

BROAD-BASED RELIEF

The COVID-19 Pandemic significantly destabilized low-income families over the past two years. Persistent supply chain disruptions and the Russian war in Ukraine have now driven inflation to its highest rates in 40 years, disproportionately affecting the ability of low-income households to cover basic needs.

Inflation is expected to exceed 7 percent in 2021-22, triggering an accelerated increase of the state's minimum wage on January 1, 2023. Under current law, the state's minimum wage will increase to \$15.50 per hour for all employers. The increase in minimum wage will help millions of households during a time of rising costs especially for immediate needs like food and gas. To further address rising prices and return tax proceeds to Californians, the Budget includes numerous proposals to provide broad-based relief to Californians totaling over \$17 billion.

BROAD-BASED RELIEF PACKAGE

The Budget provides \$17.2 billion of assistance and relief to millions of California families and small businesses facing elevated costs of living and continued economic pressures from the COVID-19 Pandemic. This includes \$449 million for relief and support of small businesses as described in the Economic Growth, Job Creation, and Expanded Opportunity Chapter.

BETTER FOR FAMILIES TAX REFUND

The Better for Families tax refund will return an estimated \$9.5 billion to taxpayers by providing payments to over 17 million California families to help offset the rising price of gas, food, and many other goods and services. The tax refund is broad-based, with payments going to 97.5 percent of tax returns for individuals who are not claimed as dependents on another return. Payments are structured progressively so that taxpayers in lower income tiers receive a larger amount. Taxpayers claiming at least one dependent will receive an additional benefit. Overall, the majority of payments, or almost 86 percent, are estimated to go to single filers earning up to \$75,000 and to joint filers earning up to \$150,000.

Payments are expected to be distributed to California taxpayers beginning in October 2022. The amount each taxpayer will receive is determined as follows:

- Single filers earning up to \$75,000 and joint filers earning up to \$150,000 will receive \$350 per taxpayer, plus an additional \$350 if they claimed one or more dependents. The maximum payment issued under the program will be \$1,050.
- Single filers earning more than \$75,000 and up to \$125,000 and joint filers earning more than \$150,000 and up to \$250,000 will receive \$250 per taxpayer, plus an additional \$250 if they claimed one or more dependents.
- Single filers earning more than \$125,000 and up to \$250,000 and joint filers earning more than \$250,000 and up to \$500,000 will receive \$200 per taxpayer, plus an additional \$200 if they claimed one or more dependents.

DIESEL SALES TAX PAUSE

The broad-based relief package includes a 12-month pause, effective October 1, 2022, on the state General Fund (3.9375-percent rate) portion of the sales tax rate on diesel fuel. This pause will provide relief and reduce cost pressures from rising diesel prices to the businesses who utilize the bulk of diesel fuel in the state. Given the role diesel plays in goods transportation, rising diesel prices can significantly increase businesses' operating costs, which in turn can indirectly affect the cost of a broad range of consumer products. This pause is estimated to reduce revenues by \$327 million in 2022-23 and \$112 million in 2023-24. Revenue from this portion of the diesel fuel tax is generally dedicated to the Public Transportation Account (PTA). The Budget continues making transfers from the General Fund to the PTA as if the full amount of tax were being collected, thereby having no impact on transportation funding.

EMERGENCY RENTAL ASSISTANCE

The Budget includes \$1.95 billion one-time General Fund in 2021-22 to repay the cash flow loan authorized by Chapter 2, Statutes of 2022 (SB 115), which allows the state to continue to make payments to individuals in the federal Emergency Rental Assistance Program while the federal government processes reallocations of unused rental assistance funding from other states. The state continues to seek federal reallocation funding, but the timing and amounts of such reallocations and repayments to the General Fund are still unknown. In total, the state and local governments have disbursed over \$4 billion in payments to help over 800,000 low and moderate-income individuals maintain their housing and avoid eviction.

ADDITIONAL UTILITY PAYMENTS SUPPORT

As part of the Energy Package investments, the Budget includes \$1.2 billion to address residential electric utility arrearages through the Department of Community Services and Development to mitigate the outstanding debt leading to increased utility rates. More information can be found in the Climate Change Chapter. The Budget also includes \$200 million to address residential water and wastewater arrearages. More information on this can be found in the Health and Human Services Chapter.

CALIFORNIA PREMIUM SUBSIDY PROGRAM

The Budget includes \$304 million for Covered California to reinstitute California's premium subsidy program that was in effect in 2020 and 2021 if federal action is not taken to extend American Rescue Plan Act premium subsidies for 2023 and beyond. The 2021 state subsidy program design would continue providing premium support for lower- and middle-income Californians under 600 percent of the federal poverty level.

TEMPORARY EXTENSION OF CHILD CARE AND PRESCHOOL FAMILY FEE WAIVERS

The Budget includes \$136 million one-time federal funds for the California Department of Social Services and \$21.3 million one-time General Fund (\$10.8 million Proposition 98 General Fund, \$10.5 million non-Proposition 98 General Fund) for the California Department of Education to waive family fees for state-subsidized preschool and childcare and development services from July 1, 2022 through June 30, 2023.

CALWORKS GRANT INCREASES

The Budget includes an ongoing 11-percent increase to CalWORKs Maximum Aid Payment (MAP) levels, which is estimated to cost \$296.2 million in 2022-23. These

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increased grant costs are funded entirely by the Child Poverty and Family Supplemental Support Subaccount of the Local Revenue Fund.

The Budget also includes a temporary 10-percent increase to CalWORKs grants, which is estimated at \$816.2 million through September 30, 2024, in addition to the ongoing MAP increase with intent language to increase CalWORKs grants to 50 percent of the federal poverty level beginning October 1, 2024, subject to an appropriation and determination that there are sufficient ongoing General Fund revenues.

SUPPLEMENTAL SECURITY INCOME/STATE SUPPLEMENTARY PAYMENT (SSI/SSP) INCREASE

The Budget includes \$150 million General Fund in 2022-23 and 2023-24 for an SSP increase effective January 1, 2023. Additionally, the Budget assumes \$296 million General Fund in 2023-24 and \$593 million ongoing General Fund for an additional increase beginning January 1, 2024.

FOOD BANK SUPPORT

The Budget includes \$112 million one-time General Fund in 2022-23 and \$52 million one-time General Fund in 2023-24 to support food banks to purchase, store, and transport food grown or produced in California.

HOSPITAL AND NURSING FACILITY WORKER RETENTION PAYMENTS

The Budget includes \$1.1 billion one-time General Fund for retention payments to hospital, skilled nursing facility, and other specified workers. Retaining essential workers in these settings is a priority of the Administration and these payments are designed to retain this critical workforce. More information on this can be found in the Health and Human Services Chapter.