

AGENDA ITEM #12  
May 4, 2010

MEMORANDUM

April 30, 2010

TO: County Council

FROM: Stephen B. Farber, Council Staff Director *SBF*

SUBJECT: **Action** – Compensation and Benefits for All Agencies

On April 19 the Management and Fiscal Policy Committee reviewed compensation and benefits for all agencies. On April 29 the Committee made unanimous recommendations. For ease of reference, the April 19 packet has been reprinted to accompany this packet for Councilmembers. The link is [http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2010/100419/20100419\\_MFP1.pdf](http://www.montgomerycountymd.gov/content/council/pdf/agenda/cm/2010/100419/20100419_MFP1.pdf).

**1. FY11 Pay Changes (see pages 1-7 of the April 19 packet)**

The Committee reviewed the FY11 budget and compensation context on pages 1-5 of the April 19 packet. The Committee also reviewed the information on pay changes in the region on pages 5-7, including the original agency pay increase requests outlined on page 7. These requests, which have been or are being reduced, are reprinted in the table on ©1 of this packet.

The Executive's FY11 recommended operating budget, as revised on April 22, includes significant service reductions, position abolishments, furloughs, and tax increases. Like the FY11 budgets of the State and many other jurisdictions in this very difficult year, it proposes freezing employee pay – that is, to support neither General Wage Adjustments (COLAs) nor service increments (step increases). **The Committee also recommends this approach.**

**For County Government, the Committee recommends approval of the proposed FY11 salary schedules listed on ©26-39 of the April 19 packet.** These schedules are (in order) for Non-Represented Employees (General Salary Schedule), Management Leadership Service, Medical Doctors, Seasonal Workers, MCGEO, Sheriff Management, Deputy Sheriffs, Fire/Rescue Management, IAFF, Police Management, FOP, Correctional Management, and Correctional Officers.

**For WSSC, the Committee recommends approval of the approach taken on ©61 of the April 19 packet (no COLAs, limited merit increases, and flexible worker pay), pending discussions with the Prince George's Council at the May 13 bi-county meeting.**

**2. FY11 Retirement Program (see pages 8-9 of the April 19 packet)**

The Committee reviewed a range of issues concerning the **County Government retirement program**, including the actuarially determined County contribution to the defined benefit Employees' Retirement System (ERS) and the amount for the defined contribution Retirement Savings Plan (RSP). The Committee also reviewed the budgets of the County's three retirement plans: the Deferred Compensation Plan, the ERS, and the RSP. **Committee recommendations:**

- Approve the recommended FY11 County contribution of \$116.4 million for the ERS and \$15.3 million for the RSP.**
- Approve the FY11 budgets of the three retirement plans on ©25 of the April 19 packet.**

### 3. FY11 County Government Compensation-Related NDAs (see pages 9-10 of the April 19 packet)

The Committee reviewed six Non-Departmental Accounts, as outlined on pages 9-11 and ©49-52 of the April 19 packet. Committee recommendations:

- Approve the **first three NDAs**, which reflect annual County obligations: **Judges' Retirement Contribution** (\$3,740), **State Positions Supplement** (\$127,480), and **State Retirement Contribution** (\$1,030,360).
- Approve the **Group Insurance for Retirees NDA** (\$31,096,730), consistent with the recommendations below on group insurance.
- Approve the **Compensation and Employee Benefits Adjustment NDA** (\$1,725,650), including the component parts listed on ©52 of the April 19 packet, such as elimination of all performance-based pay in FY11.
- Approve the **Retiree Health Benefits Trust NDA** (\$0 for the General Fund in view of the FY11 fiscal situation). Approve the non-tax supported contributions from proprietary funds and outside participating agencies (\$7,288,290) outlined on ©18 of the April 19 packet.

### 4. FY11 Group Insurance (see pages 11-13 of the April 19 packet)

The Committee received an update on its extensive work on the group insurance issues outlined on pages 11-13 of the April 19 packet. Committee recommendations:

- Support the **agency group insurance funding requests** for both active employees (\$320.1 million) and retirees (\$123.1 million), as outlined on pages 12-13 of the April 19 packet.
- For **County Government**, approve the recommended expenditures of the **Employee Health Benefits Self Insurance Fund**, as revised on April 22 (\$187,372,860). On April 22 the Executive recommended an additional \$2.0 million transfer in FY10 from this fund to the General Fund, as reflected in the revised FY11-16 fiscal projection on ©2. The Committee recommends this additional transfer. Note, however, that it brings the ending balance in FY10 and FY11 below the target, which is 5.0 percent of expenditures.
- With regard to **retiree health insurance pre-funding (OPEB)**, in view of the FY11 fiscal situation, approve no tax supported OPEB contributions for County Government, MCPS, Montgomery College, and M-NCPPC. Starting this summer, resume the Committee's review of ways to address the mismatch between available resources and the OPEB pre-funding schedule, which reflects agencies' promises to their employees.

