

The following guidance is offered to HR professionals who are managing furloughed employees because their institution does not have adequate federal funds to support their position during the 2025 Federal Furlough.

**A. GENERAL**

**1. What is furlough?**

A furlough is the placement of an employee in a temporary non-duty, non-pay status because of lack of work or funds, or other non-disciplinary reasons.

**2. What is a shutdown furlough and why is a shutdown furlough necessary?**

If funds are not available through an appropriations law or continuing resolution, a “shutdown” furlough occurs. If there is a federal shutdown, a shutdown furlough will affect some state employees when their institution no longer has funds necessary to pay employees. Furloughed employees will be placed in Leave Without Pay (LWOP) status.

**3. When a federal shutdown occurs, will all the employees who are paid by federal funds be furloughed?**

No, only some federally supported state employees may be furloughed. In many cases, funds will be available to compensate the employee. During the shutdown, each institution’s budget staff will determine whether funds are available, consulting with the Office of State Budget and Management (OSBM).

Before placing any employee on furlough, institution HR staff must consult with their institution’s budget staff to determine whether funds are available to support the employee during the federal shutdown.

**4. What happens if an employee was partially—rather than fully—supported by federal funds, and if funds are not available during the shutdown to pay for the portion of the employee’s compensation that came from federal funds?**

That employee’s pay and regular work schedule will be reduced by the proportion supported by federal funds.

Before reducing an employee’s hours, institution HR staff must consult with their institution’s budget staff to determine whether funds are available to support the employee during the federal shutdown.

**5. Who should I contact with questions about the federal shutdown?**

For questions about which employees must be furloughed, or which employees must have their schedules reduced, contact your institution’s budget staff.

For questions about benefits for employees who have been furloughed or have had their schedules reduced, contact Benefits in the UNC System Office.

For information on furlough approvals and processing, contact Chris Chiron in UNC System HR.

**B. PROCEDURES**

- 1. What notice must be provided to an employee who is furloughed or who has their work schedule reduced? Can an employee be furloughed without first receiving written notice?**

The institution must provide the employee with written notice of the decision to furlough or reduce the employee's work schedule. If an institution needs a sample for this notice, contact Nancy Astrike at [nancy.astrike@nc.gov](mailto:nancy.astrike@nc.gov).

It is not required that written notice be given to the employee before the start of the furlough or work schedule reduction. Advance written notice (including through mail) is preferable, but it is permissible to provide notice by any reasonable means (such as by phone, in person, email to work or home email address, or by mail) promptly after initiating the furlough. If notice is initially provided by a verbal conversation, the institution must follow up with a written notice.

- 2. What notice must be provided to other institutions about employees who are furloughed or who have their work schedule reduced?**

Before furloughing or reducing the schedule of an employee due to the shutdown, institution HR staff must consult with their institution budget office to determine whether funds are available to support the employee during the federal shutdown.

In addition, within 24 hours after a furlough or schedule reduction occurs due to the shutdown, institutions must enter the employee's information into a Smartsheet kept by OSHR. The appropriate HR staff at the institution should request access to the Smartsheet form, entitled "Institution's Federal Shutdown Monitoring Report: Furlough Employees," by following this link: [2025 Federal Furlough Access Request](#).

This Smartsheet will be used to track and keep a centralized list of employees who have been affected by the shutdown. When a furlough ends, or when a schedule changes, this information must also be entered into the OSHR Smartsheet within 24 hours.

- 3. Does a furloughed employee need to apply for Leave Without Pay (LWOP) in advance?**

No. Although normally an employee must apply in writing to a supervisor for Leave Without Pay, this is not required when Leave Without Pay is caused by a shutdown furlough.

- 4. What happens to new employees who are scheduled to report to work in an impacted position for the first time during a shutdown furlough?**

Institutions must delay the hire date for any new employees who enter a position that is fully furloughed. If the position's work schedule is reduced due to the shutdown, but the position is not fully furloughed, employees may report to work in the position.

- 5. When a shutdown concludes, how should furloughed employees be notified to return?**

Institutions are responsible for establishing procedures for communicating with employees during the shutdown furlough.

The institution must provide the employee with a written notice about the end of the furlough or schedule reduction.

