Progressive Pay Reduction Plan

I. Objectives
The University of Oregon is facing unprecedented budget uncertainty due to the COVID-19 pandemic. While spring term enrollments are holding fairly steady, there are still significant questions about fall enrollment and potential state budget cuts. This is especially true if we look to the example of the last recession, when the university’s state appropriation was cut 45 percent.

Uncertainty is not the same as bad news, however, and rather than take drastic preemptive action without a lot of information, it is preferable to develop scenario-based contingency plans that are indexed to levels of financial need. This approach provides more stability to the university community and allows everyone to better plan for any potential impacts. We offer the Progressive Pay Reduction (PPR) program with that in mind. The PPR is a very progressive temporary pay reduction program that would only be implemented if we faced significant budget challenges due to cuts to state appropriation or drops in enrollment.

The goal of the PPR is to provide the institution with the ability – if necessary – to respond to significant budget challenges through shared pay reductions. The program is progressive and geared toward protecting lower wage workers, to the extent possible, with overriding goals of protecting the health and safety of the campus community and preserving the long-term viability of the institution.

Without a program like this, the university will be forced to make more conservative budget decisions before full information is known about the size and scope of the inevitable challenges. Our hope is that, by sharing the impact of potential financial challenges across all employees, we reduce the number of people who may face job losses or significant FTE reductions. We recognize and appreciate that even a program like this would be a hardship for many employees, but we believe this progressive approach is preferable to other employment actions that could be taken to manage what will likely be extraordinary budget challenges.

II. Principles
The PPR plan is being designed with the following principles in mind:

- The pay reductions will only be implemented if the institution is facing a known, significant budget challenge due to a cut to state appropriation or a drop in enrollment.
- The plan will be structured progressively so that it protects lower paid employees as much as possible and imposes greater percentage (and dollar) pay cuts on higher paid employees.
- The institution intends to implement the plan as broadly as possible across all employee groups. However, student employees, whether undergraduate students or graduate employees, would be exempt from the PPR plan, as would those supported on grant funds, as allowed under federal regulations (see section IV).
- The plan will be structured so that all employees, regardless of employee group, will follow the same structured pay cut schedule (i.e., a full time OA making $40K will be treated that same as a full time Career Faculty member making $40K).
- The maximum duration of any given temporary reduction of pay will be 24 months from the point of the triggering event.
- Savings from the PPR in different funds groups will be used in the following ways:
  - E&G funds: to offset the lost revenue from enrollment or state appropriation cuts.
III. **Triggers**

The PPR plan will only be triggered by a large budget challenge created by a cut to state appropriation or a drop in enrollment that occurs before the end of FY22. There are five different levels of the PPR Plan that could be implemented based on the size of the budget challenge. In each scenario the pay reduction schedule listed is the maximum reduction that could be implemented given that budget trigger. The five scenarios are the following:

- **PPR Plan Option 1:** estimated E&G savings: $5 million. Triggered by a revenue loss of between $5.0 million and $9.9 million.
- **PPR Plan Option 2:** estimated E&G savings: $10 million. Triggered by a revenue loss of between $10.0 million and $14.9 million.
- **PPR Plan Option 3:** estimated E&G savings: $15 million. Triggered by a revenue loss of between $15.0 million and $19.9 million.
- **PPR Plan Option 4:** estimated E&G savings: $20 million. Triggered by a revenue loss of between $20.0 million and $24.9 million.
- **PPR Plan Option 5:** estimated E&G savings: $25 million. Triggered by a revenue loss of $25.0 million or more.

If the University faces multiple triggering events (e.g., first a drop of $10 million in enrollment, then a state cut of $20 million) the University will only implement one PPR plan option that corresponds to the size of the two triggering events combined. It will run for a maximum duration of 24 months from the second triggering event.

IV. **Employees Supported on Grant Funds**

Pending review of federal regulations, we anticipate that positions funded via external grants will be exempt from the program, as resources conserved via salary reductions on grant funds are legally required to stay within those funds and therefore cannot be used to address any potential budget shortfalls in other areas. Furthermore, any significant reduction in research spending will actually lead to a reduction in university E&G resources since facilities and administrative cost recovery on grants are tied to spending, not awards. Because the majority of research funding helps to support personnel, reductions of research expenditures would be substantial.

**PPR Scenarios:**

The proposed progressive pay reduction plan would only be implemented if the institution faces a significant budget challenge related to a cut in state appropriation or a drop in enrollment. Below are
five scenarios outlining the level of progressive pay cuts, assuming various sizes of budget challenges (see PPR program description for details regarding scenarios).

In 2009 the UC System implemented a progressive furlough program in order to deal with budget challenges related to the recession. If their structured furlough program were applied to the UO’s E&G fund salary base, we estimate that it would save approximately $25.9 million per year. Below we have put together a side-by-side analysis of UC’s program with the proposed progressive UO pay reduction program (at the $25 million E&G fund salary level) that compares the effective salary cuts for employees at various pay levels. As you can see the proposed UO program is even more progressive than the one that was implemented by the UC system.

This chart is for illustrative purposes of the draft PPR plan and does not show the full linear nature of the reductions. The reductions increase in a progressive curve as salaries increase. Following is a link to an online calculator that can be used to project the impact of the five PPR plan scenarios at specific salary levels: [download Scenario Salary Calculator](#).