### 5. Other Compensation Issues (see pages 13-15 of the April 19 packet)

The Committee discussed the personnel management reviews and similar reports prepared by the agencies. The Committee also reviewed funding requests for the agencies' **FY11 employee awards and tuition assistance programs**. Committee recommendation:

- Approve the requests outlined on page 14 of the April 19 packet as a ceiling. Some agencies may reduce these amounts as part of further FY11 budget reductions.

## Other Compensation Issues

### 1. Compensation Proposals in the Executive's April 22 Budget Adjustments

- Defer FY11 funding for increases in the contract with the Montgomery County Volunteer Fire and Rescue Association (MCFRFA), saving \$389,910. The Public Safety Committee discussed this proposal on April 26 and is scheduled to return to it on May 3.
- Assume Council approval of Expedited Bill 16-10, Personnel – Retirement – Imputed Compensation Limit. Annual tax supported savings starting in FY11 would be about \$6.6 million; non-tax supported savings would be about \$424,000. On April 29 the Committee unanimously recommended approval of this bill, which deals with the “phantom” COLA. The bill is tentatively scheduled for Council action on May 11.
- Extend the Executive's proposed 10 furlough days in FY11 to public safety managers, saving \$132,000. This would include the Fire Chief, Division Chiefs, and Assistant Chiefs in MCFRS as well as the Police Chief, Assistant Chiefs, and Chief Deputy Sheriff. The Committee considered this proposal in its broader review of furloughs. See the discussion below.

### 2. Reduction-in-Force/Retirement Incentive Program

The Executive's proposed RIF and RIP for County Government are addressed on page 4 of the April 19 packet. OLO's initial analysis of the RIF/RIP, which the Committee also discussed on April 19, is at [http://www.montgomerycountymd.gov/content/council/pdf/agenda/cn/2010/100419/20100419\\_MFP3-4.pdf](http://www.montgomerycountymd.gov/content/council/pdf/agenda/cn/2010/100419/20100419_MFP3-4.pdf). OLO's follow-up analysis of the RIF is attached on ©3-6. **On April 27 the Council approved Expedited Bill 9-10, Personnel – Retirement Incentive Program, which authorizes the RIP.**

### 3. Furloughs

The Executive's proposed FY11 furlough plan for County Government is addressed on pages 4-5 of the April 19 packet. The plan 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. OLO's analysis is part of the above link. Both the 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.

As noted in the Committee packet, **the Executive's furlough plan imposes a 3.8 percent salary cut in FY11 on one-fifth of the agencies' combined workforces.** 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 the full discussion of furloughs in the Committee packet, see ©7-9.**

**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.**

**SUMMARY OF FY11 AGENCY PAY CHANGE REQUESTS**  
**Increments and General Wage Adjustments (% Increase)**

Agency	Increments For Eligible Employees	General Wage Adjustments
<b>County Government</b>		
MC GEO units	0	0
FOP	0	0
IAFF	0	0
Non-represented	0	0
<b>M-NCPPC</b>		
MC GEO units	TBD <sup>1</sup>	TBD
Non-represented	TBD	TBD
FOP	TBD	TBD
<b>Montgomery College</b>		
Faculty	TBD <sup>2</sup>	TBD
Administration	0	0
Staff (non-bargaining)	0	0
Staff (AFSCME)	0	0
<b>MCPS</b>		
MCEA	TBD <sup>3</sup>	0
MCAASP	TBD	0
SEIU Local 500	TBD	0
MCBOA	TBD	0
<b>WSSC</b>	0 <sup>4</sup>	0

For further details see the tables on ©64-70 of the April 19 packet.

<sup>1</sup> The Planning Board's budget included COLAs and merit increases. In view of the fiscal situation, there are further negotiations with bargaining units. The two Councils' actions at the May 13 bi-county meeting will also be a factor.

<sup>2</sup> The College Board's budget did not fund pay increases. Discussions with the AAUP and SEIU Local 500 continue.

<sup>3</sup> The Board of Education's budget did not include COLAs. It did include steps, but in view of the fiscal situation this allocation is being reconsidered. Negotiations with all unions on a new contract continue.

<sup>4</sup> The Commission's budget did not provide for COLAs, merit pay (except a small amount required by union contracts), or incentive pay. Flexible worker pay is provided. See ©61 of the April 19 packet for details.

