

Temporary FY21 Salary Reduction Plan Background

In his May 26 message to the OSU community, President Ray noted several actions the University will take to close a significant anticipated gap between Corvallis and Cascades Education and General (E&G) revenues and projected expenses. Among those actions is a temporary reduction in the salaries of unclassified employees (academic and professional faculty) that would save about \$12M* in salary and associated OPE costs. The reduction would not begin before August 1, 2020.

The level of the salary reduction will vary depending on the size of the shortfall. As of June 1, the University is projecting a budget of \$583 million in Corvallis E&G revenues and a \$49 million gap between revenues and projected expenses. If this projection remains unchanged through early July, the salary reduction program outlined below would be implemented beginning August 1.

If the gap between Corvallis revenues and expenses is less or more than \$49M the reductions would be scaled proportionately. If the gap is \$35M or less, no salary reduction will be implemented. The table below shows how those reductions would scale at different revenue forecasts for Corvallis Education and General funds.

*updated estimates indicate savings in salary and OPE closer to \$10.2M

Salary reduction estimation

The table below provides an estimation for the reduction to annual salary rates for different ranges for the \$49M budget gap scenario. If you would like to calculate a precise amount for your salary a simple excel sheet can be downloaded [here](#).

Annual salary rate	Annual reduction	% Reduction	Annual salary rate	Annual reduction	% Reduction	Annual salary rate	Annual reduction	% Reduction
\$ 50,000	\$ -	0.00%	\$ 108,000	\$ 4,251	3.94%	\$ 166,000	\$ 10,238	6.17%
\$ 52,000	\$ 120	0.23%	\$ 110,000	\$ 4,422	4.02%	\$ 168,000	\$ 10,465	6.23%
\$ 54,000	\$ 241	0.45%	\$ 112,000	\$ 4,614	4.12%	\$ 170,000	\$ 10,692	6.29%
\$ 56,000	\$ 361	0.64%	\$ 114,000	\$ 4,807	4.22%	\$ 172,000	\$ 10,936	6.36%
\$ 58,000	\$ 482	0.83%	\$ 116,000	\$ 4,999	4.31%	\$ 174,000	\$ 11,179	6.42%
\$ 60,000	\$ 602	1.00%	\$ 118,000	\$ 5,192	4.40%	\$ 176,000	\$ 11,423	6.49%
\$ 62,000	\$ 722	1.16%	\$ 120,000	\$ 5,384	4.49%	\$ 178,000	\$ 11,666	6.55%
\$ 64,000	\$ 843	1.32%	\$ 122,000	\$ 5,576	4.57%	\$ 180,000	\$ 11,910	6.62%
\$ 66,000	\$ 963	1.46%	\$ 124,000	\$ 5,769	4.65%	\$ 182,000	\$ 12,154	6.68%
\$ 68,000	\$ 1,084	1.59%	\$ 126,000	\$ 5,961	4.73%	\$ 184,000	\$ 12,397	6.74%
\$ 70,000	\$ 1,204	1.72%	\$ 128,000	\$ 6,154	4.81%	\$ 186,000	\$ 12,641	6.80%
\$ 72,000	\$ 1,354	1.88%	\$ 130,000	\$ 6,346	4.88%	\$ 188,000	\$ 12,884	6.85%
\$ 74,000	\$ 1,505	2.03%	\$ 132,000	\$ 6,554	4.97%	\$ 190,000	\$ 13,128	6.91%
\$ 76,000	\$ 1,655	2.18%	\$ 134,000	\$ 6,761	5.05%	\$ 192,000	\$ 13,391	6.97%
\$ 78,000	\$ 1,806	2.32%	\$ 136,000	\$ 6,969	5.12%	\$ 194,000	\$ 13,654	7.04%
\$ 80,000	\$ 1,956	2.45%	\$ 138,000	\$ 7,176	5.20%	\$ 196,000	\$ 13,918	7.10%
\$ 82,000	\$ 2,106	2.57%	\$ 140,000	\$ 7,384	5.27%	\$ 198,000	\$ 14,181	7.16%
\$ 84,000	\$ 2,257	2.69%	\$ 142,000	\$ 7,592	5.35%	\$ 200,000	\$ 14,444	7.22%
\$ 86,000	\$ 2,407	2.80%	\$ 144,000	\$ 7,799	5.42%	\$ 202,000	\$ 14,707	7.28%
\$ 88,000	\$ 2,558	2.91%	\$ 146,000	\$ 8,007	5.48%	\$ 204,000	\$ 14,970	7.34%
\$ 90,000	\$ 2,708	3.01%	\$ 148,000	\$ 8,214	5.55%	\$ 206,000	\$ 15,234	7.40%
\$ 92,000	\$ 2,879	3.13%	\$ 150,000	\$ 8,422	5.61%	\$ 208,000	\$ 15,497	7.45%
\$ 94,000	\$ 3,051	3.25%	\$ 152,000	\$ 8,649	5.69%	\$ 210,000	\$ 15,760	7.50%
\$ 96,000	\$ 3,222	3.36%	\$ 154,000	\$ 8,876	5.76%	\$ 212,000	\$ 16,023	7.56%
\$ 98,000	\$ 3,394	3.46%	\$ 156,000	\$ 9,103	5.84%	\$ 214,000	\$ 16,286	7.61%
\$ 100,000	\$ 3,565	3.57%	\$ 158,000	\$ 9,330	5.91%	\$ 216,000	\$ 16,550	7.66%
\$ 102,000	\$ 3,746	3.67%	\$ 160,000	\$ 9,557	5.97%	\$ 218,000	\$ 16,813	7.71%
\$ 104,000	\$ 3,908	3.76%	\$ 162,000	\$ 9,784	6.04%	\$ 220,000	\$ 17,076	7.76%
\$ 106,000	\$ 4,079	3.85%	\$ 164,000	\$ 10,011	6.10%	\$ 222,000	\$ 17,354	7.82%

