

With the next fiscal year approaching, and with the prospect of further budget reductions for the University of Georgia, and likely further furlough days in the future, it is appropriate to reexamine the impact of the current furlough policy on the employees and the University to minimize the hardships endured by employees, and maximize the benefits to the University.

During the current fiscal year, furloughs were imposed as part of the response to the budget crisis at the University of Georgia.

- The current furlough policy does not differentiate between those paid with state funds and those paid from external sponsors (e.g. grants and contracts).
- The salary money saved by furloughing those employees paid with State money ameliorates the budgetary short fall by reducing demands on the University's general funds.
- In contrast, unspent direct salary money for those on sponsored projects cannot be redirected to general University expenses, as this money is restricted to the projects that were funded. Related indirect costs recovered by the University may also be lost or at least delayed.
- The proposal being put forth to modify the furlough policy has the effect of minimizing hardships on those supported by sponsored funds, and providing the maximum and most timely income to the University from facilities and administrative cost recovery from grants and contracts. This latter feature actually benefits employees paid by State funds since it adds to the financial pool from which they are paid.

Indirect, or facilities and administrative costs are recovered by the University from sponsors at a rate of approximately 50% of the direct costs to the grants and contracts when such costs are actually incurred. A significant portion of the indirect cost income does go into the University's general funds. Thus, unless funds can subsequently be spent in other approved ways that incur indirect costs, furloughing employees paid from outside sources reduces direct costs. This potentially deprives the University of a portion of the indirect cost recovery, and exacerbates its budget crisis. It also reduces State tax revenues, increasing the State deficit, since income tax on this pay is lost

The tacit bargain entered into between those paid on State funds, and the University, is that in return for accepting furlough days, they are no longer at risk of layoffs during the year. This is a tangible benefit. It is also worth noting that the positions funded by State money are for the most part continuing positions, so there is an implicit value of job security for these employees. There is no such bargain or benefit, tangible or intangible, for those paid from external sponsored funds. While these employees suffer the consequences of lost wages, the unspent direct funds from these sources cannot be redirected to ameliorate the loss of State appropriations, nor does it have any effect on their chances of being laid off, or somehow help preserve their jobs. For those paid on outside funds, there is no expectation that the job position itself is continuing. The

position terminates when the outside funding comes to an end so the furlough has no impact on increasing their job security.

The motion being put forth for approval by the University Council regarding future furlough policies is to recommend modifications regarding exemptions for those on sponsored funds which follows along the lines of that instituted this year at Georgia Institute of Technology.

(see <http://www.gatech.edu/budgetupdate/assets/FY2010FurloughProgram.pdf>)

This item has been placed on the Council agenda under provisions of the University Council Bylaws (part I, section 1.B.6.g) whereby if signatures of at least fifty faculty are obtained in support of consideration and discussion of an item, it will be included on the agenda.

Motion for Consideration by the University Council on Future Furlough Policy:

The following terms and conditions shall be added to the University of Georgia furlough policy:

In the event that furloughs are implemented in the upcoming fiscal years as part of the response to the current budget crisis facing the University of Georgia, exemptions will be made on a pro-rated basis, as described below, for those employees supported by sponsored funds.

Employees supported entirely by sponsored funds will be exempted from furloughs. For those whose salary is a combination of General Operations and sponsored funds, the number of furlough days will be adjusted based upon the percentage of sponsored funding in increments of no less than a half day.

The initial calculation of furlough days will be determined by using the June 30, 2010 effort distribution data and may be adjusted if proportion of pay and effort on sponsored projects changes.

- o Fiscal Year (“12-month”) employees whose effort is allocated to new or existing projects will be exempted from $1/12$ (one twelfth) the total number of annual furlough days for each 8.3% (one month) of effort allocated to a sponsored project.

- o Academic Year (“9-month”) employees whose effort is allocated to new or existing projects will be exempted from $1/9$ (one ninth) the total number of annual furlough days for each 11.1% (one month) effort allocated to a sponsored project during the academic year.