

BROAD-BASED RELIEF

While wages have increased across the board, especially for high-income taxpayers, and corporate profits have surged, the COVID-19 Pandemic significantly destabilized low-income families over the past two years. Persistent supply chain disruptions and labor market frictions 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 go to \$15.50 per hour for all employers. The increase in minimum wage will help millions of households to help address rising costs. To further address rising prices and return tax proceeds to Californians, the May Revision includes additional numerous other proposals to provide broad-based relief to Californians totaling \$18.1 billion.

EARLY BROAD-BASED RELIEF PROPOSAL

The May Revision reflects the early budget proposal made by the Administration to provide broad-based relief to millions of Californians facing high gas prices and other inflation-induced price increases.

This proposal would provide a one-time refund of \$400 to each eligible owner of a registered vehicle. The proposal caps the number of rebates to two per registered

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vehicle owner for a total of \$800, excludes fleets and corporate-owned vehicles, and excludes vehicles over a certain value. This broad-based refund would return an estimated \$11.5 billion back to taxpayers.

To provide relief to millions of Californians who ride transit and rail, the broad-based relief package includes \$750 million in incentive grants to transit and rail agencies to provide free transit for Californians for three months. This proposal will provide an amount to agencies based on their 2019 fare revenues.

The broad-based relief package also includes a 12-month pause, effective October 1, 2022, on the General Fund (3.9375-percent rate) portion of the sales tax rate on diesel fuel. This pause will provide relief to the commercial sector that utilizes the bulk of diesel fuel in the state. 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 May Revision proposes to continue 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.

Complementing these relief efforts, the Administration proposed to accelerate its \$10 billion zero-emission vehicle (ZEV) plan to move California toward clean transportation options that reduce overall dependence on gas and fossil fuels and proposed additional investments in active transportation.

ADDITIONAL RELIEF FOR FAMILIES

In addition to the early action proposals noted above, the May Revision proposes the following additional state actions to provide relief to California families:

EMERGENCY RENTAL ASSISTANCE

The May Revision includes \$2.7 billion one-time General Fund in the current year for rental assistance through state and local programs established during the height of the pandemic. Amendments to the 2021 Budget Act (SB 115) authorized a General Fund cashflow loan 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 are still unknown. These payments have helped hundreds of thousands of low-income households maintain their housing and avoid eviction.

ADDITIONAL UTILITY PAYMENTS SUPPORT

As part of the Energy Package investments, the May Revision 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 May Revision 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 HEALTHCARE PREMIUM SUBSIDY PROGRAM

The May Revision includes \$304 million General Fund ongoing to re-instate the state-supported healthcare premium subsidy program administered by Covered California when federal subsidies expire on December 31, 2022. The state-supported premium subsidy program, established in the 2019 Budget Act, lowered the required contribution to zero for low-income enrollees, while establishing contribution caps for middle-class enrollees. More information on this can be found in the Health and Human Services Chapter.

TEMPORARY EXTENSION OF CHILD CARE AND PRESCHOOL FAMILY FEE WAIVERS

The May Revision 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.

HOSPITAL AND NURSING FACILITY WORKER RETENTION PAYMENTS

The COVID-19 Pandemic has placed a significant burden on those working in hospitals, nursing facilities, and psychiatric hospitals. The May Revision includes \$933 million one-time to provide retention payments for workers in hospitals, skilled nursing facilities, and psychiatric hospitals. 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.