



NORTH CAROLINA COMMUNITY COLLEGE SYSTEM

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President

May 5, 2009

MEMORANDUM

**TO: Presidents
Chief Business Officers
HR Directors**

**FROM: Jennifer Haygood, Vice President for Business and Finance and
Chief Financial Officer**

SUBJECT: Flexible Furlough Implementation Guidance

On April 28, 2009, Governor Perdue issued Executive Order #11, which mandates that all employees paid in whole or in part from funds appropriated by the 2008 Appropriations Act (Session Law 2008-107) shall participate in a flexible furlough program. Employee compensation supported by funds that flow through State accounts shall be reduced by an annualized amount equivalent to 0.5% over the remainder of the fiscal year. In return, full-time employees will be credited with 10 hours flexible time off; non full-time employees will receive a pro-rated portion of flexible time off. This memo provides additional guidance on how colleges should implement this program as directed by the Governor through the Office of State Budget and Management.

Impacted Employees

The flexible furlough program starts May 1, 2009, and ends June 30, 2009 (“the program period”). **Impacted employees** include all those who 1) receive a paycheck during the program period even if the hours paid in the paycheck occurred prior to May 1st and 2) are paid in part or in total by funds that flow through State accounts (“State funds”). (Note that “State funds” in this context include all funds, including federal funds, that flow through the System Office.) This directive applies to full-time, part-time (including adjunct faculty), temporary, and contractual employees. Contractual employees are limited to those receiving W-2s; contractors receiving 1099’s are **not impacted** by this directive.

Employees who do not receive a paycheck during the program period are **not impacted**. The college does not need to take any action regarding such employees. **Employees who separate** – either due to retirement, reduction in force, contract nonrenewal, or voluntary

separation – **prior to June 30, 2009 and receive a paycheck during the program period are impacted**; the lack of opportunity to take the 10 hours (or the appropriate pro-rated amount) of time off does not exempt employees from the reduction in pay.

Executive Order #11 does not impact positions supported by local funds and federal funds that do not flow through the System Office. It also does not impact positions supported by institutional funds (i.e. private grants, student activity fees, self-supporting receipts, etc.), **except for** limited instances when funds that flow through State accounts are held in colleges' institutional funds. Examples of such instances include the following funds:

- FTCC Botanical Gardens
- FTCC I3D
- Motorcycle Safety Program
- Public Radio
- SBC Innovation & Performance Improvement
- VLC Center Awards & Extended Centers

Reduction in Compensation

The compensation supported by State funds of all impacted employees shall be reduced by an annualized amount equivalent to 0.5% over the remainder of the fiscal year. This reduction is only effective May 1 – June 30, 2009. It does not permanently reduce an employee's base pay. Split-funded employee salaries or contracts shall be reduced by the same proportion as the base salary.

Per OSBM, annualized compensation is defined as the total amount of **base compensation paid** during FY 2008-09. Base compensation **does not include** performance funding bonuses, longevity, leave payouts, disability payments, workers' compensation, and other one-time compensation; these types of compensation **should not be** included in the reduction calculation. If a full-time faculty member also teaches under part-time or overload contracts, that pay **should be** included. If an employee is subject to the Fair Labors Standards Act, the reduction in compensation may **not** reduce an employee's compensation **below the federal minimum wage**.

If an employee is expected to receive one paycheck prior to June 30, 2009, the entire reduction must be taken in that one paycheck. If an employee is expected to receive two paychecks prior to June 30, 2009, the reduction shall be spread among the two paychecks. The college may determine locally the best way to spread the reduction over two months. While the college is encouraged to spread the deduction equally among May and June payrolls, this may not be possible if the employee is paid significantly less in June and does not have sufficient pay to cover the second portion of reduction. **Attached to this memo, please find directions for how to make these adjustments in Colleague.**

Examples of implementing this policy include:

- A full-time employee has a 12-month contract for July 1, 2008 – June 30, 2009 for \$60,000. His compensation should be reduced by 0.5% of \$60,000, or \$300. Since

this employee works twelve months, the \$300 reduction will be spread over his/her May and June paychecks.

