



## Covid-19 Guidance of Financially Driven Employment Actions

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In many parishes and schools, the forgivable loans obtained through the federal Paycheck Protection Program (PPP) were substantially responsible for continuing employment, compensation and benefits for parish and school employees. The funding provided great stability at a time when offertory and fundraiser income were down by an average of 20%. For most locations we are, however, coming to the end of the coverage periods and/or have exhausted the funding provided. The financial picture of our parishes and schools while generally predictable, has become unstable and uncertain. The question before leadership is how to maintain financial stability and still meet the needs of parishioners and families.

**In General, Parishes and School should actively manage their financial situation when their overall available cash and other assets fall below 2 months of operating needs.**

Items that can help parishes and schools manage their financial situation during the coming months are:

1. Archdiocesan grant to each parish and school in the amount of their July health, dental and Vision premiums.
2. A parish or school may borrow up to \$50,000 from the Archdiocese from funds made available by the Knights of Columbus.
3. Pursuit of Federal Tax Credits

If employee actions are deemed necessary after the above stability measures have been realized, the following options can be considered:

- Employee Furloughs
- Temporary Layoffs
- Permanent Changes/Reductions in Hours Worked
- Position Eliminations

These employee actions cannot be taken lightly and therefore before implementing any cost cutting measures related to employees, please contact your Regional Controller and Employee Relations Manager.

### **Financial Indicators**

The primary financial indicator of the short term stability of a parish or school is cash, both the current cash balance as well as the projected cash flow.

1. Current Cash Balance – it is necessary to determine how many months of operating expenses the parish or school could cover with its current cash balance. This can be determined through the following calculation:
  - a. Accumulate all cash and cash equivalent balances at month end, these include: operating checking and savings, payroll checking, any bank accounts including the IPLF that have not been restricted by a donor or are restricted for a cemetery, CD's and money markets. This total becomes the numerator.
  - b. Run a profit and loss in QuickBooks Online for February 1, 2020 – May 31, 2020. Take the total expenses and divide by four, this becomes the average monthly expenses which is the denominator. Perform the following calculation:

$$\frac{\text{Total Cash \& Cash Equivalents}}{\text{Average Monthly Expenses}} = \text{Months of Operating Cash}$$

If the calculation above results in an estimate of 2 months of cash on hand or less, the parish should take decisive action in addressing this financial challenge with one or both of the options mentioned above.

2. Projected Cash Flow – it is also necessary to predict the flow of cash for the next six months. This is determined by estimating the cash inflows and outflows each month and adding the net cash flow to the total determined in 1.a. above. This analysis will anticipate when cash will be low as well as when cash may dip below 2 months of operating cash and therefore provide the information needed to determine if the location should pursue a KOC loan and/or employee actions. As stated previously, if the calculation above results in an estimate of 2 months of cash on hand or less, the parish should take decisive action in addressing this financial challenge with one or both of the options mentioned above.

### **Knights of Columbus Loan**

The Archdiocese will be offering small low-interest operating loans with the intention of stabilizing the operations of parishes and schools of the Archdiocese. The loans have been made possible through a line of credit facility offered by the Knights of Columbus.

*"It is critical for us to support the Catholic Church in the United States at this time, so that the Church can continue to provide irreplaceable spiritual and charitable support, and can keep the staff supporting its mission and outreach employed," said Knights of Columbus CEO Carl Anderson. "Our fund is designed specifically to help dioceses and their parishes weather this pandemic financially so that they can continue their important work – now and after the pandemic."*

The loans will be limited to 2 ½ times the average payroll up to a maximum of \$50,000. The same terms offered to the Archdiocese by the Knights of Columbus will be offered to parishes and schools receiving the loan. The loans will require monthly interest payments for a two year period. After two years, the loans will be converted into notes payable over a one to five year debt service period. Principal payments may be made at any time. There are no fees of any kind.

Interested parishes/schools should work with their Regional Controller to complete the loan application if based on the cash calculations above it is determined that this is a necessary option to stabilize the parishes financial position.

### **EMPLOYEE ACTIONS**

If, after consultation with the Regional Controller and use of the KOC loan facility, it is deemed necessary to consider negative employment decisions, the following options are available.

### **Employee Furloughs**

Furloughs are utilized in response to a short duration or temporary reduction in cash or diminished cash flow (no more than 10 weeks). Furloughs are a short-term alternative to laying off employees. Furloughs will reduce, but not eliminate, payroll costs. Typically, furloughs involve having employees working fewer hours each week or requiring employees to take a short defined amount of unpaid time off. Use of furloughs means that the parish/school has the intention of recalling the employee to work at the conclusion of the furlough period.

