

Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPENSATION:

DISCUSSION ITEM

For Meeting of May 7, 2009

POLICY GOVERNING EMPLOYEE FURLOUGHS AND COMPENSATION REDUCTIONS DURING FISCAL EMERGENCIES AND AMENDMENT OF STANDING ORDER 100.4

In order to address the financial challenges presented by the current State budget, the President continues to review and assess all available options for responding in a responsible manner that will best protect the University and inflict the least long-term harm. There is a gap in the current human resources policies. Current policies allow for employee reductions in percent of time worked, curtailment leaves (time off from work where vacation can be used), as well as short-term or permanent layoffs for a variety of employee groups. But these policies do not adequately set forth a process by which temporary furloughs (time off from work without use of vacation, compensatory time off or other compensation) or temporary or permanent salary reductions might be implemented.

While neither furloughs nor salary reductions are presently contemplated, if further savings are required in the next fiscal year or thereafter, furloughs and salary reductions could provide a fair and balanced way of reducing expenses while maintaining the relative strength of the workforce through this particularly challenging time.

The attached proposed amendment to **Standing Order 100.4 (Attachment 1)** provides a framework in which the President could impose furloughs or salary reductions for some or all of the segments of the workforce, if such were to become necessary in the next fiscal year or thereafter.

The amendment will give the President the authority to request that the Regents declare a financial emergency and, upon such declaration, following a detailed consultation and review process, to implement furloughs and/or salary reductions on terms that the President deems necessary, for some or all categories of University employees. The President will have the authority, during the pendency of the declaration and consistent with applicable legal requirements, to suspend the operation of any existing Regental or University policies otherwise applicable to furloughs and/or salary reductions that are contrary to the terms he or she deems necessary to the proposed implementation.

Any declaration submitted to the Regents must describe with specificity the emergency conditions underlying the declaration, the effect of such conditions on campus or University operations, the expected duration of the declaration or provisions for renewal, the plan for implementing the proposed furloughs and/or salary reductions, and the expected outcome of the proposed plan.

Under the proposed amendment, unless circumstances prevent it, prior to submitting the request to the Regents, the President must engage in a consultation and review process with representatives of the systemwide and/or divisional Academic Senate and the appropriate systemwide and/or campus-based staff and non-Senate academic representatives concerning the matters to be included in the request for approval of a declaration. If the request for approval of a declaration is submitted by a chancellor to the President, the chancellor must engage in similar consultations.

Whether the request is systemwide or campus-based, it is expected that the request will be accompanied by a proposed implementation plan. Draft Implementation Plan Guidelines have been developed by the President and require any furlough and/or salary reduction plan to establish:

- That reduction of University expenditures such as travel, equipment, non-operating expenditures and non-essential services proposed and or implemented through established University regulations and procedures are insufficient to stabilize the financial position of the campus;
- That the contemplated actions are an essential element of financial savings under the current conditions;
- How operational issues will be addressed such as continuation of essential services (e.g., police, fire, clinical and animal care, custodial);
- How operational issues related to academic research and teaching will be addressed;
- How the Plan will be implemented in a fair and compassionate way to the entire University workforce.

The Guidelines also provide that, whether a proposed plan is campus-based or systemwide, the President will establish uniform guidelines and parameters by which any plan can be implemented. These guidelines and parameters will be established to ensure consistency, fairness, optimized savings and avoiding effects of unintentionally penalizing classes of employees or campus locations.

The Guidelines also describe a detailed consultation and review process to be followed such that, unless circumstances prevent it, any implementation plan that is presented for action will have been reviewed and commented upon by the systemwide and/or divisional Academic Senate and appropriate committees, as well as by staff and non-Senate academic representatives. The Draft Guidelines are appended as [Attachment 2](#).

Feedback received from this meeting will be incorporated into the proposed amended Standing Order and Draft Guidelines documents along with comments received by the Academic Senate and non-Senate academic and staff representatives. Following that review, comment, and consultation period, the Standing Order amendment will be brought to the Regents for approval. The Guidelines will be implemented under the authority of the President.

(Attachments: **One** and **Two**)