## EMPLOYEE HEALTH BENEFITS SELF INSURANCE FUND

<b>FY11-16 FISCAL PROJECTION</b>							
	Estimate - FY10	Projected - FY11	Projected - FY12	Projected - FY13	Projected - FY14	Projected - FY15	Projected - FY16
BEGINNING BALANCE	28,925,990	8,042,160	7,305,930	10,298,170	11,321,000	12,453,900	13,693,860
<b>REVENUES</b>							
Premium Contributions	138,823,630	155,398,190	173,395,710	188,631,440	207,185,260	227,528,200	249,784,220
Premium Contributions: Retiree Insurance NDA	26,039,330	31,096,730	35,299,900	38,411,130	42,472,420	46,925,990	51,801,120
Investment Income	30,030	141,710	260,030	400,320	553,130	662,960	727,980
<b>TOTAL REVENUES</b>	<b>164,892,990</b>	<b>186,636,630</b>	<b>208,955,640</b>	<b>227,442,890</b>	<b>250,210,810</b>	<b>275,117,150</b>	<b>302,313,320</b>
TRANSFERS TO THE GENERAL FUND	(14,500,000)						
<b>TOTAL FUNDS AVAILABLE</b>	<b>179,318,980</b>	<b>194,678,790</b>	<b>216,261,570</b>	<b>237,741,060</b>	<b>261,531,810</b>	<b>287,571,050</b>	<b>316,007,180</b>
<b>EXPENDITURES</b>							
Claims, Premiums, & Carrier Administration	169,414,190	185,379,350	203,870,210	224,222,210	246,770,170	271,454,060	298,414,930
Actives	114,203,460	124,890,740	137,198,180	150,658,790	165,528,850	181,734,410	199,421,370
Retirees	55,210,730	60,488,610	66,672,030	73,563,420	81,241,320	89,719,650	98,993,560
In-house expenses	1,862,630	1,993,510	2,093,190	2,197,850	2,307,740	2,423,130	2,544,290
<b>TOTAL EXPENDITURES</b>	<b>171,276,820</b>	<b>187,372,860</b>	<b>205,963,400</b>	<b>226,420,060</b>	<b>249,077,910</b>	<b>273,877,190</b>	<b>300,959,220</b>
ENDING BALANCE	8,042,160	7,305,930	10,298,170	11,321,000	12,453,900	13,693,860	15,047,960
TARGET FUND BALANCE (5% OF EXPENDITURES)	8,563,840	9,368,640	10,298,170	11,321,000	12,453,900	13,693,860	15,047,960
ENDING BALANCE AS % OF EXPENDITURES	4.7%	3.9%	5.0%	5.0%	5.0%	5.0%	5.0%

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MEMORANDUM

April 26, 2010

TO: Management and Fiscal Policy Committee

FROM: Karen Orlansky<sup>ko</sup>, Director  
Aron Trombka, Senior Legislative Analyst<sup>AT</sup>  
Office of Legislative Oversight

SUBJECT: Update on Executive's Recommended FY11 Reduction-in-Force for the County Government

Based on the Executive's April 22 budget adjustments, we have prepared updated data tables on the recommended FY11 County Government reduction-in-force. The Executive's budget adjustments include 14 additional position abolishments. A list of the additional recommended position abolishments appears on the last page of this memorandum.

**I. Overview**

When combined with the reduction-in-force included in the March 15 operating budget submission, the Executive now recommends a total of 466 position abolishments in FY11, including 244 filled positions.

**County Executive Recommended FY11 Position Abolishments for County Government**

	Filled Positions	Vacant Positions	Total Positions
March 15 Submission	232	220	452
April 22 Adjustments	12	2	14
<b>Totals</b>	<b>244</b>	<b>222</b>	<b>466</b>

OLO's April 15 memorandum to the MFP Committee analyzed the Executive's recommended position abolishments by bargaining unit and by grade range. Page 2 of this memorandum updates the data on filled position abolishments by bargaining unit to incorporate the Executive's April 22 recommendations. Page 3 updates the filled position abolishment data by grade range.

## II. Filled Position Abolishments by Bargaining Unit

Of the 12 additional filled position abolishments recommended by the Executive on April 22, ten are MCGEO-represented positions and two are non-represented positions. The Executive did not recommend abolishing any filled FOP or IAFF positions.

The table below compares the overall compensation of the County Government workforce by bargaining with the distribution of filled position abolishments by bargaining unit. The data in the table combines the Executive's March 15 and April 22 recommendations. (This table updates Table 3 on © 18 of OLO's memorandum for the April 19 MFP session.)

**Finding:** As the Executive does not propose elimination of any filled FOP or IAFF positions, the recommended FY11 budget eliminates MCGEO and non-represented filled positions in greater proportion to their distribution in the County Government workforce.

**Workforce Composition and Distribution of Position FILLED Abolishments  
Executive's March 15 and April 22 Recommendations Combined  
By Bargaining Unit**

Bargaining Unit	Percent of Workforce (a)	Percent of Position Abolishments (b)	Ratio (b) to (a)
MCGEO	57%	73%	1.28 to 1
FOP	11%	0%	--
IAFF	11%	0%	--
Non-Represented	21%	27%	1.29 to 1

\* This ratio shows the proportionality between each bargaining unit's share of position abolishments and that unit's representation in the workforce. A ratio greater than 1 to 1 indicates a higher than proportional share of abolishments; a ratio lower than 1 to 1 shows a lower than proportional share.