- A furlough may be characterized by having employees taking one unpaid day off each week for a defined number of weeks, with the result that the organization pays them for only 32 hours instead of the normal 40 hours each week.
- Another method of furlough is to require employees to take some short amount of weeks of unpaid time off during a short defined period.
- Furloughs may be a change in the schedules of nonexempt employees to a lesser number of hours each week. \*\*

Furloughed benefit-eligible employees keep their benefits, and the benefits costs to the parish or school will remain the same. Parishes, schools, and employees are all responsible for paying their portions of the cost of benefits. Employees furloughed for multiple weeks of unpaid time are likely to be eligible for unemployment benefits. Furloughed employees will remain active but unpaid within the HR UltiPro system. Furloughed employees are **not allowed to volunteer** their time to perform their paid duties.

**NOTE: Employees who are Exempt from the Fair Labor Standards Act may only be furloughed in increments of whole work days (not hours within a day), and their salary cannot be reduced below \$684 per week.**

### **Temporary Layoffs**

Conducting a temporary layoff of one or multiple numbers of employees is another option used to address a short-term negative impact to cash position or cash flow. Temporary layoffs differ from permanent position eliminations primarily based on the intention of the parish/school to recall the employee to work when the temporary situation improves. Temporary layoffs result in an employee's temporary separation from payroll. Employees can be temporarily laid off for a defined period of time (up to 16 weeks) due to a temporary lack of funds or lack of work. Under a temporary layoff, employees are typically eligible to collect unemployment benefits, and are free to pursue other employment.

**The parish/school is not required to provide/maintain employee benefits to the temporarily laid off employees.** However, Human Resources can work with parishes and schools that may exercise the option to allow employees to maintain their benefits coverage for the defined layoff period of time, thereby providing an incentive for the employee to remain available for recall. In such cases, parishes and schools will be responsible for the employer cost of benefits, but not salary, during a temporary layoff. Employees will be billed by the parish or school for their premium costs. As with furloughs, employees temporarily laid off are **not allowed to volunteer** their time to perform their paid duties. Employees who have been laid off temporarily are rehired at the end of the layoff period.

### **Permanent Changes/Reductions in Hours of Work**

Occasionally, an employee's duties are permanently reduced because of the determination that the responsibilities performed no longer require as many hours or the locations priorities have changed and the services provided by the employee will not be needed at the previous level. While such change in hours may be minimal, e.g. from 40 hours per week to 30, other changes may be more drastic and may affect the employee's eligibility for continued benefits. If an involuntary change in an employee's weekly work hours results in a change in status from benefit-eligible to non-benefit eligible, it is strongly recommended that health, vision, and dental benefits be continued for sixty (60) days following the

normal benefit termination date, at no cost to the employee. Life insurance is continued for ninety (90) days following the normal benefit termination date.

### **Position Eliminations**

If it is determined that the financial situation will extend beyond 10 - 16 weeks, the proper employment action maybe the elimination of position(s). Position elimination is a permanent employment action taken only in one or more of the following circumstances: lack of funds, lack of work, or position/organizational restructuring. In instances of position elimination, there is a firm belief that conditions will not change in the foreseeable future and the position is not likely to be refilled.

When a benefit-eligible employee's position is eliminated, the health, vision, and dental benefits should be continued for the employee for a period of sixty (60) days following the normal benefit termination date at no cost to the employee. Life insurance is typically continued for laid off employees for a period of ninety (90) days following the normal benefit termination date. Under Maryland law, terminated employees must receive payment for the value of any unused accrued vacation leave, payable in the normal pay cycle immediately following the effective date of termination. Unused sick and personal leave are not compensable. The provision of severance pay to the laid off employee should be given strong consideration by the parish/school.

### **Notices to Employees**

Whether implementing a furlough, a temporary layoff, or a reduction of hours or position elimination, a written notice must be provided in advance to the affected employee. In cases of position elimination, it is Archdiocesan practice to provide at least a 30 days' written notice to the employee being terminated. Please note that both State and Federal law require that affected employees receive a document providing certain details regarding pay, benefits if applicable, and employee rights regarding unemployment compensation. Template notices for furloughs and temporary layoffs are found below.

In addition to written communication, the supervisor should also meet personally with the affected employees. The conversation with affected employees should be held in a private area, without interruption. The Archdiocesan Employee Relations Manager will work with you to coordinate all aspects of the conversation, and can be present to support both you and the employee. Prior to the conversation, the Employee Relations Manager will work with you to prepare the necessary documents to provide to the affected employee.

## **Summary**

These actions will affect not only the employees being furloughed, laid off, or terminated, but also the employees whom you retain, and potentially the parish or school community. It is important to plan for and execute such actions with dignity and grace for those directly affected, with compassion and reassurance for those whom you retain and those you serve. It is also imperative that any employee actions taken, comply with all relevant State and Federal laws.

## TEMPLATE - NOTICE OF FURLOUGH

ON PARISH/SCHOOL LETTERHEAD

I regret to inform you that due to lack of [ parish/school ] funds caused by the significant effects of the current crisis, it is necessary to temporarily reduce our costs and this will have an effect on our staff.

