

GOVERNOR ARNOLD SCHWARZENEGGER

August 8, 2008

Dear Valued State Worker,

I know you have many questions about the recent Executive Order and the practical effects that it has on you and your job, so I hope this letter provides as many answers as possible.

First, I want you to know how much we all value the work you do on behalf of the people of California. I am more than proud to lead such an incredible workforce that rises to meet the Golden State's every challenge and opportunity. Two recent examples immediately come to mind when we think of the high caliber of our state's employees. Earlier this summer, your concerted efforts made it possible to quell more than 2,000 fires across California and restore peace of mind to communities impacted by the flames. And, this year, you gave more to the annual charitable giving campaign than ever before – demonstrating that your dedication is matched only by your generosity.

Thank you for continuing to provide valuable services during this difficult time, and please know that I recognize your commitment to the state. No one takes this situation – or the impact it has on you – lightly. This is driven by a massive \$15.2 billion budget deficit now facing California, the result of a slow economy and a failing budget system. After being briefed by my Director of Finance about our precarious financial position and our faltering cash reserves, I was compelled to sign an Executive Order to address this problem and preserve as much cash as possible.

To achieve savings, the order prohibits overtime and promotions, enacts a hiring freeze and cancels the services for permanent intermittent, retired annuitant and other temporary employees, except for those whose functions are critical to preserving life and protecting public safety. In addition, a 2003 California Supreme Court decision (known as White v. Davis) says that, in the absence of an approved state budget, there is no legal authority to pay employee salaries except as required by federal law. As a result, under the law:

- •In the absence of a state budget, employees who are protected by the minimum wage and overtime provisions of the federal Fair Labor Standards Act (FLSA) must be paid the federal minimum wage of \$6.55 per hour if no overtime is worked.
- •Most supervisors and all managers fall under a different FLSA category and must be paid \$455 per week.
- •In the case of certain professions like attorneys and doctors, there is no wage requirement under FLSA, so they cannot be paid at all until there is a budget.

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Because the order exempts some employees who provide safety or 24-hour care, not all employees will be prohibited from overtime and, as a result, will not fall under the minimum wage rate in the White v. Davis case.

Beginning with the paycheck you are scheduled to receive at the end of August, you will be paid at one of the levels spelled out above, and will likely not be authorized to work overtime. But let me be clear: although you may temporarily be paid less, you are earning your full salary and benefits, and, once a state budget is passed, you will be fully reimbursed.

Thousands of state employees who are not being paid as a result of the late budget have already sought and received no-cost or low-cost loans from financial institutions that are helping state employees cover the amount of their typical paychecks. I encourage you to contact these institutions for assistance. The names of many participating institutions – and the answers to other technical questions you may have – are posted on the Department of Personnel Administration's website at www.dpa.ca.gov.

The administration is working diligently to conclude budget negotiations as quickly as possible, and I extend my sincere apologies that the budget impasse and our state's impending cash crisis have forced us to take this very difficult action. I am confident that a budget will be passed soon so we can get on with moving California forward to achieve great things. Thank you for your continuing dedication and work during this challenging time.

Singerely,

Arnold Schwarzenegger