

Date: August 7, 2009

Code: TECHNICAL LETTER  
HR/Salary 2009-07

To: Human Resources Directors  
Payroll Managers

From: Evelyn Nazario   
Assistant Vice Chancellor  
Human Resources Management

Subject: 2009/2010 Furlough Program Implementation Guidelines for the California State University (CSU)

Overview

**Audience:** Human Resource Directors, Associate Vice Presidents/Deans of Faculty, Academic Personnel Managers, Campus Payroll Managers and/or campus designees responsible for faculty and staff payroll processing

**Action Item:** Implement 2009/2010 CSU Furlough Program

**Affected Employee**

**Group(s)/Unit(s):** All employee groups/units subject to the 2009/2010 Furlough Program

Summary

The procedures described in this technical letter communication are in response to the CSU's Furlough Program implementation. Campus designees with responsibility for furlough program implementation should review the remainder of this letter for detailed information. If a guideline or procedure differs for a specific collective bargaining agreement (CBA), it will be governed by the appropriate CBA furlough agreement and will be addressed in a separate technical letter supplement.

The salary administrative procedures described herein are in response to the California State University's Furlough Program Implementation. The purpose of this document is to provide salary administrative guidelines and procedures that apply across all employee groups subject to furlough.

The CSU furlough plan requires participation by most represented groups and all non-represented employee groups, including Management Personnel Plan (MPP) employees, Executives and Consultants. A general exemption has been made for public safety employees and employees funded by grant/contract dollars. Part-time employees will participate in the furlough reduction plan in proportion to their timebase. The average number of hours employees in hourly intermittent positions work will also be reduced. The State Employees Trade Council (SETC – Unit 6) and the International Union of Operating Engineers (IUOE – Unit 10) have not agreed to participate in CSU's Furlough Program.

**Distribution:**

CSU Chancellor  
CSU Presidents  
Executive Vice Chancellor and CAO  
Executive Vice Chancellor and CFO  
Vice Chancellor, Human Resources

Vice Presidents, Administration  
Vice Presidents, Academic Affairs  
Vice Presidents, Student Administration  
Budget Officers

This document provides general salary administrative procedures for the following topics:

- ❖ **Furlough Program Overview**
- ❖ **Exemptions from Furlough**
- ❖ **Furlough Time and Pay Reduction Requirements**
- ❖ **Payroll Processing and Employment History Tracking of Employees on Furlough**
- ❖ **Pay Plans and Work Schedules**
- ❖ **Fair Labor Standards Act (FLSA) Considerations**
- ❖ **CMS Baseline Information**
- ❖ **Benefits and Leave-related Information**
- ❖ **State Controller's Office (SCO) Personnel Letter Information**

#### ❖ **Furlough Program Overview**

The Chancellor's proposal to implement a systemwide furlough of two (2) days (equivalent to 16 hours) per month for fiscal year 2009/10 is one of the plans utilized to address the current budget deficit. This technical letter outlines the parameters upon which campuses administratively manage furlough reductions from a salary/payroll perspective.

The furlough is a reduction in time worked, resulting in reduced pay. For part time monthly rate employees, the furlough pay reduction and time is prorated by time base. Furlough days must be taken by employees subject to furlough in the respective pay period that a pay reduction is in effect. Furlough days cannot be banked, carried forward, or taken off before the corresponding salary reduction is effected. Furlough time may not be "cashed out" at the end of the furlough period or upon separation. A furlough day is an unpaid day, and may not be supplemented with leave credits, nor may employees work any portion of a furlough day. No more than two (2) furlough days may be taken in a given pay period. A maximum of one (1) furlough day may be taken in a given workweek period, i.e., the furlough week. There will be exceptions to this general rule, which will be provided in the respective CBA technical letter. If, due to campus operational need, an employee is required to work on a scheduled furlough day, the furlough day will be rescheduled to another day in the same pay period.

#### ❖ **Exemptions from Furlough**

Specific bargaining units, classifications and/or employees are exempted from the furlough for various reasons. Campuses are responsible for ensuring that such affected classifications and/or employees are not flagged in the uniform state payroll system for furlough.

Bargaining units exempted from furlough include:

- Systemwide University Police Association (SUPA) – Unit 8
- Service Employees International Union (SEIU) Local 790 – Unit 12 Head Start
- International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW) - Unit 11

Employees appointed in positions funded in whole or in part by sponsored programs (grants, contracts, and cooperative agreements) are exempt from furlough unless otherwise specified by the sponsoring agency. If a position is partially funded, only that portion of compensation and time worked within the workweek not funded by the grant/contract/cooperative agreement will be subject to furlough. In this instance, the pay reduction and corresponding furlough time off will be pro-rated. In addition, in those instances in which the university has committed to a cost match with the sponsoring agency, it may be necessary to extend the furlough exemption to the cost matched effort. These exemptions are determined on a case by case basis in consultation with the campus sponsored programs office.