Marginal salary reduction rates

The salary reduction program is based on a set of progressive marginal reduction rates. The “progressive” part means the rate of reduction increases with salary rate. The “marginal” part means that the reduction are tied to brackets of salary (\$0 to \$50,000, \$50,000 to \$70,000, \$70,000 to \$90,000s, etc.) and each bracket has its own reduction rate (the marginal rate) applied only to the dollars in that bracket. The total reduction for a specific salary is the sum of the dollars in each bracket times the marginal rate for that bracket. This is the same way income tax is structured. See salary reduction examples (pg. 5).

This table shows the marginal rates for the \$49M gap case. The marginal rates are **NOT** the reduction rate on the whole salary only the increment in that range. See the salary estimation (pg. 2) for individual reduction estimates.

Projected Corvallis E&G revenues	\$583.0M
Projected revenue gap (\$M) to historical expenses	\$49.0M
Target savings	\$12.0M
<hr/>	
Salary Increment :	Marginal reduction on that increment
<hr/>	
up to \$30,000	0.00%
\$30,001 to \$50,000	0.00%
\$50,001 to \$70,000	6.02%
\$70,001 to \$90,000	7.52%
\$90,001 to \$110,000	8.57%
\$110,001 to \$130,000	9.62%
\$130,001 to \$150,000	10.38%
\$150,000 to \$170,000	11.35%
\$170,001 to \$190,000	12.18%
\$190,001 to \$220,000	13.16%
\$220,001 to \$240,000	13.91%
\$240,001 to \$260,000	14.66%
\$260,001 to \$280,000	15.41%
\$280,001 to \$300,000	16.17%
\$300,001 to \$400,000	16.54%
\$400,001 to \$600,000	16.92%
over \$601,000	17.29%
<hr/>	
Estimated E&G savings in salary and incremental OPE	\$10.2M
Savings (including OPE) as % of unclassified salary base	4.5%

If the gap between Corvallis revenues and expenses is less or more than \$49M the reductions would be scaled proportionately. If the gap is \$35M or less, no salary reduction will be implemented. The table below shows how the marginal reduction rates in each salary bracket would scale at different revenue forecasts for Corvallis Education and General funds.

