



To: University of Alaska Board of Regents  
From: R. Erik Seastedt, Chief Human Resources Officer  
Date: September 9, 2014  
Re: Overview/intent of proposed Furlough Policy



In June of 2014, a proposed furlough policy was promulgated to the entire UA community. Since that time we have been receiving and actively soliciting feedback from all UA employees regarding the need for and impact of this policy.

Generally, administration feels that the ability to initiate furloughs is not, at this time, an option available as we move into more difficult financial times. Unfortunately, if the need arises to cut additional costs after all efficiencies have been examined and implemented, currently our only avenue available through policy and regulation would be to implement employee layoffs.

While not desirable, and certainly not a primary strategy for reducing expenses, furlough allows for a more humane way of affecting cost while less significantly affecting our work population. Many of our employees expressed their concern that they could not thrive if they had to go without pay or insurance for a block of time if the system shut down due to furloughing. We have worked to explain that furloughs for University purposes would look very different from the furloughs imposed on federal workers by the federal government. I have included a list of potential furlough options in the attached summary for your review.

It would be the intent of a furlough policy to reduce costs while yet preserving the health insurance and regular payment of our employees. Several employee groups have commented that while furloughs are not desirable, they could be palatable as long as insurances and regular paychecks continued. In the attached summary you will see more specifics related to what we believe the regulations that coincide with this proposed policy should reflect.

We have asked Staff Alliance to solicit their members to participate on a task force that would create draft regulations for the President's approval. Human Resource Directors and others have also been invited to help shape potential regulations such that the impact of this policy, should you approve it, would not be significantly detrimental to our employees.

If you have any questions about the proposed policy, I am available at your convenience.

## **Summary of potential Furlough options and effects**

(these are thought points intended to be reflected at some level in regulation)

### **What could a furlough look like?**

- The system or parts thereof could be completely shut down for x days in a row.
- X number of days each pay period/month/year could be considered furlough days, with no business being conducted on those days
- Exempt employees could have their annual pay reduced by x percent and be given the equivalent amount of paid days off as 'discretionary furlough days'
- Exempt and non-exempt employees could be given reduced-hour work weeks (for example, work week reduced from 40 hours to 37.5 hours).

### **What would a furlough affect?**

- Take home pay: Yes
- Overtime: Yes
- Health insurance: No
- Accrual of paid days off: No (but employees could not take paid days in lieu of furlough days )
- Retirement benefits: Yes ( for all plans based on annual salary); more than 10 unpaid days per year also affects service credit
- Ability to work another job outside the University: No

### **Who could be affected?**

- Senior administrators/executives: Yes
- Exempt employees: Yes
- Non-exempt employees: Yes
- Temporary employees: Yes
- Term employees: Yes (except fully funded by grants)
- 6070 employees: Yes (or layoffs depending on CBA interpretation)
- Student employees/Grad assistants/Post doc who do not pay FICA: No
- H1-B visa employees: No
- Grant funded employees: Yes, unless fully funded by grants
- Employees on paid military leave: No
- Employees who perform functions essential to health & safety (determined by chancellor): No
- Employees with full-time (prorated equivalent for part-time) annual salaries below \$X.XX; [for example, \$37,275; 125% of the Alaska poverty level (family of 4)]: No (example would exempt over 3,000 employees)
- UNAC/UAFT/UNAD faculty: No (if negotiation of furloughs could not be reached, equivalent numbers of faculty may instead be laid off)

### **Things we could do before implementing furloughs/layoffs:**

- Meet and discuss with governance and all affected employee groups
- Discontinue all temporary employees
- Not renew any term contract employees unless they are fully supported by grant funds
- Ask for voluntary reductions in work year
- Ask for volunteers interested in furlough options
- Allow employees to take Leave Without Pay before exhausting annual leave
- Provide advance notice of impending furlough/reductions

## **General Counsel review of collective bargaining agreements as they relate to furlough**

The collective bargaining agreements (CBAs) govern the terms and conditions of employment for the employees of respective bargaining units, including the extent to which Regents' Policy and University Regulation apply. It is helpful to examine each CBA.

For example, the 6070 (Crafts and Trades contract provides for layoffs in the event of budget shortfalls, lack of work, etc., and does provide for voluntary leave without pay (LWOP) and reduced work weeks as alternatives to layoffs in 5.3(D). Absent a possible side agreement to avoid layoffs there is no provision for furloughs. Article 1.3 Term Employees and Article 1.4 Temporary employees provide for termination or early termination of these classes of employees.