### III. Filled Position Abolishments by Grade Range

In our memorandum for the April 19 MFP session, OLO showed the distribution of the County Government workforce sorted into four grade ranges: Grades 5 – 15; Grades 16 – 21; Grades 22 – 26; and Grades 27 and above.<sup>1</sup> Of the 12 additional filled position abolishments recommended by the Executive on April 22, nine are in Grades 5-15, and one each in the other three grade ranges.

The table below compares the overall compensation of the County Government workforce by bargaining with the distribution of filled position abolishments by bargaining unit. The data in the table combines the Executive’s March 15 and April 22 recommendations. (This table updates Table 6 on © 26 of OLO’s memorandum for the April 19 MFP session.)

**Finding:** Employees in Grades 26 and below account for 88% of the (non-public safety) workforce and comprise 87% of the proposed filled position abolishments. Employees in Grades 27 and above account for 12% of the (non-public safety) workforce and comprise 13% of the proposed filled position abolishments.

**Workforce Composition and Distribution of Position FILLED Abolishments  
Executive’s March 15 and April 22 Recommendations Combined  
By Grade Range**

<b>Bargaining Unit</b>	<b>Percent of Workforce (a)</b>	<b>Percent of Position Abolishments (b)</b>	<b>Ratio (b) to (a)</b>
<b>Grade 5-15</b>	33%	28%	.85 to 1
<b>Grade 16-21</b>	31%	36%	1.16 to 1
<b>Grade 22-26</b>	24%	23%	.96 to 1
<b>Grade 27+</b>	12%	13%	1.08 to 1

\* This ratio shows the proportionality between each grade range’s share of position abolishments and that grade range’s representation in the workforce. A ratio greater than 1 to 1 indicates a higher than proportional share of abolishments; a ratio lower than 1 to 1 shows a lower than proportional share.

<sup>1</sup> Appointed officials, members of the Management Leadership Service, medical doctors, and some other management positions are not classified by numeric grade. For this exercise, OLO included these positions in the “Grade 27 and above” category.

<sup>2</sup> The data excludes represented public safety employees that are classified in different salary grade schedule than general County Government employees.

# FY11 POSITION REDUCTIONS

## CE AMENDMENTS

Bargaining Unit

JobClass/Title	WY	FT	PT	Filled	Vacant	MCGEO	IAFF	FOP	Nonrep	MLS	TBD
<b>Mass Transit</b>											
004457 TRANSIT OPER SUPVR	-1.0	-1	0	0	-1	0	0	0	-1	0	0
004466 BUS OPERATOR	-9.0	-9	0	-9	0	-9	0	0	0	0	0
<b>Fire</b>											
003150 FIRE/RESCUE DIV CHIEF	-1.0	-1	0	-1	0	0	0	0	-1	0	0
<b>Public Libraries</b>											
000151 *ADMINISTRATIVE SPEC II	-1.0	-1	0	-1	0	0	0	0	-1	0	0
000552 INFO TECHNOLOGY SPEC III	-1.0	-1	0	-1	0	-1	0	0	0	0	0
<b>Recreation</b>											
000834 PROGRAM MANAGER I	-1.0	-1	0	0	-1	-1	0	0	0	0	0
<b>MCG Total Position Reductions</b>											
	<b>-14.0</b>	<b>-14</b>	<b>0</b>	<b>-12</b>	<b>-2</b>	<b>-11</b>	<b>0</b>	<b>0</b>	<b>-3</b>	<b>0</b>	<b>0</b>

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## **Furlough Discussion from the April 29 MFP Committee Packet (updated)**

The Executive's proposed FY11 furlough plan for County Government is addressed on pages 4-5 of the April 19 packet. **The plan 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. OLO's analysis is part of the above link.

Both the 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.** 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.

**A more equitable approach of this kind would reduce the serious impact of the Executive's plan on many lower-wage employees in County Government, including the people who help clear the snow, drive the buses, clean the buildings, and care for the poor and disabled. It would also be a powerful message of solidarity and community at this very difficult fiscal juncture.**

Since both the College and M-NCPPC are developing furlough plans, the only remaining groups of employees not yet associated with furlough planning are **merit uniformed public safety employees** in County Government and **MCPS employees**. Two points in this regard are important:

- Governments nationwide have successfully implemented furloughs for public safety employees **without incurring either overtime or loss of service**. The State has employed a "temporary salary reduction," while Prince George's County has designated vacation and/or sick days.
- School districts nationwide, including Anne Arundel County, have successfully implemented furloughs **without affecting instructional days or the classroom**. Some districts have designated furloughs for days when school is not in session, including planning days, staff development days, and days before the school year starts. Vacation and/or sick days are another option. OLO's updated information on school system furloughs is attached on ©1-16.

