

Temporary FY21 Salary Reduction Plan

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.

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.

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.

Salary Bracket:	Marginal reduction on that bracket	Approximate total reduction at top end of bracket
up to \$30,000	0.00%	0.00%
\$30,001 to \$50,000	0.00%	0.00%
\$50,001 to \$70,000	6.02%	1.72%
\$70,001 to \$90,000	7.52%	3.01%
\$90,001 to \$110,000	8.57%	4.02%
\$110,001 to \$130,000	9.62%	4.88%
\$130,001 to \$150,000	10.38%	5.61%
\$150,000 to \$170,000	11.35%	6.29%
\$170,001 to \$190,000	12.18%	6.91%
\$190,001 to \$220,000	13.16%	7.76%
\$220,001 to \$240,000	13.91%	8.27%
\$240,001 to \$260,000	14.66%	8.77%
\$260,001 to \$280,000	15.41%	9.24%
\$280,001 to \$300,000	16.17%	9.70%
\$300,001 to \$400,000	16.54%	11.41%
\$400,001 to \$600,000	16.92%	13.35%
over \$601,000	17.29%	13.82%

Salary reduction examples*

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- 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 salary¹.

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

¹ Salary rates are then rounded to be evenly divisible by 9 or 12 depending on the appointment.

Plan Exemptions

Employees in the following groups are exempted from the reduction program:

- Employees paid 100% from externally funded grants
- Employees whose FTE has already been reduced for FY21
- Employees paid on Athletics Contracts (these are subject to other reductions)

Other Budget Scenarios

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.

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

Annual salary rate :	Temporary reduction to annual salary rate						
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%	0.56%	1.10%	1.72%	2.28%	2.82%	3.44%
\$70,001 to \$90,000	0.00%	0.98%	1.93%	3.01%	3.98%	4.94%	6.02%
\$90,001 to \$110,000	0.00%	1.31%	2.58%	4.02%	5.33%	6.60%	8.04%
\$110,001 to \$130,000	0.00%	1.59%	3.13%	4.88%	6.47%	8.01%	9.76%
\$130,001 to \$150,000	0.00%	1.82%	3.60%	5.61%	7.44%	9.22%	11.23%
\$150,000 to \$170,000	0.00%	2.04%	4.04%	6.29%	8.33%	10.32%	12.58%
\$170,001 to \$190,000	0.00%	2.25%	4.43%	6.91%	9.15%	11.34%	13.82%
\$190,001 to \$220,000	0.00%	2.52%	4.98%	7.76%	10.28%	12.74%	15.52%
\$220,001 to \$240,000	0.00%	2.69%	5.31%	8.27%	10.96%	13.58%	16.55%
\$240,001 to \$260,000	0.00%	2.85%	5.62%	8.77%	11.61%	14.39%	17.53%
\$260,001 to \$280,000	0.00%	3.00%	5.93%	9.24%	12.24%	15.17%	18.48%
\$280,001 to \$300,000	0.00%	3.15%	6.23%	9.70%	12.85%	15.93%	19.40%
\$300,001 to \$400,000	0.00%	3.71%	7.32%	11.41%	15.12%	18.73%	22.82%
\$400,001 to \$600,000	0.00%	4.31%	8.50%	13.25%	17.55%	21.75%	26.49%
over \$601,000	0.00%	4.49%	8.87%	13.82%	18.32%	22.70%	27.65%