DEPARTMENT OF PERSONNEL ADMINISTRATION

GRAY DAVIS, *Governor*

MEMORANDUM

DATE: June 11, 2003

TO: State Managers and Supervisors

M.M.

FROM: **Marty Morgenstern**
Director

SUBJECT: Impact of State Budget Crisis on Pay Raises

As you're aware, solving our State's fiscal crisis will involve program and service cuts in virtually every area of government to make up for an unprecedented decline in State revenues. All Californians are affected, including state employees who are working harder than ever to maintain service levels despite shrinking budgets.

We greatly value your hard work and believe you deserve a pay raise. Unfortunately, there simply isn't enough money. As the situation now stands, excluded employees designated managerial or supervisory will not receive the raise we had hoped to implement this July. We've met with the employee organizations representing excluded employees to inform them about this unavoidable budget impact.

This is just one small step in our effort to save $855 million ($470 million General Fund), the amount needed to close the 2003-04 budget gap in employee compensation costs. To achieve the full savings, we're also bargaining with the unions in an effort to defer raises previously negotiated for rank-and-file employees. To the extent our negotiations succeed, we'll be able to mitigate the need for layoffs and demotions in lieu of layoff.

We recognize that the news we have shared today is not pleasant. However, we believe it's a temporary setback in what we hope is your long-term career plan with the State. DPA will continue to work on solutions that eventually provide a fair compensation package for excluded employees and ensure you equitable treatment.

If you have any questions about this memo, you may contact Frank Marr, Labor Relations Officer, Supervisory and Excluded Programs, at (916) 324-0504 or e-mail frankmarr@dpa.ca.gov.

1515 "S" Street, North Building, Suite 400, Sacramento, CA 95814-7243
www.dpa.ca.gov