**The key element of any furlough plan is participation by MCPS, which employs two-thirds of the agencies' combined workforces of more than 30,000. MCPS' reluctance to participate is understandable – no one likes furloughs – but the reasons for MCPS to participate are compelling:**

- MCPS employees are very important – but so are the employees of County Government, the College, or M-NCPPC.
- FY11 is a very difficult budget year for all agencies, but in the Executive's March 15 budget, and again the Executive's April 22 budget adjustments, MCPS fared better than the other agencies. On an apples-to-apples basis, its tax supported budget is **unchanged** from FY10 (although there are 2.0 percent more students). By contrast, in the April 22 budget adjustments, County Government – including fire, police, and safety net services – is **down 7.7 percent**, the College is **down 3.7 percent** (with 7.3 percent more students), and M-NCPPC is **down 15.8 percent**.

These reductions translate into large-scale service reductions and abolishments of filled positions, with inevitable layoffs.<sup>1</sup> **MCPS' share of the budget for the four agencies combined was 54.0 percent for FY10 Approved. MCPS' share rose to 56.8 percent for FY11 Recommended (March 15) and 57.2 percent for FY11 Recommended (April 22).**

- MCPS provides **more generous health and retirement benefits** than does any other agency. MCPS pays on average **91 percent** of health insurance premiums, compared to 85 percent for M-NCPPC, 80 percent for County Government (76 percent for some employees), and 75 percent for Montgomery College. MCPS' retirement plan is **strikingly more generous, and more costly**, than the plans in which 5,000 County Government employees (those represented by MCGEO and non-represented employees hired since October 1, 1994) are able to participate.
- As noted above, school districts nationwide have implemented furloughs without affecting instructional days or the classroom. This is precisely what College faculty will be doing.
- Apart from teachers, MCPS has thousands of employees in job classes similar to those of the other agencies. Building service workers, librarians, central staff (budget, finance, human resources, IT), attorneys, managers, administrators, and many other job classes at MCPS are common to all agencies. **If employees in these classes can be furloughed at the other agencies, they can be furloughed at MCPS as well.**
- **Savings from MCPS' participation in furloughs could ease the inequitable impact of the Executive's plan on County Government employees, especially lower-wage employees. Currently 2,626 MCPS employees have salaries of more than \$100,000 per year.**
- **Savings from MCPS' participation in furloughs could mitigate the Executive's proposed doubling of the energy tax and/or selected spending cuts that arguably go too far. These include some proposed cuts for libraries, health and human services, parks, the College, and other vital County functions that are important to MCPS as well.**

For MCPS, the issue is not the **ability** to participate in an equitable furlough plan – the ability is clear beyond any doubt – it is the **willingness** to do so for the greater good.

#### **Alternative Five-Day Furlough Scenario for All Agencies**

OLO has outlined a number of alternatives to the Executive's proposed furlough plan. The scenario below, as one example, is a five-day furlough for all employees of County Government, MCPS, the College, and M-NCPPC. This scenario would provide equitable treatment of all employees, not inequitable treatment of one-fifth of employees. It would also net an estimated **\$30.6 million** in tax supported savings that, as noted above, could mitigate the Executive's proposed doubling of the energy tax and/or selected spending cuts. **More furlough days would net more savings – for example, ten days would net savings of \$78.7 million.** This scenario could also be adjusted to make it **progressive**, with higher-wage employees absorbing more of the total burden.

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<sup>1</sup> To keep MCPS level funded in FY11, the Executive has recommended unprecedented reductions for other agencies. In County Government, even core departments that have never seen year-over-year reductions are down, including Fire and Rescue (-2.6 percent), Police (-5.0 percent), and HHS (-10.9 percent). Other reductions include Corrections (-5.5 percent), Transit Services (-8.1 percent), Libraries (-24.2 percent), Housing and Community Affairs (-24.3 percent), and Transportation (-24.8 percent). The Executive has recommended the abolishment of 466 positions in County Government, of which 244 are filled. The Executive's proposed 15.8 percent reduction for M-NCPPC also translates into large-scale program cuts and position abolishments.

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Agency	Estimated Tax Supported Savings From:		Budget Change with Five-Day Furlough Plan
	Agency Furlough Proposals (as of 4/26)	Five-Day Furlough (no exempt employees)	
Montgomery County Government	\$12.4 million <sup>1</sup>	\$10.5 million	+ \$1.9 million <sup>4</sup>
M-NCPPC	\$2.2 million <sup>2</sup>	\$1.1 million	+ \$1.1 million
Montgomery College	\$3.0 million <sup>3</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 furlough proposal, which includes 80 furlough hours for County Government employees with an exemption for merit uniformed public safety employees. The \$15.1 million total savings from the furlough cited in the Executive's Budget includes an additional \$2.8 million in non-tax supported savings.