The firefighters CBA has language similar to 6070's. That language can be found in Article 13.5. Again, budget savings could be achieved through layoffs, but there is no provision for furlough other than via side agreement.

The UNAC Faculty CBA provides for leaves of absence in 16.8(e). Section 18.1(l) gives management the right to adjust programs and positions. In addition, Article 10, Reduction in Force, allows termination of faculty, including tenured faculty, when university programs are reduced or eliminated, or a declaration of financial exigency in a unit of the university. Article 9.4.1 provides for nonretention of tenure track faculty and Article 9.4.2. provides for nonrenewal of term faculty.

UAFT faculty are subject to similar mechanisms through Board Policy P04.04.047.

## UAA Staff questions on the proposed furlough policy (Seastedt answers in italics)

Questions have been grouped by topic below.

### General questions:

- What constitutes a unit at the university?  
*"Units" include major administrative units and academic units, as well as smaller units such as departments.*
- How can I as an employee give feedback on a policy that could be implemented in January of 2015, when there is no policy?  
*Draft policy language was distributed to all employees on June 2<sup>nd</sup>, 2014. We have been collecting feedback and will continue to do so as work on the policy and regulations continues. If you have not been able to comment to date, please contact your local governance office.*
- What kind of need constitutes putting someone on furlough? A budgetary shortfall; when projected expenses exceed anticipated revenue.
- Will the furlough be used as a way to reorganize some employees out of the system?  
*No, furloughs are temporary ways to cut our costs to pay our bills. Reorganizations are occurring all the time and would be an ongoing exercise regardless of furlough implementation.*
- Is there a step to cut the fat before resorting to furlough?  
*There are many steps the system has been taking and will continue to take before resorting to the more drastic decision to implement furloughs. Lists are available from SW and each MAU as to current efforts.*
- Who decides how long the furlough will be?  
*If a furlough is implemented it would be in consultation with finance and the president for as long as necessary to cover the budget shortfall.*

- If any unit of the university is short, can the university implement furloughs or reductions of pay to the entire university system?  
*The policy is broad enough that this would be possible.*

### **Who is affected?**

- Staff is the only group without a union. Are we the only group this proposed furlough policy will affect?  
*Students, non-citizen workers, and 100%-outside-funded employees would likely not be affected by a furlough. All other employees, union and non-union would be affected...many with furloughs, some with layoffs in lieu of furlough.*
- Who is a UAA employee? A professor, an adjunct, an administrative assistant, a student on work/study, a maintenance craftsman, full time, part time, anyone who is represented by the Classified Council? Please explain.  
*Anyone on the UAA employee payroll is a UAA employee.*
- Would only hourly staff be subject to furlough, or would salaried employees also be affected?  
*Both could be affected. If non-exempt (hourly) staff in a unit are furloughed, exempt staff would also be furloughed.*
- If any unit is required to accept furloughs, will the head of the unit also be required to accept a furlough?  
*Yes.*
- Will the president, chancellors, vice chancellors etc. all be taking a month or two pay cut?  
*Furlough/pay cut, yes. It is not anticipated that any employee would be furloughed for a month or two.*
- Who determines who is necessary and who isn't?  
*Chancellors have always determined 'essential' personnel typically defined as those employees necessary for the health and safety of a campus.*

- Will college and university leadership expect prospective, temporary reductions in pay at the same rate as those employees making \$30,000 a year?  
*Reductions for leadership would be at least equal to lower-paid employees. Some lower-paid employees may be exempt from furlough.*
- Is there a distinction between part time and full time employees with respect to furlough?  
*Part-time employees would likely be furloughed on a pro-rata basis.*
- What exceptions would be in place for staff classified as essential to the safety and operation of the university?  
*These individuals would not be furloughed.*

### **Notice**

- What kind of advanced written notice is required: 30 days, 60 days, 90 days, six months?  
*Regulation would address this but it has not yet been determined. We would strive however to give as much advance notice as is practical.*

### **Temporary reduction in pay**

- Reduction in pay: Will these be meted out at a flat rate to any staff members, or will they be on a graduated scale? As an example, under a temporary reduction in pay scenario, will staff making under \$30,000 a year have the same pay cut as someone making \$75,000 a year?  
*Percentages may be the same or higher for individuals making more than X.xx dollars per year. This has not been determined but would likely reflect the severity of the financial situation for the system. Some lower-paid employees may be exempt from furlough as well.*
- Are temporary reductions in pay open-ended, or will we be guaranteed a time limit to the reductions and or furloughs?  
*This has not been determined and would be based on the nature of the financial need of the unit or system. Time limits would, however, be put in place in advance whenever possible.*