Projected Corvallis E&G revenues	\$597.0M	\$592.5M	\$588.0M	\$583.0M	\$578.5M	\$574.0M	\$569.0M
Projected revenue gap (\$M) to historical expenses	\$35.0M	\$39.5M	\$44.0M	\$49.0M	\$53.5M	\$58.0M	\$63.0M
Target savings	\$0.0M	\$3.9M	\$7.7M	\$12.0M	\$15.9M	\$19.7M	\$24.0M

Salary bracket :	Marginal rates for temporary reduction in bracket						
up to \$30,000	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$30,001 to \$50,000	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
\$50,001 to \$70,000	0.00%	1.95%	3.86%	6.02%	7.97%	9.87%	12.03%
\$70,001 to \$90,000	0.00%	2.44%	4.82%	7.52%	9.96%	12.34%	15.04%
\$90,001 to \$110,000	0.00%	2.79%	5.50%	8.57%	11.36%	14.07%	17.14%
\$110,001 to \$130,000	0.00%	3.13%	6.18%	9.62%	12.75%	15.80%	19.25%
\$130,001 to \$150,000	0.00%	3.37%	6.66%	10.38%	13.75%	17.03%	20.75%
\$150,000 to \$170,000	0.00%	3.69%	7.29%	11.35%	15.04%	18.64%	22.71%
\$170,001 to \$190,000	0.00%	3.96%	7.82%	12.18%	16.14%	20.00%	24.36%
\$190,001 to \$220,000	0.00%	4.28%	8.44%	13.16%	17.43%	21.60%	26.32%
\$220,001 to \$240,000	0.00%	4.52%	8.93%	13.91%	18.43%	22.84%	27.82%
\$240,001 to \$260,000	0.00%	4.77%	9.41%	14.66%	19.43%	24.07%	29.32%
\$260,001 to \$280,000	0.00%	5.01%	9.89%	15.41%	20.42%	25.30%	30.83%
\$280,001 to \$300,000	0.00%	5.25%	10.37%	16.17%	21.42%	26.54%	32.33%
\$300,001 to \$400,000	0.00%	5.38%	10.61%	16.54%	21.92%	27.16%	33.08%
\$400,001 to \$600,000	0.00%	5.50%	10.86%	16.92%	22.42%	27.77%	33.83%
over \$601,000	0.00%	5.62%	11.10%	17.29%	22.91%	28.39%	34.59%

Estimated E&G savings in salary and incremental OPE	\$0M	\$3.3M	\$6.5M	\$10.2M	\$13.5M	\$16.7M	\$20.4M
Savings (including OPE) as % of unclassified salary base	0.0%	1.5%	2.9%	4.5%	6.0%	7.4%	9.0%

Salary reduction examples*

The salary reduction program is based on a set of progressive marginal reduction rates. The “progressive” part means the rate of reduction increases with salary rate. The “marginal” part means that the reduction are tied to brackets of salary (\$0 to \$50,000, \$50,000 to \$70,000, \$70,000 to \$90,000, etc.) and each bracket has its own reduction rate (the marginal rate) applied only to the dollars in that bracket. Some examples:

- So, for an employee making \$50,000 or less the reduction is 0%.
- For an employee making \$85,000 the reduction is applied in brackets. The first \$50,000 has no reduction applied to it. The next \$20,000 is reduced by 6.02% (the marginal rate for \$50,001 to \$70,000) or \$1,204. The final \$15,000 is reduced by 7.52% (the marginal rate for \$70,001 to \$90,000) or \$1,128. The total reduction is \$0 + \$1,204 + \$1,128 or \$2,332. The overall percentage reduction is \$2,332 divided by \$85,000 or 2.7%.
- For an employee making \$115,872 the reduction is applied in brackets. The first \$50,000 has no reduction applied to it. The next \$20,000 is reduced by 6.02% (the marginal rate for \$50,001 to \$70,000) or \$1,204. The next \$20,000 is reduced by 7.52% (the marginal rate for \$70,001 to \$90,000) or \$1,504. The next \$20,000 is reduced by 8.57% (the marginal rate for \$90,001 to \$110,000) or \$1,714. The final \$5,872 is reduced by 9.62% (the marginal rate for \$110,001 to \$130,000) or \$565. The total reduction is \$0 + \$1,204 + \$1,504 + \$1,714 + \$565 or \$4,987. The overall percentage reduction is \$4,987 divided by \$115,872 or 4.3%.

