

**POLICY PROPOSAL – CODE/HANDBOOK**  
**TITLE 2, CHAPTER 5, SECTION 5.4.5(b)**  
**Pay Reductions Without Declaration of Financial Exigency**  
Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

**Note:** The purpose of this change is establish that certain legislatively directed pay reductions may be adopted by the Board of Regents without a declaration of financial exigency and associated procedural rights, up to 6% of base pay. Pay reductions or unpaid leave in excess of 6% of base pay could not be imposed unless the process is followed for declaring a financial exigency. This provision does not permit an accumulation of reductions. For example, if a 6% pay reduction occurred in one biennium, this provision would not permit an additional 6% reduction to be added on top of the existing reduction, but the same flat amount of 6% could be continued. Stated differently, under this provision pay reductions can never exceed, no matter how many years a reduction is in effect or extended, 6% of the original base pay before any reduction was imposed. The earliest any reduction could be imposed under this section would be July 1, 2011.

NSHE Code, Title 2, Chapter 5

**5.4.5 Financial Reasons for Termination.**

(b) Faculty members may be furloughed or laid off under this subsection for a financial exigency upon a declaration of the Board of Regents, after a recommendation for same by the chancellor and by the presidents of the System institutions to be affected by the proposed financial exigency, that a financial exigency exists in the System, a System institution, or an administrative unit of a System institution. Nothing in this provision shall prevent the layoff of a faculty member under this subsection without such a declaration of the Board of Regents when such faculty member's employment contract contains the specific provision that such faculty member's continued employment during the term of the contract is dependent on the availability of funds, ***nor is a declaration of financial exigency (with the accompanying requirements of Section 5.4.7) required in order for the Board of Regents to consider and implement pay reductions or unpaid leave equating to 6% (six) percent or less of base pay as a result of final legislative action to generally reduce all state employee pay by that amount. Such legislatively authorized pay reduction shall not be implemented earlier than the start of the next fiscal year commencing after the date of Board of Regents approval nor without a recommendation of the Chancellor and the Council of Presidents after consultation with the faculty senates, with consideration of alternative means of reducing expenses to meet budget reductions and methods of maintaining recognition of base pay and salary schedules. The pay reductions or unpaid leave shall be for no more than two years. If the final legislative action continues to generally reduce all state employee pay beyond a two year period, the Board of Regents may likewise extend such reductions beyond two years, up to a cumulative cap of 6% for the entire period of the reduction, based on the same process of consultation and recommendation required for the initial implementation.***