



# COST REDUCTION DIRECTIVE

Department Of Administrative Services  
Human Resource Services Division

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Effective September 1, 2009; Revised November 10, 2009; Revised June 27, 2011; Revised September 1, 2011; Revised September 14, 2011, Revised September 22, 2011, Revised October 12, 2011, October 13, 2011 [Significant updates for Oct 12 and 13 are highlighted in the document.]

**POLICY STATEMENT:**

Due to extraordinary budgetary shortfalls, Oregon state government through the Department of Administrative Services (DAS) is continuing cost reduction measures for the 2011-2013 biennium. Based on budgetary needs, DAS may extend or reissue this directive with revisions.

**AUTHORITY:**

ORS 240.240, 240.250, 240.551 and State Human Resource Policy 10.000.01 Definitions.

**APPLICABILITY:**

This directive applies to all Executive Branch agencies excluding the Secretary of State, State Treasurer, Lottery, the Oregon University System and Semi-Independent Agencies.

This directive applies to the following categories of service:

- Management Service (ORS 240.212)
- Executive Service [ORS 240.205 (1-5)]
- Unclassified Service [ORS 240.205 (6-16)]
- Classified Unrepresented (240.210)
- Unrepresented Temporary Employees (ORS 240.309)

This directive temporarily supersedes any conflicting state human resource policy and applies statewide to all fund types.

**POLICY:**

**(1) Cost of Living Adjustment and Salary Step Increases**

Cost of living adjustments and salary step increases for management, unrepresented and unclassified executive service employees are addressed in the Management Package.

**(2) Promotional Increases**

Employees will receive a salary increase on promotion according to State HR Policy 20.005.10 Pay Practices. Increases six months after promotion continue to be suspended until further notice.

**(3) Top Step Suspension**

The top step that was added to the compensation plan on July 1, 2008, and rescinded on March 1, 2009, continues to be suspended.

**(4) Performance Recognition Leave and Special Merit Increases**

Agencies shall not award exceptional performance recognition leave ("discretionary leave") with pay and special merit increases during cost reductions.



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## (5) Vacation Leave Administration

- (a) All provisions in State Human Resources Policy 60.000.05 Vacation Leave are in effect except, Vacation payout to avoid loss is prohibited [as referenced in Section (1)(i)(C) of the Vacation Leave Policy].
- (b) On January 1, 2010, Management and unclassified executive service employees had excess vacation leave moved to a separate account for the employees use. If this leave in the separate account is not used by June 30, 2013, it will be lost and is non-compensable. This leave may be donated to another employee for the purpose of hardship leave.

## (6) Furloughs

- (a) Classified unrepresented employees will take the number of furlough days listed in the table below.

Tiers by base salary	Total Number of Furlough Obligation Days/hours
1 -- \$2450 and below	10 days/80 hours
2 -- \$2451 to \$3100	12 days, 96 hours
3 -- \$3101 and above	14 days, 112 hours

- (b) Management and unclassified employees (including executive service) will take the number of furlough days listed in the table above, at a minimum.
- (c) Unrepresented temporary employees will be unscheduled an equivalent number of days depending on the duration of employment, hours scheduled, and the salary tier in the table above. Temporary employees do not record leave time such as "LA" in the payroll system. Agencies are required to track the unscheduled hours assigned to temporary employees and report the unscheduled hours to DAS HRSD on a quarterly basis.
- (d) Part-time and job share employees take furlough leave on a pro-rated share based on the employee's regularly scheduled hours.
- (e) Seasonal employees take furlough leave based on the employee's regularly scheduled hours during the months employed.

- (7) **Closure Days:** If an agency has employees represented by collective bargaining, all management service, unclassified executive service and unrepresented employees in the agency follow the closure schedule outlined in the collective bargaining agreement. Otherwise, except for agencies or programs covered by Section 6, or a collective bargaining agreement specifies otherwise, all agencies will close offices on the following dates:

- September 16, 2011 (*six AFSCME represented agencies/programs closed August 19, 2011 instead*)
- November 25, 2011
- March 23, 2012
- May 25, 2012
- August 17, 2012
- October 19, 2012
- November 23, 2012
- January 18, 2013
- April 19, 2013



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- May 24, 2013

(g) In addition to the above listed closure dates, employees in Tiers 2 and 3 take their two or four additional furlough days as float days.