## ❖ Furlough Time and Pay Reduction Requirements

*2-Day Furlough Per Pay Period (24 Days for 12-Month Employees) Reduction Requirement:* The 2-day (16 hour) furlough reduction requirement correlates to 9.23% of annualized salary for the 12-month fiscal year period effective July 1, 2009 through June 30, 2010. This percentage is derived by dividing the standard eight (8) hour day by the average number of hours per pay period (173.33), and multiplying that result by two (2).

Based upon the pay period that the furlough pay reduction is implemented through the state payroll system, the percentage of pay reduction established for the remaining pay periods within the fiscal year may differ. For example, furlough implementations beginning with the August 2009 pay period provide for an eleven month pay reduction timeline for the 12-month pay reduction requirement. This results in an approximate 10.07% pay reduction in salary over the eleven (11) month period, August 2009 through June 2010 ( $9.23 \times 12/11 = 10.07\%$ .) In this instance, the per pay period pay reduction slightly exceeds the 2-day per pay period furlough because of the July 2009 incorporation.

The July 2009 pay reduction requirement is incorporated in the 10.07% salary reduction over the eleven (11) pay periods and no additional pay reduction is required in a subsequent pay period. In this instance, the 2-day furlough time and pay reduction for July 2009 pay period is satisfied in June 2010. For purposes of taking the furlough time off, the annualized pay reduction and furlough time off will reconcile by June 2010 should no other changes occur. As previously noted, furlough time off is pro-rated for time base.

## ❖ Payroll Processing and Employment History Tracking of Employees on Furlough

*General Information:* The furlough program is a reduction in time worked and will be administered as a reduction to the (PIMS) salary rate used in the calculation of pay made to employees. Through a systems change administered by the State Controller's Office (SCO), employees appointed in positions with a timebase and who are paid a monthly salary will have a furlough percentage applied to their base salary rate. The furlough pay reduction amount is system generated and computed by multiplying the furlough pay percentage to the base salary rate and rounding to the nearest dollar and cent, (e.g.,  $\$250.514 = \$250.51$ .) The derived amount will be reduced from the employee's payroll warrant each pay period.

For the CSU, the furlough program reduction will be identified in PIMS employment history Data Items 957 and 815. Item 957 values, % of Pay Reduction per Pay Period, and Number of Furlough Days Credited Per Pay Period will be provided for each CBA in its respective technical letter.

*PIMS Item 957 Eligibility Substantiation:* This PIMS employment history field will be utilized as a "flag" to indicate that an employee is on a furlough program and to distinguish furlough pay reduction amounts. This flag must reside on every employment history record subject to furlough via pay reduction. For active employees subject to furlough for the August 2009 pay period, the campus must key the appropriate value which will be carried forward on the employee's employment history record until otherwise deleted by the campus. This code must be entered for new hires and new appointments by the campus subsequent to the August 2009 implementation. Manual overrides will be required in instances where the full monthly salary is not subject to furlough, e.g., as in the case where a salary is partially funded by a grant or contract.

In addition to allowing the new furlough values for Item 957, the SCO is making system changes that will carry forward the value on subsequent transactions until deleted and it will now be opened up for keying on most transactions. It is anticipated that the SCO will have a mass update program in place that will populate Item 957 with the appropriate code for those CSU employee groups implementing the furlough program after August 2009.

*Item 815 Red Circle Rate/Plus Salary:* Based upon the value entered in Item 957, PIMS will automatically derive the pay reduction amount that will be reflected in PIMS Item 815. The pay reduction amount is based upon the full

time base pay rate per pay period and will be treated as a negative amount although a negative (-) sign will not display.

*Item 320, Based on Salary and Item 820 Assigned Salary Rate:* Both pay fields remain at the employees' regular full time rate of pay. Assigned Salary Rate is entered by the campus and Based on Salary is computed by the system.

