GOVERNOR ARNOLD SCHWARZENEGGER

December 19, 2008

Dear State Worker,

Our state's fiscal crisis has worsened dramatically in the past few weeks without legislative action to address our budget crisis. We face an approximately $15 billion General Fund deficit this fiscal year, and that number is estimated to grow to $42 billion over the next 18 months. Without immediate action, the state will not have enough cash to meet its obligations starting in February.

Californians can be proud of the services you provide day in and day out, and I appreciate your dedication and work. But it is imperative that state government look inside itself and be part of the solution. We simply have no other choice. The emergency steps I am announcing will require sacrifices from everyone, including those in my own office. As difficult as these measures are, I know you will maintain your high standards of public service.

Please bear in mind that the actions outlined below are just part of a larger response we're initiating to address the state's imminent cash and budget crisis. I have made many difficult proposals to cut government services and raise revenues to resolve our financial problems beyond those impacting state workers. I am now compelled to take the following steps beginning next year:

- **Furloughs**: Beginning February 1, 2009, and lasting through June 30, 2010, rank-and-file employees will be furloughed two days per month. For employees who are not part of a bargaining unit (*i.e.*, exempt appointees, career executive assignment employees, supervisors and managers), we will implement an equivalent furlough or salary reduction plan effective February 1, 2009. We intend to implement these measures in a way that does not affect your retirement.

- **Layoffs**: I have instructed the Department of Personnel Administration to work with state agencies to initiate layoffs, reductions and other efficiencies to achieve General Fund savings of up to 10 percent starting February 1, 2009. This is in addition to reductions that I have already ordered for the current fiscal year. Employees in General Fund positions in the bottom 20 percent of seniority will receive "surplus" notices within the next month. Employees who receive these notices will not necessarily be laid off, and they will have hiring preference for non-General Fund positions for which they qualify.

Furloughs and the issuance of surplus notices are intended to minimize the impacts of layoffs to be phased in next year. I regret having to take these steps, but I wanted you to hear directly from me about them so you know what to expect.

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The nation's economy has left many families vulnerable and worried. The last thing we wanted was to compound these worries for our own employees. Nevertheless, we have an obligation to the people we serve to make whatever sacrifices are necessary to maintain essential services and programs.

Sincerely,

Arnold Schwarzenegger