If immediate written notice is not possible, notice should be provided promptly through any reasonable means (such as by phone, in person, email to work or home email address, or by mail). If notice is initially provided by a verbal conversation, the institution must follow up with a written notice.

**C. WORKING DURING FURLOUGH**

**1. May an employee volunteer to do their job on a non-pay basis during a shutdown furlough?**

No. The state cannot allow its employees to volunteer additional time, without compensation, to do the same work for which they are employed.

**2. What happens to employees scheduled for training or travel during a shutdown furlough?**

Furloughed employees who are scheduled for training or travel during the federal shutdown remain on Leave Without Pay. As such, they are advised not to attend any scheduled training and to cancel or postpone any travel.

**3. May employees take other jobs while on furlough?**

Yes, but because the federal shutdown may end at any time, the state's Dual Employment and Secondary Employment policies continue to apply. Before engaging in outside employment, the employee should talk with their supervisor to obtain institution approval and ensure compliance with policy.

**D. PAY**

**1. Will employees who are furloughed get paid?**

Congress will determine whether furloughed employees receive pay for the furlough period. In the past, Congress has frequently provided retroactive pay, but there is no guarantee that Congress will take this action.

**2. Will employees receive pay for time worked up to the start of the furlough?**

Yes. Employees will receive payment in the next payroll cycle for all hours up to the start of the furlough.

**3. Will employees continue to receive longevity pay while on furlough?**

If the furlough is a brief LWOP period of less than half the regularly scheduled workdays and holidays in the month, then eligibility for longevity will be maintained. However, if the furlough continues for an extended period of more than one-half of the regularly scheduled workdays and holidays in the month, then eligibility for longevity is suspended until the employee returns to work and completes the necessary service time toward the longevity anniversary date. If the federal government provides retroactive pay to the beginning of the employee's furlough, then the time furloughed will count toward longevity eligibility.

**E. LEAVE AND OTHER TIME OFF**

**1. May a furloughed employee take previously approved paid time off (annual, sick, civil leave, military leave, etc.) during the furlough period?**

No. All paid time off during a shutdown furlough period will be canceled because the requirement to furlough supersedes leave and other paid-time-off rights.

- 2. If an employee is scheduled to take approved unpaid leave during a shutdown furlough, should the institution provide the employee with a furlough notice?**

It depends. If the employee is not expected to work during the furlough period (for example, a one-year period of Leave Without Pay for a military deployment), then the institution is not required to provide the employee with a furlough notice. If, however, the employee is scheduled to return from unpaid leave during the anticipated furlough period, the employee should be provided with a furlough notice (effective the date of the scheduled return).

- 3. Does LWOP under the Family and Medical Leave Act (FMLA) that is scheduled to be taken during a shutdown furlough period count toward the employee's 12-week FMLA leave entitlement?**

No.

- 4. If an employee is scheduled to take paid leave under FMLA during a shutdown furlough, should the employee be furloughed?**

Yes. An impacted employee must be placed in furlough status during any paid leave scheduled to be taken during a lapse in appropriations that makes it impossible for a state institution to continue funding the position. If an employee is scheduled to take paid leave under FMLA during the federal shutdown (either continuously or intermittently), the paid leave will be canceled, and the employee must be furloughed for any period during which paid leave was scheduled. As such, this period will be documented as furlough days. No days associated with a shutdown furlough period will be counted against an employee's 12-week FMLA leave entitlement.

- 5. Does the shutdown furlough affect the accrual of vacation leave and sick leave?**

If the employee is furloughed (placed in non-pay status) less than one-half of the regularly scheduled workdays and holidays in the pay period, the employee's leave accrual will not be affected for that period. However, if the furlough period results in an extended leave of absence without pay (more than one-half of the regularly scheduled workdays and holidays in the pay period), then the employee will stop earning vacation and sick leave for that period. If Congress orders retroactive pay at the end of the shutdown, there will be a retroactive vacation and sick leave accrual.

- 6. Will employees get paid for a holiday that occurs during a shutdown furlough?**

No.

- 7. Can employees on paid military leave continue to receive military leave benefits during a furlough shutdown?**

No. As with other types of paid leave, paid military leave will be canceled for days covered by furlough.