*Item 306, Actual Salary Rate:* This amount is computed by the system and reflects the amount the employee will be paid (Item 320, Base Pay – Item 815, Furlough reduction amount x time base)

In instances where an employee has an existing Red Circle/Plus Salary amount, the pay reduction amount applies to both the full time base pay plus the Red Circle/Plus salary amount. That reduction amount will reduce or replace the amount in Item 815 Red Circle/Plus salary. For example:

Example #1:

Base Pay = 8,000, Item 815 = 2,000  
Time Base = FT (1.0)  
Actual salary = 10,000  
 $10,000 * .1007 = 1,007$   
Base Pay remains at 8,000  
Item 815 = positive (+) 993  
Actual salary = 8,993 ( $8,000 + 993 * 1.0$ )  
Item 957 = blank (since no negative amount)  
Item 719 = Original Red Circle Code

Example #2:

Base Pay = 8,000, Item 815 = 50  
Time Base = FT (1.0)  
Actual salary = 8,050  
 $8050 * .1007 = 810.64$   
Base Pay remains at 8,000  
Item 815 = negative (-) 760.64 ( $810.64 - 50$ )  
Actual salary = 7,239.36 ( $8,000 - 760.64 * 1.0$ )  
Item 957 = 89 (furlough code for manual override)  
Item 719 = Original Red Circle Code

Systemwide reporting for base salary rates will be affected in instances where an employee has a Red Circle/Plus Salary amount prior to the furlough. In example #2 above, the employee's base salary will be reported as \$8,000 instead of \$8,050.

For positions partially funded by grants/contracts a manual override for the pay reduction amount is required. This is accomplished by first determining the amount of the employee's base pay (Item 320) that is from grants/contracts and subtracting it from the base pay. That portion remaining is subject to the furlough reduction. For example:

Base Pay = 8,000, Grant = 1,000  
Time Base = FT (1.0)  
Subject Base ( $8,000 - 1000$ ) = 7,000  
 $7,000 * .1007 = 704.90$   
Base Pay remains at 8,000  
Item 815 = (-) 704.90  
Actual Salary = 7,295.10 ( $8,000 - 704.90 * 1.0$ )  
Item 957 = 89 (furlough code for manual override)

*Mid-Month Changes:* The furlough pay reduction is intended to be in effect for an entire pay period, however, in instances where an employee has a mid-month change, the system change allows the furlough pay reduction to be pro-rated. The furlough time given to the employee will be pro-rated based on the amount of time worked in proportion to the full time accrual rate. Mid month changes include, but are not limited to the following examples:

- An employee is newly appointed to a position subject to furlough after the beginning of a pay period.
- An employee moves from a position not subject to the furlough program to a position that is subject;
- An employee moves from a position that is subject to the furlough program to a position that is not subject;
- An employee goes on an unpaid leave of absence. If an employee was permitted to take furlough time off before the full pay reduction for that time off was collected, an accounts receivable may be established upon reinstatement from unpaid leave.

*No Work Time Minimums:* The furlough pay reduction program is applicable regardless of timebase or the number of hours worked per pay period.

*Positive, Special and Supplemental Payments:* Employees appointed in positions that are "positive" paid (e.g., hourly intermittent, Per Diem) or paid via Special Payment (A54) Transaction will not have an entry in Item 957 and will not have their pay reduced via the SCO's system's change.

Campuses remain responsible for reducing the amount of time an employee is scheduled to perform work/services in a given pay period based upon operational need. Because of the nature of Special Payment (A54) transactions, employees paid via A54 transaction will not have their pay rate reduced, and therefore, the pay rate is not subject to furlough. However, in order to meet campus reduction targets and operational needs, campuses may reduce A54 appointments and/or the amount of time or services for which an assignment paid via A54 transaction (i.e., special consultant) is paid. For individuals appointed in student assistant classifications, campuses may reduce work assignments in order to meet campus reduction targets and operational needs.

Compensation for supplemental payments such as stipends, shift and other pay differentials are not affected by the systems change. Shift differentials shall not be paid on furlough days. Stipends, bonuses, or other related payments must be calculated pursuant to the respective CBA/policy provision.

*Rehired Annuitants:* Rehired annuitants are subject to the furlough program reduction in accordance with the requirements of the appointment type (e.g., timebase, hourly intermittent, via Special Payment PIMS A54 transaction.)

*Non-citizen Employees:* Wages paid to employees present under a non-immigrant visa status are subject to the furlough pay reduction.

*Employees on Inactive Payroll Status/Unpaid Leave of Absence:* Employees on an inactive payroll status (e.g., PIMS Roll Code 9/S46 transaction), or unpaid leave of absence (e.g. S42 transaction), are not affected by the furlough. However, any pay generated through the state payroll system for time worked while on a partial leave of absence will be subject to furlough per the reduced timebase.

*Docks:* Non-compensable absences within a pay period that the furlough is in effect will be treated as a dock. Docks are computed at the reduced rate of pay.