- Under temporary reductions in pay, will we be expected and required to do the same jobs and the same hours we were hired for, but paid less than we agreed to when hired?  
*Same jobs, yes, but a reduction in pay would result in a reduction of effort required. Hours of work would be affected by the nature of how a furlough is structured.*

### **Regulations/Policies**

- What are the regulations and plans approved by the president? Is the president the final responsible party in regard to shaping this policy?  
*After the Board of Regents approves a policy, the president develops and implements regulation to carry out the policy. We continue to ask for employee feedback so we can appropriately shape the regulations.*
- Which BOR P&R's are alluded to here:  
"Furloughs shall be implemented in accordance to regulations and plans...."  
*This refers to the regulations that will be developed through the president's office to codify and implement the policy. Feedback from members of the UA community has been and will continue to be asked for so that the shaping of regulations and implementation of the policy are fair and consistent.*

### **Benefits**

- Will employees who are furloughed be eligible for unemployment benefits?  
*Likely not. Most options for furlough design would not reach the eligibility level for unemployment benefits.*
- How are health and other benefits affected during a furlough?  
*There would be no effect on health insurance and leave accrual benefits. Retirement contributions would be affected and depending on the length of the furlough, retirement service credit could be affected.*

### **How will it work?**

- What is the maximum number of furlough days that can be implemented?  
*That would be determined by financial need. Limits would be put in place in advance.*

- Could units or employees choose to implement voluntary Leave Without Pay and have a voice as to when?

*Yes*

- Could there be a discussion with staff before jumping on the furlough train? I have spoken with many people and most of them have said they would be willing to work at 90 percent as long as all benefits remain.

*Retirement benefits would be affected by a work reduction as well as furlough due to state law and plan provisions. Other benefits such as health insurance and leave accruals could remain at their current status. Discussions are ongoing and will continue throughout our financially troubling times. The system welcomes discussion from faculty and staff including any options to help us save money.*

- Would the furlough policy be structured at all? Newest hires affected first, for example?

*As mentioned, furloughs would be by unit or for the system.*

- Who will decide whom, how many and from what departments will be affected by the proposed furlough policy?

*That would be conversations that occur at the unit and university level with final recommendations coming from each chancellor's office.*

- Will the number of dependents an employee claims be a consideration in their potential furlough?

*That has not been determined but some lower-paid employees may be excluded.*

- Can Leave Without Pay taken for other reasons be applied to a furlough?

*If you are asking if unrelated-to-furlough LWOP can be applied to furlough days the answer is No. If however employees are required to take days of Leave Without Pay as furlough days, they could use those days for any purpose.*



- Are there more dramatic and lasting solutions on the table for future years? Early retirement, or some other program to create attrition and bring salaries in line with future budget expectations?

*All of the above have been and continue to be considered. All employees are strongly encouraged to look for efficiencies in the operation of their units to reduce costs.*

- What other measures have been explored beyond furloughing to address the budget shortfalls in the system?

*Each MAU and Statewide has a long list of issues they have addressed to date to improve our financial situation. Those lists are available upon request.*

- Would a cap be placed on the number of days a year employees could be furloughed?

*Likely yes, but this has not been determined but would depend on the financial need of the institution.*

- What measures would be put into place to ensure employees were not required to work on a day they were furloughed?

*Non-exempt (hourly) employees must submit accurate time records for all hours worked. Any employee scheduled for a furlough day and required to work would be instructed to remind their supervisor it is a furlough day or to contact their local HR office.*

- Would it be possible for employees on contracts less than 12 months to request that their pay be divided out over 12 months?

*Non-exempt (hourly) employees must be paid for the hours that they work during each pay period. Exempt employees who are furloughed or voluntarily reduce their contract would have their salaries reduced over a 12-month period. We actually feel this is the ONLY way we should pay employees who voluntarily move to less than 12-month contracts.*

- If a position comes open in our department in the next few months, will department leadership have the option to furlough that position leaving it unfilled for a period of time instead of furloughing everyone else in the department?  
*That has always been an option for departments but if targeted for furlough, a department's finances would already have taken vacant positions into account.*