Because of the use of marginal rates applied to salary increments, the reduction percentage scale up continuously with salary.

*the examples have been corrected from the original example posted which was oversimplified.

Who is included?

The temporary reduction in salaries will apply to all unclassified employees (academic and professional faculty). Employees in the following groups are exempted from the reduction program:

- Employees holding a fixed-term appointment supported 100% on externally funded grants.
- Employees whose FTE has already been reduced for FY21.
- Employees paid on Athletics Contracts (these are subject to other reductions).

FAQs

Frequently Asked Questions on Temporary FY21 Salary Reduction Plan for Unclassified Employees

Does that \$50K base apply for everyone?

Yes. The rates are marginal and applied by bracket. The first \$50,000 is excluded.

What would be the effective date of the salary reduction?

August 1st, 2020 at the earliest. For OSU's senior executives (including the president, provost, vice presidents, general counsel, deans, vice provosts, and others) the reduction program will be implemented beginning July 1 and is anticipated to be in effect for a minimum of six months.

Since reductions start August, if 9-month appointments are paid from external grants over summer, will the reduction start mid Sept when back on Academic apt?

If the pay is 100% from external grants it would be excluded. If it is split across funds the reduction would apply.

How long is the Salary Reduction Program expected to last?

The temporary pay reduction for OSU's senior executives will be in effect for a minimum of six months. For other employees the reduction will be terminated if the financial situation improves sufficiently that it is no longer needed (the gap between revenues and expenses is less than \$35M)

If \$50,001 is the floor for the salary reduction program, then will anyone have their salary reduced to below this level? E.g., if someone earns \$50,040 and they received the reduction, then they will earn <\$50,000. It's small, but meaningful for those in the fringe area.

No, the rates are marginal. So, in the example only the \$40 over \$50,000 would be reduced and the ending salary would be \$50,038.

How will the salary reduction program apply to employees who are not on 100% appointments? Do the thresholds apply to the annual salary rate (assuming 1.0 FTE) or the appointment salary rate? An example would be an 0.8 FTE employee who has an annual salary rate of \$60K and an appointment salary rate of \$48K - would that employee be part of the salary reduction program?

The temporary reduction applies to the annual salary rate. Annual Salary Rate is defined as the salary equivalent of this job at full time (100% appointment)¹. So, the 0.8 FTE employee at a salary rate of \$60K would be included. The salary rate would change to \$59,398 and the pay at 0.8 FTE would be \$47,518.

If employee has 1.0 full-time appointment and on mixed funding, example: 40% on grant funds, 60% on carryforward/ROH funds, what does a salary reduction look like for them?

The program exempts employees 100% on grant funds. In this case, since the employee is not paid 100% on grant funds the employee is eligible for the salary reduction.

Can furloughs be used for unclassified employees in lieu of salary reduction with same work load?

No, the decision was made to use salary reductions as a temporary measure to address the financial challenges but maintain services to students for the limited duration of the pandemic.

¹ <https://hr.oregonstate.edu/employees/administrators-supervisors/classification-compensation/salary-reports/unclassified>

Can employees or supervisors opt for FTE reductions instead of the salary reduction?

No, not in lieu of the salary reduction. In some self-support units there is language in renewal letters that allow for FTE reductions if the financial circumstances of the unit worsen significantly.

If folks have a reduction in FTE, will that affect eligibility for childcare such as at Beaver Beginnings?

No, employees will still have access to the same services.

Is a salary cut coming down the pike for classified staff?

No. There is a Letter of Agreement between OSU and SEIU – Alternatives to Layoffs for Oregon State University:

https://hr.oregonstate.edu/sites/hr.oregonstate.edu/files/seiu_osu_loa_layoff_alternatives.pdf

If someone leaves the university during this period of reduced salary, is the vacation payout at the original salary or the reduced salary?

Human Resources is confirming this. In the current process, the vacation payout would be calculated utilizing the rate at the time of the vacation payout which in this example would be at the reduced salary rate.