

MEMORANDUM

May 19, 2010

TO: County Council

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

SUBJECT: Action – Agency Furloughs in FY11

On April 29 the Management and Fiscal Policy Committee discussed the prospect of employee furloughs in FY11 related to the County's unprecedented fiscal challenge. The Committee report, which the Council unanimously supported on May 4, 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 5 and 10 days for all agencies, including progressive scenarios for County Government.

For County Government employees, the Council can determine whether 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 to apply furloughs as they allocate the final FY11 appropriation for their agencies that the Council will approve on May 27.

Both Montgomery College and M-NCPPC have been 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 March 15 recommended budget included a proposed FY11 furlough plan for County Government that would require 10 days of rolling furloughs (pro-rated for part-time employees) for about 6,000 employees, 70 percent of the County Government workforce. Merit uniformed public safety employees would be exempt. The Executive's plan would save \$15.1 million (\$12.3 million tax supported and \$2.8 million non-tax supported) in FY11. The salary reduction in FY11 for all affected employees would be 3.8%.¹

¹ As noted in my April 13 overview memo on the FY11 budget, the Executive's savings target could be achieved with just 1.5 furlough days, equal on average to only a 0.6% salary reduction, if employees of all agencies were to participate.

The proposed Council furlough plan for County Government under consideration today would require an average of 5 days of rolling furloughs with no employee exemptions. To protect lower-wage employees, the furlough would be **progressive**, with higher-wage employees absorbing more of the total burden, as the State has done. The result for employees at different salary levels would be:

- Less than \$50,000: 3 days. Salary reduction: 1.2%
- \$50,000-\$100,000: 5 days. Salary reduction: 1.9%
- More than \$100,000: 8 days. Salary reduction: 3.1%

OLO's first table on ©1 compares the Executive's plan and the proposed Council plan for County Government. The second table shows the fiscal impact of the proposed 5-day plan for County Government and a 5-day plan for M-NCPPC and Montgomery College.

Savings from the proposed Council plan for County Government would be \$1.7 million less than from the Executive's plan. Savings from a 5-day plan for M-NCPPC, compared to the 10-day furlough under review to help meet the Executive's proposed 15.8% budget reduction, would be \$1.1 million less. These amounts have been placed on the reconciliation list and would be funded if the Council approves this proposed plan. Savings from a 5-day plan for Montgomery College are close to what the College has under review.

Councilmembers and the Executive have said that they will fully participate in the approved FY11 furlough plan for County Government by returning the appropriate amount to the County. In FY10, when employees did not receive a general wage adjustment (COLA), Councilmembers and the Executive returned to the County the pay increase that was required by law.

Once the Council has approved a FY11 furlough plan for County Government, the Executive will implement it, consulting with employee bargaining units as required. We understand that the general approach under consideration would reduce the first 24 bi-weekly employee paychecks in FY11 by the appropriate percentage – for example, 1.2% for employees earning less than \$50,000, who would have 3 furlough days. The first 3 days of annual or sick leave for these employees would be recorded instead as furlough days. OHR Director Joseph Adler will be present to provide further detail on plans to implement furloughs for County Government employees.

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County Executive's Proposed Furlough for County Government Compared to the Council's 5-Day Progressive Structure

	Employee Exemptions	Numbers of Days for Full-Time Employees*	% Wage/Hours Reduction*	Projected Tax Supported Savings
<u>CE Recommended Structure</u> County Government Employees with Public Safety Exemptions	Merit, uniformed public safety employees	10 days (80 hours)	3.8%	\$12,350,790
<u>Council's 5-Day Progressive Structure</u> County Government Progressive without Public Safety Exemptions	None	Salary <\$50K: 3 days (24 hours)	1.2%	\$10,689,932
		Salary \$50-100K: 5 days (40 hours)	1.9%	
		Salary >\$100K: 8 days (64 hours)	3.1%	

*All savings estimates reflect a prorated furlough for all employees that do not work a 2,080 hour schedule; the specific number of furlough days or hours for those employees would be equivalent to the percent hours reduction.

Projected Savings from 5-Day Furlough for County Government, M-NCPPC, and Montgomery College

Agency	Number of Furlough Days	% Wage/Hours Reduction	Projected Tax Supported Savings
County Government	5 days "progressive"	1.2%-3.1%	\$10,689,932
M-NCPPC	5 days	1.9%	\$1,075,350
Montgomery College	5 days	1.9%	\$2,924,465
Total Estimated Tax Supported Savings from "5-Day" Furlough			\$14,689,747