- 8. Will employees continue to receive a reservist differential payment while on active duty when they are furloughed from their state civilian employment?**

No. The reservist differential payments are intended to make up the difference between the employee's customary civil service compensation and their military pay. Such payments are made from funds of the employing institution appropriated for the payment of employees' salaries.

Since funds are not available for employees' salaries during furlough, no funds may be obligated towards any type of payment for reservist differential. However, if subsequent legislation is passed reimbursing employees their civilian pay for the period of the furlough, it will be necessary for the institution to calculate any reservist differential payments that may be owed.

## **F. BENEFITS AND PAY DEDUCTIONS**

### **1. Will an employee continue to be covered in under the State Health Plan during the federal shutdown furlough?**

Yes. The State Health Plan premium is paid one month in advance, and it is paid on a calendar month basis. For example, the January payroll included the cost of coverage for the month of February. (This answer applies not only to permanent employees, but also temporary employees who are enrolled in the High Deductible Health Plan.)

If the shutdown continues for several weeks, State Health Plan coverage will continue only if premiums are paid. The premiums will be paid through normal payroll deduction for employees who work at least 30 hours a week, even if those employees' work schedules have been reduced due to the shutdown.

For employees who have been furloughed or whose hours have been reduced to fewer than 30 hours a week due to the shutdown, the premiums for monthly coverage would need to be paid by the employee or from some other appropriate source.. The affected employee could elect and pay to continue coverage in these circumstances. If Congress approves retroactive pay, the employee would only be responsible for paying the employee's share of the premium. If Congress does not approve retroactive pay, employees would be responsible for the cost of the employee and employer premiums.

### **2. What happens if an employee decides to terminate State Health Plan Coverage while on furlough to avoid the expense?**

The furlough is a qualifying life event, which means the furloughed Plan member may change their plan election, including dis-enrolling from the Plan. If the furlough results in loss of eligibility, then the employee will be offered the opportunity to continue coverage on a self-pay basis through COBRA. The decision to change the employee's coverage election must be made within 30 days of the qualifying event (furlough notification).

### **3. What happens to an employee's NCFlex Flexible Spending Health Care or Dependent Care coverage if furloughed?**

NCFlex premiums are paid the same month as coverage. Payroll deduction for NCFlex benefits will cease for any employee that is fully furloughed and does not receive pay. Furloughed employees can continue their NCFlex coverage by paying the vendors directly. Refer to this page for guidance on paying the vendors directly — <https://oshr.nc.gov/coverage-continuation-options-separation-employment-guide/open>

The health care flexible spending account cannot be used for health care claims incurred during the non-pay status unless the employee chooses to continue to pay the elected monthly contribution on a direct pay basis, as described above. Dependent daycare coverage will also not continue while the employee is in non-payment status. The funds available in the employee's account are equal to the amount that has been contributed to the account (via payroll deductions). Such deductions will resume when the shutdown concludes.

**4. What happens to an employee's coverage under the NCFlex insurance programs if furloughed?**

The employee's NCFlex insurance programs' coverage will terminate effective the last day of the month of the beginning of the furlough, unless the employee continues their NCFlex coverage by paying the vendors directly. Refer to the Enrollment Guide at this link -- <https://oshr.nc.gov/ncflex-2025-university-enrollment-guide/open>. NCFlex continues to work with vendors, and NCFlex will reach out to institutions if there is an update to this answer.

**5. Does an institution continue to pay an injured employee for workers' compensation benefits during the furlough?**

Yes. State law requires the payment of Workers' Compensation benefits. Funding for workers' compensation benefits comes from a different source than the position funding.

**6. Does an institution continue to pay an employee for Short-Term Disability (STD) during furlough?**

Yes. Retirement System law requires the payment of STD benefits if eligible, even if the employee has separated from employment after the disability begins. Funding for STD comes from a different funding source than the position funding. The furlough does apply to employees who choose to exhaust leave in lieu of STD benefits or during the waiting period to begin STD.