I have decided that you will be subject to a furlough in next several weeks. This means that your paid work time will be temporarily reduced from your currently scheduled work days of [ describe ] each week and work hours of [ describe ] each day to a new temporary paid work schedule of [ describe ]. This furlough will be effective [date]. While I fully intend to recall you to a full schedule of work at the end of this crisis, there is no certain date at this time that I can provide that will trigger a reversion back to your full work schedule. As the situation becomes clearer, you will be contacted to advise you of when it is feasible to return to your usual work schedule. Should it become evident that the crisis situation will exceed the time frame that we currently reasonably believe, a further notice will be provided to you as soon as is possible. Please know that while I am appreciative of those who have offered to volunteer their time and service performing duties of their current job on non-paid work days, this is not allowed under applicable law.

In the State of Maryland, you may be eligible for the provision of unemployment benefits in the case of a furlough. This notice can be provided as documentation for the Maryland Department of Labor (MDOL) in considering your application for unemployment.

Information on applying for unemployment benefits is available at <https://www.dllr.state.md.us/employment/unemployment.shtml>.

While the [ parish/school ] is unable to continue paying your full salary for this period of time, there will be no impact to any employee benefits you have with the [ parish/school ]. Payroll withholding of the full employee cost of benefits will continue during this furlough period in the same way it is currently accomplished.

I know how difficult and stressful this may be for you and your family. The Employee Assistance Program (EAP) is a confidential, no-cost counseling and resource program that can help you during these difficult times. The EAP is staffed 24 hours a day, 7 days a week, by guidance consultants who can arrange for up to 5 free counseling sessions to help deal with personal matters such as stress and financial and budgeting concerns. You can speak with a guidance consultant by calling 1-800-297-4158 or visit the EAP's website at [www.guidanceresources.com](http://www.guidanceresources.com) (organization web ID is ARCHBALT).

My prayers are with you every day as we weather this crisis together. These are the times when we need God's grace more than ever. Please know we value you and desperately need your return to full employment as this crisis wanes.

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## TEMPLATE - NOTICE OF TEMPORARY LAYOFF

### ON PARISH/SCHOOL LETTERHEAD

I regret to inform you that due to lack of [ parish/school ] funds caused by the significant effects of the current crisis, it is necessary to temporarily reduce our staff.

You will be temporarily laid off effective [date] and the date of your last pay will be [date]. While I fully intend to recall you to work at the end of this crisis, there is no certain date at this time that I can provide that will be your return to work date, but your return date will be no later than 10 weeks from the date of this notice [ calculated date ]. As the situation becomes clearer, you will be contacted to advise you of when it is feasible to return to work. Should it become evident that the crisis situation will exceed 10 weeks, a further notice will be provided to you as soon as is possible.

In the State of Maryland, a temporary layoff typically provides the basis for the provision of unemployment benefits. This notice can be provided as documentation for the Maryland Department of Labor (MDOL) in considering your application for unemployment. Information on applying for unemployment benefits is available at <https://www.dllr.state.md.us/employment/unemployment.shtml>. According to the MDOL, temporary layoffs of 10 weeks or less do not require the job search that is normally associated with employees who are laid off on a permanent basis.

[ Choose one of the following two options. ]

\* \* \* \* \*

#### OPTION 1:

This temporary layoff will affect your benefits as follows:

**Medical/Dental Benefits:** Your coverage will end at 11:59 p.m. on [ date ]. You will receive information from Discovery Benefits, via regular mail, regarding continuing the coverage at your own expense. Upon your recall to work, we will reinstate your coverage.

**Life Insurance:** Your coverage will end at 11:59 p.m. on [ date ]. You will receive information via regular mail at a later date regarding converting the policy to an individually held plan, with the full premium cost to be paid by you. Upon your recall to work, we will reinstate your coverage.

**403b Retirement Plan:** [ Parish/School ] contributions to your 403b account will be stopped effective [ date ]. Upon your recall to work, we will begin contributions. If you currently contribute to the 403b retirement plan, your final contribution will be made as of the date of your final pay.

**Pension Plan:** If you have been a participant in the Archdiocesan Lay Employee Defined Benefit and Defined Contribution Retirement Plan (Pension Plan) and have



any questions related to the Plan as it relates to this temporary layoff, please send an email with your questions to [Insure@archbalt.org](mailto:Insure@archbalt.org).

OPTION 2:

While the [ parish/school ] is unable to continue paying your salary for this period of time, I am continuing payment of the employer portion of your current employee benefits. While there will be no withholding of your employee cost of benefits during this layoff, you will receive a bill later from the [ parish/school ] for your portion of the cost of your benefits coverage during the layoff period, and will be responsible for paying for them.

\* \* \* \* \*

I know how difficult and stressful this may be for you and your family. The Employee Assistance Program (EAP) is a confidential, no-cost counseling and resource program that can help you during these difficult times. The EAP is staffed 24 hours a day, 7 days a week, by guidance consultants who can arrange for up to 5 free counseling sessions to help deal with personal matters such as stress and financial and budgeting concerns. You can speak with a guidance consultant by calling 1-800-297-4158, or visit the EAP's website at [www.guidanceresources.com](http://www.guidanceresources.com) (organization web ID is ARCHBALT).

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