- A full-time faculty member has a nine-month contract ending May 15, 2009 for \$60,000. Her compensation should be reduced by 0.5% of \$60,000, or \$300. If she has elected to be paid over 9 months, her May paycheck will be reduced by the total \$300. If she has elected to be paid over 12 months, the reduction will be spread over May and June.
- A full-time faculty member has a nine-month contract for August 15, 2008 – May 15, 2009 for \$40,000 and a 3-month supplemental contract for May 15, 2009 – August 15, 2009 for \$12,000. During FY 2008-09, the faculty member is paid a total of \$46,000. His compensation should be reduced by 0.5% of \$46,000, or \$230. This reduction will be spread over his May and June paychecks.
- An adjunct faculty member has a one-month contract for September 1, 2008 – September 31, 2008 for \$5,000 and one-month contract for May 1, 2009 – May 31, 2009 for \$5,000. Her compensation should be reduced by 0.5% of \$10,000, or \$50. This reduction will be taken in her June paycheck.

Impact on Benefits and Employee-Elected Benefit Deductions

The furlough will **not impact** longevity pay, payouts for unused leave, service credit, or health and retirement benefits. Neither the employer nor the employee contributions to the State Retirement System will be paid on the compensation that would otherwise have been paid in the absence of Executive Order #11.

The Flexible Furlough reduction must be taken first, prior to any other payroll deductions. Deductions for regular State and federal taxes as well as the employee retirement contribution will be taken based on the reduced compensation amount. To the extent possible, wage garnishments (i.e. tax levies, child support, etc.) followed by health insurance premiums should be deducted from the remaining net compensation. Once these obligations are paid, other employee-elected benefit deductions may be made including:

- Dental insurance premiums
- Life insurance premiums
- Flexible spending account deductions
- Dependent care spending deductions,
- Voluntary retirement contributions to 401K/457B, including 401 Roth
- 401k Loan Payments,
- Employee association dues and related deductions,
- Amounts withheld as payments for loans/savings/etc. to State Employees' Credit Union or other financial institution.

If the flexible furlough reduction **alone** is greater than the total compensation earned during the program period, the employee **will not** be responsible for paying the difference to the college. If the sum of flexible furlough reduction **and** other deductions results in a negative amount, the employee **will be** responsible for providing payment **to the college** to cover any deductions for benefits in a group plan (i.e. insurance premiums, supplemental retirement

plans, employee association dues, etc.). This is necessary since the vendors that provide such benefits are not typically set up to receive and track payments from individual employees. If there is inadequate net pay to **fully** cover a loan payment to a financial institution (i.e. a car loan or mortgage payment to the State Employees' Credit Union), the college should not make any deduction for this obligation and inform the employee that he/she will be responsible for making the **full payment directly** to the financial institution.

Additional Time Off

Full-time employees with 9-, 10-, 11-, or 12-month contracts who are impacted by the reduction in compensation shall receive 10 additional hours of paid time off. This time must be used between June 1 and December 31, 2009. If an employee separates prior to June 1, the employee forfeits the flexible time off.

Split-funded positions or contractual employees as well as part-time employees shall receive a pro-rated portion of the flexible time off. The number of hours of time off that part-time employees receive is proportional to the number of hours worked. For example, employees working 20 hours a week will earn 5 hours of time off for May and June, those working 25 hours a week will earn 6.25 hours of time off, and those working 30 hours a week will earn 7.5 hours time off.

In the case of adjunct faculty who may not have a weekly schedule, colleges may calculate the pro-rated portion of flexible time off by multiplying the total number of hours paid in FY 2008-09 by $10/1560$. This fraction is derived by dividing the 10 hours of time off being provided to 9-month, full-time employees with an annual work schedule of 1560 hours. An employee may not be granted more than 10 hours of time off, regardless of the circumstances.

Per Executive Order #11, the State Board of Community Colleges shall adopt rules to be applied by boards of trustees of community colleges in designating the times that community college employees will use the time off. The State Board will address the issue at its May meeting.