



REPORT TO COUNCIL City of Sacramento

915 I Street, Sacramento, CA 95814-2604
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Staff Report
July 20, 2010

**Honorable Mayor and
Members of the City Council**

Title: Resolution: Governor's Minimum Wage Directive for State Employees

Location/Council District: Citywide

Recommendation: Discussion and possible action.

Contact: Patti Bisharat, Interim Assistant City Manager, (916) 808-8197

Presenters: Patti Bisharat, Interim Assistant City Manager, (916) 808-8197

Department: Office of the City Manager

Division: n/a

Organization No: 09200

Description/Analysis

Issue: At the July 13, 2010 Council meeting, Council Member McCarty requested that a resolution be brought forward at the July 20, 2010 Council meeting regarding the Governor's Minimum Wage Directive for State Employees. This report transmits that resolution for discussion and possible action by the City Council.

Respectfully Submitted by: *Patti Bisharat*

Patti Bisharat, Interim Assistant City Manager

Recommendation Approved:

for Patti Bisharat
GUS VINA
Interim City Manager

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RESOLUTION NO.

Adopted by the Sacramento City Council

OPPOSING GOVERNOR SCHWARZENEGGER'S DIRECTIVE TO CUT STATE WORKERS' PAY TO THE FEDERAL MINIMUM WAGE AND URGING HIM TO RESCIND THIS ACTION.

Background

- A. State employees comprise nearly 1 out of every 5 workers in the total Sacramento workforce.
- B. The Sacramento region could lose about \$60 million a week in wages if Governor Schwarzenegger cuts most state workers' pay to the federal minimum wage of \$7.25 an hour.
- C. The weekly loss would be roughly equal to the city of Folsom's general budget for an entire year and would do additional damage to a region still bleeding from a collapsed housing market and 17 months of state worker furloughs.
- D. Estimates suggest that state worker furloughs have cost the region about 3,000 private sector jobs.
- E. Annualized, a drop to minimum wage for state worker pay would represent a direct loss of 3.4 percent of the Sacramento region's gross domestic product.
- F. The average pay for a state worker would drop from \$3,916 per month to \$1,256 per month.
- G. Cutting state worker's pay to minimum wage would affect the California economy by \$1.1 billion per month. At least \$170 million in state wages would temporarily disappear every week from the statewide economy.
- H. For every month that state employees' wages are cut to the federal minimum wage, the result is a \$777 million cut in total state workers' payroll. This will affect the State of California by resulting in a:
 - \$523.1 million loss in revenue to California businesses caused by foregone spending
 - \$270.9 million loss in revenue to California business suppliers caused by a reduction in orders
 - \$282 million decline in economic activity as businesses lay off workers who then scale back their spending
 - \$70.8 million loss in revenue to state and local governments. speculate
- I. Estimates total 6,646 private sector jobs lost statewide each month, with 1,856 jobs lost in Sacramento.
- J. Paying state employees minimum wage will place another financial strain on families that are struggling to meet basic financial obligations, exacerbating the economic difficulties the City of Sacramento and the State of California is already experiencing.

**BASED ON THE FACTS SET FORTH IN THE BACKGROUND THE CITY COUNCIL
RESOLVES AS FOLLOWS:**

Section 1. That the City of Sacramento strongly opposes Governor Schwarzenegger's directive to cut state worker's pay to minimum wage.

Section 2. That the City of Sacramento urges Governor Schwarzenegger to rescind his directive to pay state worker's federal minimum wage in light of the devastating effect to Sacramento's economy.