year.

**Will the Legislature “sweep” the salary savings to deal with state revenue shortfalls?** While it is difficult to predict future legislative actions if economic outlook changes, based on current conversations with OUS and legislators, the University administration’s understanding is that the salary savings will stay with the institution.

### **Program Participants and Applicability**

**Which employees would be subject to the Program?** The Program would apply to all unclassified employees, regardless of percentage of employment (FTE), place of work, or tenure status, except for those listed below.

The following would be exempted from the Program:

- Proportion of faculty members time that is paid from sponsored research funds with the Program application pro-rated to the non-sponsored research proportion of the time,
- Faculty members who are partially funded from sponsored research funds may increase the proportion of time paid from those funds with permission from their granting agency to devote extra work effort to research projects
- Undergraduate student workers,
- Graduate assistants,
- Clinical and postdoctoral fellows,
- Post doctoral scholars,
- Employees whose immigration status would be adversely impacted, and
- Faculty who have over the past few months voluntarily reduced their tenure as part of the Partial Tenure Relinquishment Program.

### **Would the Furlough Program have an impact on benefits and leave accruals?**

**PEBB Health Insurance:** Health benefits eligibility and contributions would not be affected by the Program.

**Sick Leave Accrual:** The Furlough and Salary Reduction Program would not affect the eligibility rules or the amount of hours accrued toward sick leave.

**Vacation Leave Accrual:** The Furlough and Salary Reduction Program would not affect the eligibility rules or the amount of hours accrued toward vacation leave.

University Contributions to PERS and ORP Retirement Plans: The Furlough Program would reduce contributions made by the University on behalf of employees as a result of the unpaid time off. The contribution rate would not be reduced, but the dollar amount would be less due to the unpaid time off.

**How would the Furlough Program affect benefit eligibility for faculty currently at .50 FTE?** Benefits eligibility would not be negatively impacted by the Program.

**Would the Furlough Program apply to faculty planning to retire on or before June 30, 2010?** Employees who have submitted a letter of resignation to their supervisors indicating retirement on or before June 30, 2010 would not be subject to the Program.

**Would the same program exemption apply if a faculty member plans to retire sometime during the Fiscal/Academic Year 2010-11?** It is expected that exemption will be extended to employees retiring during the second year of the biennium if the Program were to continue from July 1, 2010 to June 30, 2011.