

MEMORANDUM

May 5, 2010

TO: Management and Fiscal Policy Committee

FROM: Craig Howard, 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 29th 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 ¹	\$10.5 million	+ \$1.9 million ³
M-NCPPC	\$2.2 million ²	\$1.1 million	+ \$1.1 million
Montgomery College	\$3.0 million ²	\$2.9 million	+ \$100,000
Montgomery County Public Schools	None	\$33.7 million	- \$33.7 million
Total	\$17.6 million	\$48.2 million	+ \$30.6 million

¹ 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.

² 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.

³ 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 ¹	\$14.7 million	- \$2.3 million ³
M-NCPPC	\$2.2 million ²	\$1.5 million	+ \$700,000
Montgomery College	\$3.0 million ²	\$4.1 million	- \$1.1 million
Montgomery County Public Schools	None	\$47.1 million	- \$47.1 million
Total	\$17.6 million	\$67.4 million	+ \$49.8 million

¹ 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.

² 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.

³ 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)	

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 ¹	\$21.0 million	- \$8.6 million ³
M-NCPPC	\$2.2 million ²	\$2.2 million	\$0
Montgomery College	\$3.0 million ²	\$5.8 million	- \$2.8 million
Montgomery County Public Schools	None	\$67.3 million	- \$67.3 million
Total	\$17.6 million	\$96.3 million	+ \$78.7 million

¹ 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.

² 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.

³ 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)	