<sup>2</sup> The \$2.3 million represents estimated savings from a 10-day furlough proposed by M-NCPPC to meet the target reductions contained in the Executive's recommended budget.

<sup>3</sup> The \$3.0 million represents estimated savings from furlough proposals currently under consideration by Montgomery College to meet the target reductions contained in the Executive's recommended budget.

<sup>4</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.

## MEMORANDUM

April 27, 2010

TO: Management and Fiscal Policy Committee

FROM: Craig Howard, <sup>CH</sup>Legislative Analyst  
Sarah Downie, Research Associate <sup>SD</sup>  
Office of Legislative Oversight

SUBJECT: **School System Furloughs**

The consideration and use of furloughs by public school districts has expanded in recent months as a response to the economic downturn, and in many cases, to substantial state budget cuts to education.<sup>1</sup> This memorandum summarizes the common characteristics of furlough structures specific to local public school systems, and provides examples of the furlough structures and experiences of selected public school districts.<sup>2</sup>

OLO limited its research to local public school districts (K-12) that have implemented furloughs during FY09 or FY10, or have adopted furloughs for FY11; this memorandum does not include information on university systems subject to furloughs. Furlough information is provided for:

- Anne Arundel County Public Schools (Maryland);
- Gwinnett County Public Schools (Georgia);
- Fulton County School System (Georgia);
- Fayette County School System (Georgia);
- Lynwood Unified School District (California);
- Charleston County School District (South Carolina).
- Washoe County School District (Nevada);
- Brea Olinda Unified School District (California); and
- Elk Grove Unified School District (California).

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<sup>1</sup> Turner, Dorie, "School Districts Across the County Furlough Teachers to Reduce Spending Amid Budget Cuts", Associated Press, September 1, 2009. <http://www.baltimoresun.com>.

<sup>2</sup> Some school district information in this memorandum was also included in the Addendum to OLO Report 2009-9, available on OLO's website at [www.montgomerycountymd.gov/olo](http://www.montgomerycountymd.gov/olo).

**Characteristics of school system furloughs.** OLO's research identified three common characteristics of furloughs specific to school systems that are summarized below.

- **Nearly all school districts reviewed included teachers as part of their furlough plan.** Exempting teachers substantially limits the savings achieved from a school system furlough, and most school systems are structuring furloughs to include instructional and non-instructional staff.
- **School districts have been able to implement furloughs without decreasing the number of student instructional days.** A common strategy among school furlough plans is to identify fixed furloughs on days originally scheduled as staff workdays when school is not in session, e.g., teacher planning days, staff development days. Some districts scheduled their furlough days to occur during the week(s) before the start of the new school year.
- **Approval and authority for the school district furloughs reviewed rests with the local school boards.** In all of the school districts reviewed, while furloughs may have been enacted due to funding cuts at the state or county level, the authority to adopt a final furlough plan for school employees rests with the school board. However, in some cases, state approval was required to reduce the number of teacher work days.

In addition, OLO found examples of some school districts that negotiated furloughs with employee unions, and others that imposed furloughs without any negotiated agreement. In some cases, unions agreed to furloughs under the condition that the school district avoid and/or rescind planned layoffs of union members.

**Reduction in instruction days.** A significant recent change in school furloughs is the authorization by some states for local school districts to enact furloughs that reduce student instruction days. The most prominent examples of this are in California and Hawaii.

School districts in California have been given authority by the State Legislature to reduce up to five student instruction days per school year through 2012-13.<sup>3</sup> As a result, many districts in California are considering or already have negotiated upcoming furloughs that will decrease student instruction days.<sup>4</sup> Examples of two California districts that have done so are summarized on page 7.

The State of Hawaii has a statewide school system, and reached agreements with employee unions, including teachers, to implement 17 furlough days in the 2009-10 and 2010-11 school years. As a result, Hawaii's school year is reduced from 180 to 163 instructional days, the shortest school year in the U.S. In response to pressure from parents and the Hawaii State Teachers Association, the Hawaii legislature is currently debating funding to decrease the number of furlough days that reduce student instruction.<sup>5</sup>

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<sup>3</sup> CA Education Code, § 46201.2

<sup>4</sup> "School Furloughs Leave Parents in a Lurch," *San Jose Mercury News*, April 26, 2010.  
[http://www.mercurynews.com/bay-area-news/ci\\_14940293?source=rss](http://www.mercurynews.com/bay-area-news/ci_14940293?source=rss)

<sup>5</sup> "Hawaii's Fight Over Furloughs Heats Up," *Time*, April 15, 2010.  
<http://www.time.com/time/nation/article/0,8599,1982331,00.html>

**Examples of furlough structures and experiences.** This section provides examples of the structure and experiences of nine public school districts that are implementing furloughs.

