

MFP COMMITTEE #1  
May 7, 2010

MEMORANDUM

May 5, 2010

TO: Management and Fiscal Policy Committee  
FROM: Stephen B. Farber, Council Staff Director *SBF*  
SUBJECT: Alternative Furlough Scenarios in FY11

On April 29 the MFP Committee discussed the prospect of employee furloughs in FY11 related to the County's unprecedented fiscal challenge. The Committee's conclusion was as follows:

**The Committee unanimously recommends support for the principle of equitable treatment of employees of all agencies. The Committee requested OLO to develop alternative furlough scenarios of between five and ten days for all agencies, including progressive scenarios for County Government. After reviewing these scenarios, the Committee will make a further recommendation to the Council.**

On May 4 the Council unanimously supported this Committee recommendation. The purpose of this meeting is to review alternative furlough scenarios.

The Executive's proposed FY11 furlough plan for County Government would require 10 days or 80 hours of rolling furloughs (pro-rated for part-time employees) for about 6,000 employees, 70 percent of the County Government workforce, saving \$15.1 million (\$12.5 million tax supported and \$2.8 million non-tax supported). Merit uniformed public safety employees would be exempt. Both Montgomery College and M-NCPPC are developing furlough plans to help close the gap between their original budget requests and the Executive's recommended allocation. MCPS has not developed a furlough plan.

**The Executive's furlough plan imposes a 3.8 percent salary cut in FY11 on one-fifth of the agencies' combined workforces.** The Council concluded that a more equitable approach would be to furlough all employees of all agencies. The same amount of savings (or more) could be obtained with fewer days of furlough. To protect lower-wage employees at all agencies, the furlough could be **progressive**, with higher-wage employees absorbing more of the total burden, as the State has done.

For County Government employees, the Council can determine whether and how to apply furloughs as part of its budget actions. For employees of Montgomery College, M-NCPPC, and MCPS, it is the respective governing boards – the College Board of Trustees, the Planning Board, and the Board of Education – that determine whether and how to apply furloughs as they allocate the final FY11 appropriation for their agencies that the Council will approve on May 27. The Council requested a review of progressive scenarios for County Government. It would be up to the governing boards of the other agencies to determine whether to consider progressive scenarios for their employees.

OLO's response to the request for alternative furlough scenarios in FY11 is attached on ©1-4.

## MEMORANDUM

May 5, 2010

TO: Management and Fiscal Policy Committee

FROM: Craig Howard, <sup>CH</sup> Legislative Analyst  
Office of Legislative Oversight

SUBJECT: **Response to Committee Request for FY11 Alternative Furlough Scenarios**

This memorandum responds to the Management and Fiscal Policy Committee's April 29<sup>th</sup> request that OLO:

- Price additional furlough options of between five and ten days for all agencies; and
- Develop progressive furlough scenarios (i.e., differentiating the number of furlough days by salary level) for the amount of savings to be achieved from County Government.

As of May 5, 2010, the estimated FY11 tax supported savings from agency furlough proposals is \$17.6 million. This includes the Executive's proposed FY11 furlough plan for certain County Government employees, and furlough plans being considered by M-NCPPC and Montgomery College to help close the gap between their original FY11 budget requests and the Executive's most recent recommended agency allocations.

So as not to double-count savings, the rest of this memorandum compares the furlough proposals already under consideration with estimated savings from furloughs that would include employees across County Government, M-NCPPC, Montgomery College, and Montgomery County Public Schools. In sum:

- A five-day furlough for all employees across all agencies could achieve an estimated \$30.6 million in additional tax supported savings (see page 2);
- A seven-day furlough for all employees across all agencies could achieve an estimated \$49.8 million in additional tax supported savings (see page 3); and
- A ten-day furlough for all employees across all agencies could achieve an estimated \$78.7 million in additional tax supported savings (see page 4).

For each alternative structure, OLO includes a progressive option for County Government employees that achieves the same amount of savings but differentiates the number of required furlough days by three salary ranges: employees with salaries less than \$50K, employees with salaries between \$50K and \$100K, and employees with salaries greater than \$100K.

**ALTERNATIVE #1: FIVE-DAY (40 HOURS) FURLOUGH SCENARIO FOR ALL AGENCIES**

Compared to the current furlough proposals, a five-day furlough (or 40 hours) for all employees of County Government, M-NCPPC, Montgomery College, and MCPS would net an additional \$30.6 million in tax supported savings.

Agency	Estimated Tax Supported Savings From:		Budget Change with Five-Day Furlough Plan
	Agency Furlough Proposals (as of 5/5)	Five-Day Furlough (no exempt employees)	
Montgomery County Government	\$12.4 million <sup>1</sup>	\$10.5 million	+ \$1.9 million <sup>3</sup>
M-NCPPC	\$2.2 million <sup>2</sup>	\$1.1 million	+ \$1.1 million
Montgomery College	\$3.0 million <sup>2</sup>	\$2.9 million	+ \$100,000
Montgomery County Public Schools	None	\$33.7 million	- \$33.7 million
<b>Total</b>	<b>\$17.6 million</b>	<b>\$48.2 million</b>	<b>+ \$30.6 million</b>

<sup>1</sup> The \$12.4 million represents estimated tax supported savings from the Executive's FY11 furlough proposal. The \$15.1 million total savings from the furlough cited in the Executive's budget includes \$2.8 million in non-tax supported savings.

<sup>2</sup> The savings for M-NCPPC and Montgomery College represent estimated savings from furlough proposals currently under consideration by the agencies to meet the target reductions contained in the Executive's recommended budget.

