



STATE OF ARIZONA

JANET NAPOLITANO
GOVERNOR

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Dear Elected Officials, Cabinet Members, and Other Heads of Agencies, Boards and Commissions:

Signs of a slowing economy and pending budget shortfall were present early in the fiscal year. At my direction, the Office of Strategic Planning and Budgeting instructed state agency directors in July 2007 to reduce spending and control costs during FY 2008. As negative economic events continued to unfold during the fiscal year I directed the implementation of a Budget Management Plan in September 2007 to reduce state expenditures, which included deferring the hiring of positions without harming the core missions of state agencies.

A review of the headcount in the Arizona Department of Administration (ADOA) Personnel System, as well as the state's payroll, confirms that the hiring deferment actions to date have significantly limited the growth of state employment. Agencies were authorized an additional 513 full time employees in the FY 2008 budget; however, most of those positions were voluntarily left vacant. The limited number of new hires we made were offset by vacancies. Moreover, while the state's total payroll typically increases between 7% and 10% within a fiscal year, the FY 2008 payroll has experienced no growth despite the hiring activity of positions attributed to health, safety, and collections. Excluding these hires in health, safety, and collections, the net effect is that the state's workforce **decreased** by 88 positions as of February 2008.

As you know, the economic outlook for the nation and Arizona has changed considerably since the enactment of the state's FY 2008 budget. Unfortunately, collections in all of the state's major revenue categories continue to fall below projections. Correspondingly, budget forecasts continue to worsen and the state's budget deficit is currently estimated at \$1.15 billion.

Consequently, it is necessary to take further steps to continue our collective efforts to address the revenue shortfall. I am ordering a hiring freeze effective immediately for all Cabinet agencies. This hiring freeze will cover all positions except those that are vital to, and directly involved in, providing for the health or safety of the public or the collection or investment of state revenues. William Bell, Director of ADOA, will lead the implementation of the hiring freeze and will develop guidelines to fill mission critical positions beyond the stated exceptions. The freeze will be in effect until further notice.

I am also asking all other state government agencies, boards and commissions receiving General Fund monies to give strong consideration to implementing a hiring freeze and restrict hiring to mission critical positions. The collaborative involvement of other agencies, boards and commissions in this endeavor is critical given our economic climate.

In closing, please know that I remain steadfast in my commitment to protecting vital public services for our citizens while concurrently balancing the state budget in these economically challenging times.

Yours very truly,

A handwritten signature in black ink, appearing to read "Janet Napolitano".

Janet Napolitano
Governor