*Separations/Lump Sum Payments:* All furlough time for which a pay reduction has been taken should be used prior to the effective date of an employee's separation. Employees separating/retiring on or after August 1, 2009 are subject to the furlough pay reduction pro-rata while on active payroll status up to the effective date of separation. Lump sum payments are not subject to the furlough pay reduction. This includes lump sum payment of vacation (including projections), CTO, extra hours and other related payouts.

*Year-end/Final Settlements:* Campuses remain responsible for settling out employees under the current conditions taking into account furlough and non furlough pay periods and how that affects the final payment. The furlough program introduces a new settlement situation where an employee may have used more furlough time than was withheld from their pay creating an overpayment situation (e.g. took the July catch up days in December and separates in February), or they may have received a pay reduction in excess of furlough time taken. The SCO is currently looking at Item 810, Settlement Pay, and further information will be forthcoming.

❖ **Pay Plans and Work Schedules**

*Pay Plan Schedules:* The 2-day furlough reduction requirement differs for employees based upon their respective pay plan schedule. Additionally, it is important to distinguish the pay reduction requirement (which is applied across the fiscal/academic year timeline) from the furlough time off requirement (e.g., two (2) furlough days per “working” pay period) based upon the respective pay plan schedule. For example:

|  |   |
|--|---|
| 12-month                               | 24 furlough days  |
| 11-month (11/12)                       | 22 furlough days (11-month employees are paid on an 11/12 pay plan schedule)  |
| 10-month                               | 20 furlough days (this includes 10-month employees paid over 10 months and 10-month employees paid over 12 months, e.g., 10/12 pay plan schedule)   |
| 8-month (8/12)                         | 16 furlough days (8-month employees are paid on an 8/12 pay plan schedule)  |
| Academic Year                          | 18 furlough days per academic year; 9 furlough days per semester; 6 furlough days per quarter   |
| Cruise                                 | 20 furlough days per academic year  |
| Hourly<br>Intermittent/<br>Per<br>Diem | Campuses shall determine the average hours worked <sup>1</sup> and apply the pay reduction percentage (e.g., 9.23% over 12 months, 10.07% over 11 months,) to determine the number of days/hours that hourly intermittent and per diem schedules must be reduced by over the furlough timeline (e.g., August 2009 through June 2010.) |
| Special Payment                        | Classifications paid via Special Payment (A54) transaction may be subject to reduced time worked for assignments whose rates are paid on a per hour, day, session, or lesson basis.   |

*Alternate/Compressed Work Schedules:* Employees on alternate or compressed work schedules remain subject to furlough program requirements:

- Affected employees on 4/10, 9/80 and 3/12 work schedules remain subject to furlough. Regularly scheduled days off shall not be substituted as furlough days. A furlough day is equivalent to eight (8) hours.
- To equitably administer the furlough reduction program, campuses are encouraged to revert 9/80 and 3/12 work schedules to 5/40 or 4/10 work schedules during the period of the furlough implementation requirement, to ensure that furlough days taken each pay period do not exceed the maximum days/hours prescribed.
- Pursuant to the respective MOU/policy, employees on 4/10 work schedules may change to a “4/8” work schedule whereby four (4) eight (8) hour days are worked, and one(1) furlough day is taken during the furlough workweek period.

*Part Time Employees:* Part-time employees shall be subject to furloughs on a pro-rated basis. Pro-ration shall be determined consistent with the employee’s time base. For example, an employee that works half-time must furlough 2 half-time days off per pay period (8 hours). Should an employee change from a part-time schedule in July 2009 (where the equivalent of one [1] furlough day and pay reduction is required), to a full-time work schedule effective with August 2009 pay period, an adjustment/reconciliation will be required so that the employee’s pay reduction and furlough time off takes into consideration that the July 2009 “catch-up” is not at the full time rate. Campuses are encouraged to closely monitor work schedules to ensure that the 2-day furlough per pay period requirement is appropriately administered.

---

<sup>1</sup> The campus-determined method to derive the “average hours worked” for hourly intermittent and per diem employees must be consistently applied across the respective campus (e.g., if adding up the hours worked in the three (3) preceding months is the method used to derive an average, that method must be applied across the campus.)