**1. Anne Arundel County Public Schools (Maryland)**

<b>Anne Arundel County Public Schools FY10 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	1 to 4 days (depending on job class); 2 days for teachers
<b>Scheduling of Furlough Days</b>	<ul style="list-style-type: none"> <li>• Fixed furloughs days prior to and during school year</li> <li>• Specific days vary by job class</li> <li>• No furloughs taken on student instruction days</li> </ul>
<b>Employee Exemptions</b>	Bus drivers and aides are exempt
<b>Other Details of Note</b>	<ul style="list-style-type: none"> <li>• Salary loss spread out over the entire year</li> <li>• Paid holidays cannot be used as furlough days</li> <li>• Staff not authorized to report to work or work from home on furlough days</li> <li>• Staff received no COLA and no increments for FY10</li> </ul>
<b>Estimated Savings</b>	\$5 million

The furlough plan originally adopted by the Anne Arundel County School Board required between two and five furlough days. In November 2009, the Board voted to restore one furlough day for all employees, making the final number of furlough days required between one and four. The Board set the number of required furlough days by job class, with more senior and/or higher-paid employees incurring a higher number of furlough days.

The school system reports that it was able to give back the furlough day due to greater than anticipated savings from lapse and a hiring freeze on non-teaching positions.<sup>6</sup> While the school system originally estimated \$7.7 million in savings from the furlough days, the overall savings were reduced by \$2.5 million due to the furlough day restoration. Teacher furlough days in Anne Arundel were all taken on days previously designated as teacher workdays or staff development days when students were not in school.

<sup>6</sup> Anne Arundel Schools, <http://www.aacps.org/html/press/postrelease/files/files887/Furloughdayrestoration11-4-09.pdf> and "Anne Arundel School Employees Get Furlough Day Back," <http://www.wbaltv.com/education/21523042/detail.html>

**2. Gwinnett County Public Schools (Georgia)**

<b>Gwinnett County Public Schools FY10 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	3 days
<b>Scheduling of Furlough Days</b>	<ul style="list-style-type: none"> <li>• Fixed furlough days prior to and during the school year</li> <li>• Specific days differ for school- and non-school-based staff</li> <li>• No furloughs taken on student instruction days</li> </ul>
<b>Employee Exemptions</b>	None
<b>Estimated Savings</b>	\$12 million

Gwinnett County Public Schools (GCPS) implemented a three-day furlough of all employees in FY10. Teachers and school-based staff took the furlough days on teacher planning and staff development days. Non-school-based staff took the furloughs on staff development days and holidays. The GCPS Superintendent's recommended budget for FY11 includes a proposal for three additional days of furlough for all staff except bus drivers and school nutrition staff.

**3. Fulton County School System (Georgia)**

<b>Fulton County School System FY10 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	6 days
<b>Scheduling of Furlough Days</b>	<ul style="list-style-type: none"> <li>• Fixed furloughs for teachers days</li> <li>• Fixed and rolling furlough days for non-teaching staff</li> <li>• No teacher furloughs taken on student instruction days</li> </ul>
<b>Employee Exemptions</b>	None
<b>Other Details of Note</b>	<ul style="list-style-type: none"> <li>• Salary loss spread out over three pay periods</li> <li>• Paid holidays cannot be used as furlough days</li> </ul>
<b>Estimated Savings</b>	\$15.8 million

The Fulton County Board of Education implemented six furlough days in FY10. An initial three day furlough was adopted in July 2009, with an additional three days adopted in February 2010. Teachers took furlough days during a pre-planning week before school started and on staff workdays that were not student instruction days. Non-teaching staff took furlough days on staff workdays or as determined by each employee's supervisor.

**4. Fayette County School System (Georgia)**

<b>Fayette County School System FY09 and FY10 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	<ul style="list-style-type: none"> <li>• FY09: 2 days</li> <li>• FY10: 3 days</li> </ul>
<b>Scheduling of Furlough Days</b>	<ul style="list-style-type: none"> <li>• FY09: Rolling furloughs days</li> <li>• FY10: Fixed furlough days prior to and during school year</li> </ul>
<b>Employee Exemptions</b>	Teachers exempt from FY09 furlough; bus drivers and food service employees exempt from FY10 furlough
<b>Estimated Savings</b>	\$2.3 million in FY10

The Fayette County Board of Education adopted furlough plans in both FY09 and FY10. In FY09, all non-contract staff (custodians, secretaries, maintenance staff, etc.) took two furlough days. In addition, administrative staff (superintendents, principals, etc.) were asked to take four or five voluntary furlough days. In FY10, all employees (except for bus drivers and food service workers) took three furlough days prior to the start of school and/or on staff workdays that were not student instruction days.

