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# *The* FISCAL REPORT *an informational update*

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## **Governor Declares Fiscal Emergency—Calls Special Session**

On Monday, December 1, 2008, an uncharacteristically subdued Governor Schwarzenegger declared a fiscal emergency and called the newly sworn-in Legislature into special session. The Governor issued a proclamation under Proposition 58 of 2004, which gives the Legislature 45 days to pass legislation to address the fiscal emergency. If the Legislature doesn't act within that time frame, it is precluded from adjourning or acting on any other bill until the problem is solved. The Governor additionally called a second special session to address the state's economy, noting, "Without immediate action, our state is headed for a fiscal disaster and that is why with more than two dozen new legislators sworn in today-I am wasting no time in calling a fiscal emergency special session."

According to the Governor, the deficit over the next 18 months is estimated to be a staggering \$28 billion that he proposes to eliminate through a balance of cuts and revenue increases that must be addressed immediately. Likening the Budget deficit to an "accident victim bleeding to death along the highway," the Governor indicated that the first job is to stop the bleeding and he urged the public to call their legislators to pressure them to act immediately. The failure of the Legislature to act in November means that the hole in the Budget is \$1.5 billion to \$2 billion deeper. He also indicated that any delay will mean that more state employees will have to be laid off. He also noted that the state is in danger of running out of cash by late February or early March, at which time it would be unable to pay its bills, including funding for schools.

Schwarzenegger also indicated that his previously proposed economic stimulus package is critical to getting people back to work. In addition, he noted that he is working with President-elect Obama on a stimulus package to help California.

The ball is now in the new Legislature's court.

*-Terry Anderson and Nancy LaCasse*

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