**7. What happens to payroll deductions if there is no pay to cover those deductions?**

Deductions below will be handled as follows for the next payroll:

- *SECU deductions* (mortgages, car payments, loans) will stop if there is no pay to cover the deduction. The employee will need to work directly with the SECU to cover the missed payment, since it will not be payroll-deducted. Once the furlough ends, deductions may not automatically restart. Employees may need to re-authorize SECU to restart the deductions. Contact your institution's payroll office for guidance.
- *Garnishments* (child support, IRS agreements, student loans, bankruptcy) will not be taken if there is no pay to cover the deductions. Employees must work directly with the applicable institution to make payment to avoid any applicable penalties. Once the furlough ends, deductions will automatically restart, but there will be no catch-up deductions for the payments that were missed during the furlough.
- *401K/457 contributions* will not be made if there is no pay to cover the contribution. Once the furlough ends, contributions will automatically restart, but the system will not automatically make additional contributions to make up for the payments that were missed during the furlough. If an employee wants to make up for the missed contribution, they can complete a one-time deferral form.
- *401K/457 loan payments* will not be made if there is no pay. Once the furlough ends, deductions will automatically restart, and the system will automatically make additional deductions for payments that were missed during the furlough. An employee with loan payments should contact their vendor to make arrangements to continue loan payments during the furlough.

- *Employee association dues* will not be made if there is no pay. Once the furlough ends, deductions will automatically restart, and the system will automatically make additional deductions for payments that were missed during the furlough.

## G. EMPLOYEE ASSISTANCE

### 1. **Are employees entitled to unemployment compensation while on furlough?**

In the event of an extended furlough, employees may become eligible for unemployment compensation. However, if Congress approves retroactive payment for the furlough period, employees may have to pay back to the Division of Employment Security any unemployment compensation that they received. For more information about unemployment in North Carolina or to file a claim online, visit the Division of Employment Security (DES) website or call the DES Customer Call Center at 888-737- 0259 between 8 a.m. and 5 p.m. Monday through Friday.

### 2. **Does the State Employees Credit Union (SECU) provide any services to assist with financial hardships resulting from the furlough?**

Yes. The SECU can help with some services to employees who are furloughed because of a federal shutdown. Employees should contact their local SECU branch for assistance.

### 3. **Are employees who have been furloughed eligible for Employee Assistance Program (EAP) services?**

Yes. Furloughed employees are eligible for EAP services.

## H. SERVICE CREDIT

### 1. **Is the period of furlough (LWOP) considered a break in service?**

No. The furlough period is not considered a break in service and therefore does not impact an employee's career status, nor does the employee have to work another probationary period upon return to work. However, the period of furlough may affect the calculation of creditable service for certain purposes.

### 2. **Will an employee receive state service credit during the furlough period?**

The ability to receive state service credit depends on the duration of the furlough. If the furlough lasts for less than one-half of the regularly scheduled workdays and holidays in the month, then the employee continues to receive total state service credit for that month. However, if the furlough lasts for more than one-half of the regularly scheduled workdays and holidays in the month, then the employee will not receive total state service credit for that month. This will impact the employee's longevity due date. If the Congress approves funds for retroactive pay to the beginning of the furlough, then total state service credit will be awarded.

### 3. **Will an employee receive Retirement Service Credit during the furlough period?**

It depends on the duration of the furlough. If an employee receives a paycheck, then retirement contributions are made. If an employee is placed on LWOP, an employee is not making contributions to the Retirement System, so the system does not allow Retirement Service Credit.

If the Congress approves funds for retroactive pay to the beginning of the furlough, then Retirement Service Credit will be awarded, provided the retroactive period is less than 90 days.



**4. Can an employee purchase Retirement Service Credit for the period of LWOP due to furlough upon return to work?**

The ability to purchase Retirement Service Credit depends on how many years of retirement service credit the member has in the Retirement System. Any member in service with five or more years of credited membership service may purchase creditable service for periods of service which were interrupted due to involuntary administrative furlough due to a lack of funds to support the position. If the federal shutdown continues for more than a month, the furloughed employee could purchase creditable service for the period in which the employee was involuntary furloughed, provided the employee meets all other requirements.

**I. PAYMENTS UPON SEPARATION FROM STATE SERVICE**

**1. How does a shutdown furlough impact a separating employee's lump sum payout of their unused leave (i.e., vacation/bonus, comp time, etc.) and longevity?**

During a shutdown furlough, any payments incurred by the institution for an employee's lump sum separation payment will be delayed until funds are available.