**5. Lynwood Unified School District (California)**

<b>Lynwood Unified School District FY09 and FY10 Furlough Plans</b>	
<b>Amount of Furlough Time</b>	<ul style="list-style-type: none"> <li>• FY09: 4 days</li> <li>• FY10: 1 or 6 days</li> </ul>
<b>Scheduling of Furlough Days</b>	Fixed and rolling furloughs days
<b>Employee Exemptions</b>	<ul style="list-style-type: none"> <li>• FY09: Teachers exempt</li> <li>• FY10: None</li> </ul>
<b>Other Details of Note</b>	<ul style="list-style-type: none"> <li>• FY10 also includes a 3% reduction in pay for the employees with 1 furlough day.</li> <li>• For both years, furlough agreements with unions included promise to forgo or rescind employee layoffs</li> </ul>

The Lynwood School Board enacted furlough plans in FY09 and FY10. In FY09, all employees except teachers took four furlough days. In FY10, the School Board came to an agreement with employee unions for teachers and administrators for a 3% salary reduction in FY10 along with one furlough day. The furlough day was taken on a pupil-free work day during the school year. The Board's agreement with the remaining employee union (SEIU) did not include a salary reduction, but did require six furlough days. The six furlough days for these employees were scheduled as rolling days, requiring mutual consent of the employee and the supervisor.



**6. Charleston County School District (South Carolina)**

<b>Charleston County School District FY09 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	4 days
<b>Scheduling of Furlough Days</b>	Fixed furloughs days during winter and spring break
<b>Employee Exemptions</b>	Teachers exempt
<b>Other Details of Note</b>	All non-exempt employees required to take mandatory furloughs, even if they had taken voluntary furlough days
<b>Estimated Savings</b>	\$650,000

In FY09, the Charleston County School Board approved a furlough plan that applied only to 12-month positions (e.g., principals, district-based officials, maintenance and IT staff, etc.) and exempted teachers. All furlough days were taken during the district's spring break, previously scheduled as paid holidays.

**7. Washoe County School District (Nevada)**

<b>Washoe County School District FY11 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	<ul style="list-style-type: none"> <li>• 2 days for teachers</li> <li>• 1 to 3 days for non-teaching staff</li> <li>• 5 days for senior administrative staff</li> <li>• 10 days for superintendent</li> </ul>
<b>Scheduling of Furlough Days</b>	<ul style="list-style-type: none"> <li>• Fixed and rolling furloughs days, varies by position</li> <li>• All fixed days taken on non-student instruction days</li> </ul>
<b>Employee Exemptions</b>	None
<b>Other Details of Note</b>	<ul style="list-style-type: none"> <li>• Furloughs agreed to by all employee unions</li> <li>• FY11 also includes wage freeze for all employees</li> </ul>
<b>Estimated Savings</b>	\$3.3 million

The Washoe County School Board has approved a furlough plan for employees in FY11 in agreement with each of the school district's employee unions. The number of furlough days and when they will be taken vary by employee group. All fixed furlough days will be scheduled for professional development, holiday, or other non-student instruction days.

**8. Brea Olinda Unified School District (California)**

<b>Brea Olinda Unified School District FY10-FY12 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	<ul style="list-style-type: none"> <li>• FY10: 3 days</li> <li>• FY11: 8 days</li> <li>• FY12: 2 days</li> </ul>
<b>Scheduling of Furlough Days</b>	<ul style="list-style-type: none"> <li>• Fixed furlough days</li> <li>• Elimination of 8 student instruction days over the three school years</li> <li>• Remaining 5 days will be taken on teacher development or teacher prep days</li> </ul>
<b>Employee Exemptions</b>	Classified employees (e.g., custodians, health clerks, librarians)
<b>Estimated Savings</b>	\$1.2 million over three school years

In March 2010, the Brea Olinda School Board and Brea Olinda Teachers Association agreed to a furlough plan that will result in teachers taking 13 furlough days over FY10, FY11, and FY12. The Brea Olinda furlough plan will reduce student instruction days. Student instruction days will be reduced by two in FY10, five in FY11, and one in FY12. The school district has not reached an agreement for furlough days with its classified employee union, which includes custodians, health clerks, and librarians.

**9. Elk Grove Unified School District (California)**

<b>Elk Grove Unified School District FY10 Furlough Plan</b>	
<b>Amount of Furlough Time</b>	2 days
<b>Scheduling of Furlough Days</b>	Fixed days at the end of the school year, eliminating 2 student instruction days
<b>Employee Exemptions</b>	Certain non-instructional staff, such as custodial staff and bus drivers
<b>Estimated Savings</b>	\$2.5 million

In April 2010, the Elk Grove School Board and the Elk Grove Education Association agreed to a two-day furlough in the current school year that will reduce student instruction days. School administrators, non-instructional managers, and other administrative support staff have also agreed to take the two furlough days. The district will use the estimated \$2.5 million in savings to restore 29 counseling positions targeted for elimination in FY11. The school district is asking employees to take seven furlough days in FY11, but an agreement has not yet been reached with employee groups.