*Multiple Concurrent Positions That Exceed Full-time:* The intent of the furlough pay reduction program is not to exceed a 1.0 timebase equivalency. Employees appointed in multiple concurrent positions that exceed a full-time (1.0) time base must have their pay reduction amounts restored for that portion of pay in excess of full-time. Campuses must monitor employees in multiple concurrent positions, whether employed at the same campus or across campuses, to ensure that affected employees are subject to the furlough program for no more than the equivalent of one (1) full-time position:

- If an employee is appointed in multiple concurrent positions where one position is full-time, the additional position (whether timebase, intermittent, or special payment) will not be subject to furlough.
- If an employee is appointed in multiple concurrent positions where both positions are less than full time, e.g., .75 timebase and .50 timebase, the campus(es) will be responsible for adjusting the lowest timebase position by entering the override code in PIMS Item 957 Eligibility Substantiation and entering the appropriate amount of reduction in Item 815 so that both positions will not incur a pay reduction greater than a full time equivalency. For example, in this instance, the full pay reduction percentage would be applied to the .75 timebase position, and applied partially (50%) to the .50 timebase position. Furlough time off would be equivalent to 2-days at the .75 timebase position, and 2-days at half-time in the .50 timebase position to be equivalent to .25. In this instance the pay reduction and corresponding furlough time off is equivalent to:  $.75 + .25 = 1.0$ .
- HR Information Support and Analysis (HRISA) will provide the campuses monthly reports of employees appointed in multiple concurrent positions across campuses to support coordination efforts.

#### ❖ Fair Labor Standards Act (FLSA) Considerations

Employees who are exempt pursuant to Fair Labor Standards Act (FLSA) regulations, and who are furloughed, lose their FLSA exemption status during the work week period a furlough day is taken. During the furlough week, an otherwise exempt employee becomes non-exempt and subject to the requirements under the FLSA. (An exception to this general rule applies to teachers, lawyers and doctors. Additional information pertinent to this exception will be provided in forthcoming technical letter supplements specific to the respective CSU classifications/employee groups):

- It is the expressed intent of the CSU that no employee subject to furlough be required to work more than thirty-two (32) hours during a furlough week. Employees should not be permitted to perform any work on the day scheduled for furlough. This is applicable to employees appointed in exempt classifications who become non-exempt during the furlough week and employees appointed in non-exempt classifications.
- If an employee is permitted by the campus to perform work on the day scheduled for furlough, or is permitted by the campus to perform additional work during the furlough week, any time worked up to forty (40) hours in that workweek period will be paid at straight time. The straight time hours are "regular pay" and remain subject to retirement. In this instance, campuses will use code "SZ" to report hours worked up to forty (40).
- Overtime for work in excess of forty (40) hours in a furlough week must be paid at the overtime rate of 1.5 times the employee's regular rate of pay for the designated workweek period.
- Other periods of other non-compensable absence during the pay period will result in dock based upon the reduced rate of pay.
- Campuses are required to track furlough days taken and employees are required to certify furlough days taken each pay period. The requirement to report furlough days must be added to existing attendance reporting requirements/processes at the respective campus.
- Employees who are otherwise FLSA exempt, except during furlough weeks when they become non-exempt:

- will not be eligible to earn or accrue Compensatory Time Off (CTO) for overtime hours worked during a furlough week. Campuses must pay out any overtime hours worked by the affected employee in the respective pay period.
- may be charged with various leave types (such as sick or vacation) in less than full day increments to supplement workdays specifically within that furlough workweek period as appropriate (furlough day excluded.)

❖ **CMS Baseline Information**

The CMS Baseline HR application (Oracle/PeopleSoft) is being updated to accommodate the changes that are being made to PIMS. The intent is to add additional fields to track information for Items 957-Eligibility Substantiation, 815- Red Circle Rate/Plus Salary and 306-Actual Salary. It is anticipated that for the August implementation, campuses will key into PIMS first with an automatic load for the CMS Baseline application.

Specific details regarding the CMS Baseline updates will be provided via a CMS communication.

❖ **Benefits and Leave-Related Information**

The Benefits and Leave Technical Letter providing information on how the furlough reduction program affects benefits, including disability, holidays, leave and leave accounting is forthcoming.

❖ **The State Controller's Office Personnel Letter Information**

Detailed payroll processing information, including information for items such as impact on miscellaneous deductions, garnishments, earnings and deduction statement/direct deposit advise notices, salary advances, will be provided in the SCO's Personnel Letters, which can be accessed via:  
[http://www.sco.ca.gov/ppsd\\_sco\\_letters.html](http://www.sco.ca.gov/ppsd_sco_letters.html).

Frequently Asked Questions addressing specific implementation issues, including examples, will be forthcoming.

Questions regarding this technical letter may be directed to Human Resources Management at (562) 951-4411. This document is available on Human Resources Web site at: <http://www.calstate.edu/HRAdm/memos.shtml>.

EN/dth