<sup>3</sup> In addition to the +\$1.9 million change for tax supported funds, the five-day furlough proposal would produce a +\$1.4 million budget change for Montgomery County Government's non-tax supported funds.

**ALTERNATIVE #1A: "FIVE-DAY" PROGRESSIVE SCENARIO FOR COUNTY GOVERNMENT**

As shown in the table above, a five-day furlough for County Government would achieve \$10.5 million in tax supported savings. This alternative shows one scenario for achieving the County Government "five-day" savings with a progressive structure that assigns more furlough days to higher-earning employees. This structure considers base salary only, and does not prorate the furlough for non-full-time employees.

County Government Progressive Structure		Estimated Savings
Salary <\$50K:	3 days (24 hours)	\$10.7 million
Salary \$50-100K:	5 days (40 hours)	
Salary >\$100K:	8 days (64 hours)	

**ALTERNATIVE #2: SEVEN-DAY (56 HOURS) FURLOUGH SCENARIO FOR ALL AGENCIES**

Compared to the current furlough proposals, a seven-day furlough (or 56 hours) for all employees of County Government, M-NCPPC, Montgomery College, and MCPS would net an additional \$49.8 million in tax supported savings.

Agency	Estimated Tax Supported Savings From:		Budget Change with Seven-Day Furlough Plan
	Agency Furlough Proposals (as of 5/5)	Seven-Day Furlough (no exempt employees)	
Montgomery County Government	\$12.4 million <sup>1</sup>	\$14.7 million	- \$2.3 million <sup>3</sup>
M-NCPPC	\$2.2 million <sup>2</sup>	\$1.5 million	+ \$700,000
Montgomery College	\$3.0 million <sup>2</sup>	\$4.1 million	- \$1.1 million
Montgomery County Public Schools	None	\$47.1 million	- \$47.1 million
<b>Total</b>	<b>\$17.6 million</b>	<b>\$67.4 million</b>	<b>+ \$49.8 million</b>

<sup>1</sup> The \$12.4 million represents estimated tax supported savings from the Executive’s FY11 furlough proposal. The \$15.1 million total savings from the furlough cited in the Executive’s budget includes \$2.8 million in non-tax supported savings.

<sup>2</sup> The savings for M-NCPPC and Montgomery College represent estimated savings from furlough proposals currently under consideration by the agencies to meet the target reductions contained in the Executive’s recommended budget.

<sup>3</sup> In addition to the -\$2.3 million change for tax supported funds, the seven-day furlough proposal would produce a +\$800,000 budget change for Montgomery County Government’s non-tax supported funds.

**ALTERNATIVE #2A: “SEVEN-DAY” PROGRESSIVE SCENARIO FOR COUNTY GOVERNMENT**

As shown in the table above, a seven-day furlough for County Government would achieve \$14.7 million in tax supported savings. This alternative shows one scenario for achieving the County Government “seven-day” savings with a progressive structure that assigns more furlough days to higher-earning employees. This structure considers base salary only, and does not prorate the furlough for non-full-time employees.

County Government Progressive Structure		Estimated Savings
Salary <\$50K:	5 days (40 hours)	\$14.7 million
Salary \$50-100K:	7 days (56 hours)	
Salary >\$100K:	10 days (80 hours)	

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**ALTERNATIVE #3: TEN-DAY (80 HOURS) FURLOUGH SCENARIO FOR ALL AGENCIES**

Compared to the current furlough proposals, a ten-day furlough (or 80 hours) for all employees of County Government, M-NCPPC, Montgomery College, and MCPS would net an estimated \$78.7 million in tax supported savings.

Agency	Estimated Tax Supported Savings From:		Budget Change with Ten-Day Furlough Plan
	Agency Furlough Proposals (as of 5/5)	Ten-Day Furlough (no exempt employees)	
Montgomery County Government	\$12.4 million <sup>1</sup>	\$21.0 million	- \$8.6 million <sup>3</sup>
M-NCPPC	\$2.2 million <sup>2</sup>	\$2.2 million	\$0
Montgomery College	\$3.0 million <sup>2</sup>	\$5.8 million	- \$2.8 million
Montgomery County Public Schools	None	\$67.3 million	- \$67.3 million
<b>Total</b>	<b>\$17.6 million</b>	<b>\$96.3 million</b>	<b>+ \$78.7 million</b>

<sup>1</sup> The \$12.4 million represents estimated tax supported savings from the Executive's FY11 furlough proposal. The \$15.1 million total savings from the furlough cited in the Executive's budget includes \$2.8 million in non-tax supported savings.

<sup>2</sup> The savings for M-NCPPC and Montgomery College represent estimated savings from furlough proposals currently under consideration by the agencies to meet the target reductions contained in the Executive's recommended budget.

<sup>3</sup> The ten-day furlough proposal would not produce any budget change for Montgomery County Government's non-tax supported funds.

**ALTERNATIVE #3A: "TEN-DAY" PROGRESSIVE OPTION FOR COUNTY GOVERNMENT**

As shown in the table above, a ten-day furlough for County Government would achieve \$21.0 million in tax supported savings. This alternative shows one scenario for achieving the County Government "ten-day" savings with a progressive structure that assigns more furlough days to higher-earning employees. This structure considers base salary only, and does not prorate the furlough for non-full-time employees.

County Government Progressive Structure		Estimated Savings
Salary <\$50K:	7 days (56 hours)	\$21.3 million
Salary \$50-100K:	10 days (80 hours)	
Salary >\$100K:	15 days (120 hours)	

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