### **(9) Agencies and Programs Exempt from Fixed Office Closure Dates**

- (a) Agencies who need unrepresented employees to observe alternate closure dates or schedule floating furloughs in lieu of fixed office closures must obtain approval from the Human Resource Services Division (HRSD) as soon as possible but no later than September 30, 2011.
- (b) If there is an agreement with a labor organization for a program or agency to observe floating-day furloughs rather than fixed office closures and unrepresented employees working in the program or agency are similarly situated, an agency does not need to obtain approval from HRSD to schedule the unrepresented employees for floating furlough days in lieu of fixed office closures. However, agencies must inform HRSD, as soon as possible and no later than September 30, 2011, of their decision and the number of affected unrepresented employees.
- (c) Agencies with represented employees must reach agreement with the labor organization to observe only floating furlough days or alternate closure dates by working through the Labor Relations Unit of HRSD.
- (d) Agencies and programs required to continue operations in spite of established fixed office closure dates do not observe the fixed office closure dates listed in Section 5.

### **(10) Furlough Scheduling**

- (a) All employees must sign a Furlough Acknowledgment Form (posted on the DAS/HRSD website: <http://www.oregon.gov/DAS/HR/Reductions.shtml>). Preferably, the form is signed prior to the start of closures or floating furloughs.
- (b) Requesting furlough leave: Employees follow the agency process for requesting other types of paid leave. An agency may use its own leave request form or the sample furlough request/tracking forms available on the DAS/HRSD website: <http://www.oregon.gov/DAS/HR/Reductions.shtml>.
- (c) Employees working in programs and agencies exempt from fixed office closure dates will have their choice of floating furlough days, subject to agency operating needs and supervisory approval.
- (d) Furloughs must be scheduled in advance of the leave, for coverage purposes.
- (e) Furloughs are not taken in hourly increments except under the following conditions:
- a. The employee is supplementing the hours necessary to equal the employee's normal shift. For example, on a fixed office closure day of an employee who works four-tens, the employee observes the eight-hour closure day and takes two additional hours of furlough.
  - b. The employee has less than a full shift remaining in furlough hours at the end of their furlough obligation. In this case, the employee may use a combination of



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their remaining furlough obligation and accrued paid leave or regular paid time to equal their normal shift, or adjust their work schedule with supervisory approval.

- (f) All floating furloughs must be scheduled and taken by March 31, 2013, excluding fixed closure days on April 19, 2013 and May 24, 2013. If furlough time is not scheduled by March 31, 2013, management may schedule the required furlough day(s) to be taken by May 31, 2011.
- (g) Employees may schedule a floating furlough day(s) as a part of their vacation, compensatory time off, or pre-approved paid sick leave request. However, no more than two furlough days or furlough and closure day combinations can be taken in the same week.
- (h) Employees may, but are not required to, schedule floating furlough days on an official state holiday.
- (i) No employee shall be authorized to use any paid leave time or time accrued to replace mandatory unpaid time off.
- (j) For agencies observing closure days:
  - a. Employees do not work on closure days, regardless of their scheduled hours to work.
  - b. An employee who normally does not work on Friday:
    - (i) Changes their workweek to Monday through Friday- eight hour workdays (pro-rated for part-time) and observe the closure day, or
    - (ii) Takes an alternate furlough day, equal to their normal shift, during the week of the closure.
  - c. An employee who normally works on Friday, and their scheduled hours are normally greater than or less than eight (for example, works four-ten hour shifts, or works four-nine hour shifts and one four-hour shift), the employee:
    - (i) Reverts to a Monday through Friday-eight hour workdays and observes the closure day, or
    - (ii) For greater than eight: Observes the agency closure day with their regularly scheduled hours. (This will reduce the employee's total furlough obligation in hours, quicker.)
    - (iii) For less than eight: Observe the closure day with their regularly scheduled hours. (This will reduce the employee's total furlough obligation in hours, slower.)
    - (iv) Part-time employees follow the above scenarios and pro-rate hours accordingly.



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(k) For agencies or programs not participating in closure days:

- a. Employees required to take all floating furloughs may take their floating furlough days in the same hourly increments as the employee's normal work schedule. For example, if an employee normally works four, ten-hour shifts, the employee takes a furlough day of 10 hours. When an employee reduces their furlough obligation to the point of having less furlough hours remaining than their scheduled shift, the employee may supplement the day with accrued paid leave or regular working hours.
- b. An employee on all floating furlough days may choose to satisfy their total furlough obligation through salary reduction of 1.92% for Tier 1, 2.30% for Tier 2, or 2.68% for Tier 3. The salary reduction is effective through June 30, 2013. An employee making this selection must do so before September 15, 2011 and it is non-revocable.
- c. Eligible employees hired after September 15, 2011 may elect this option, but must do so before the payroll cut off for the month in which they begin employment.

**(11) Rescheduling Furloughs for Operational Needs**

Managers and supervisors should refrain from calling employees in for partial day work during a furlough day. In the event of unforeseen circumstances with impact to agency operations that require an employee to perform work, management may un-schedule part or all of the furlough day and direct the employee to perform work. The employee and the supervisor schedules the remainder of the furlough hours to be taken at another time.

**(12) Effect of Unpaid Furloughs on FLSA Overtime Exempt Status**

When employees in positions designated as exempt from the overtime requirements of state wage, hour and federal fair labor standards are placed on a mandatory furlough, they become non-exempt, overtime eligible employees and are paid on an hourly basis for the entire workweek. This means that during a furlough week (12:01 a.m. Monday to 12:00 midnight Sunday or an alternate workweek established by agency policy), employees may not work more than 40 hours (pro-rated for part-time) minus their scheduled furlough or closure obligation. Hours worked between this amount and 40 are compensated at straight time. Hours worked beyond 40 are compensated at the overtime rate of pay outlined in State HR Policy 20.005.20 Fair Labor Standards Act.

**(13) Effect on New Hires, Changes in Tiers and Employee Separations**

- (a) Employees hired after September 16, 2011, shall have their required furlough days adjusted, as illustrated in the Furlough Obligation Chart.
- (b) At the time of an employment offer, newly hired, reemployed, and recalled employees shall be given notice of the furlough obligation required of them, and a Furlough Acknowledgment Form to sign.
- (c) An employee's initial furlough obligation tier will not change regardless if the employee promotes or demotes or the employee's salary changes during the biennium, except as necessary for pro-ration of hours for going to or from part-time or seasonal employment.



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- (d) Management, unrepresented and unclassified service employees are eligible to take furloughs on August 1, 2011. Subsequent promotions, demotions, cost of living adjustments, or step increases after August 1 will not change the employee's furlough obligation. Note: Represented employees do not have a furlough obligation until their applicable collective bargaining agreement is implemented. This means a represented employee who promotes or demotes into management, unrepresented or unclassified service prior to their collective bargaining agreement going into effect will have their furlough obligation established upon the promotion or demotion into the new service type.
- (e) Taking furlough leave does not increase the duration of the trial service period.
- (f) Employees who anticipate separating from employment must satisfy their fixed and float furlough obligations as outlined in the Furlough Obligation Chart, prior to separation.

### **(14) Effect of Furloughs on Leave Accruals, Benefits, Holidays, and Retirement**

- (a) Record furlough days off with the payroll code "LA." Using this code will not affect:
  - (i) vacation or sick leave accrual; or
  - (ii) the employer's contribution to health insurance.
- (b) Employee out-of-pocket benefit costs do not increase because of furloughs. Note: optional insurances such as short-term and long-term disability are affected by leaves of absence without pay, including furloughs.
- (c) A furlough day taken the workday before or after a compensable holiday does not affect an employee's eligibility to receive compensation for the holiday.
- (d) Furlough days reduce the contribution to an employee's Public Employee Retirement System account.

### **(15) Furlough Leave during Leaves of Absence**

- (a) Family and Medical Leave Oregon Family Leave (FMLA/OFLA): While on an absence designated as FMLA or OFLA or both, employees may not use paid sick leave or other forms of paid leave on a fixed office closure date or a scheduled floating furlough. Fixed office closure dates and floating furlough days taken and recorded as furlough leave ("LA") do not count against an employee's protected leave entitlement.
- (b) Workers' Compensation Leave: Employees on workers' compensation time loss may not use accrued leave to make up the difference between the workers' compensation payment and the regular salary rate on a furlough day (either fixed office closure date or a scheduled float day).
- (c) Military Leave with pay: An employee is not paid military leave if a fixed office closure date occurs during an employee's annual military leave with pay for training. Agencies may reschedule floating furlough dates, if possible, so they do not conflict with an employee's annual military leave for training.
- (d) Supervisors of employees on leave without pay record furlough leave on fixed office closure dates and scheduled float days for the absent employee.



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- (e) Employees who began or completed any authorized leave of absence, including FMLA/OFLA, leave without pay, workers' compensation, and military leave, may retroactively designate up to two furlough days (or a combination of furlough and closure days) per week, as long as the designation occurs prior to payroll cut off.

Note: An employee on unauthorized leave without pay may not substitute furlough leave.

### **(16) Failure to Comply**

- (a) Managers or supervisors who allow employees to work on a scheduled furlough day, allow employees to work without recording time worked, or allow employees to make up work during a workweek in which a furlough day was taken may be subject to disciplinary action up to and including dismissal.
- (b) Managers or supervisors who fail to make a good faith effort to follow any portion of this directive may be ineligible for the State's liability coverage in the event of wage and hour or other litigation. In such instances, an individual manager or supervisor may be personally liable for their acts or omissions.
- (c) Employees may not, under any circumstance, perform job duties related to their position without being directed out of furlough status by their supervisor, manager or agency head. Employees who perform work on a furlough day without specific management authorization may be subject to disciplinary action up to and including dismissal.

#### **Related Documents:**

- Furlough Acknowledgment Form
- Furlough Obligation Chart
- Frequently Asked Questions