

AFFORDABILITY IN CALIFORNIA

THEME

- Republicans seek to return California to greatness by making it more affordable for all Californians.
- To address affordability, the state must prioritize reducing California's high energy costs and prohibitively high taxes, as well as mitigate the impact of skyrocketing inflation.
- We must assist Californians that are struggling to break the cycle of poverty due to outdated, top-down state mandates.

SUMMARY

- **Inflation** – Inflation hit a 39-year high in December, increasing at its fastest pace since 1982.
- **Taxes** – California has some of the highest statewide taxes and has among the highest local tax rates, creating a regressive burden. It also imposes heavy taxes on gas and small businesses.
- **Housing** – The state's median home price is more than double the national average and highest in the continental U.S. This barrier makes it much harder for all Californians to build personal wealth through homeownership.
- **Energy** – Californians pay the highest average energy rates in the U.S., in part due to political mandates and high taxes.

ISSUES

➤ **INFLATION IS SKYROCKETING**

- Inflation, or the cost of goods and services, hit a 39-year high in December 2021.
- The consumer price index jumped 7% this past year, the fastest pace since 1982.
- Inflation increases will weigh more heavily on low- and middle-income families, as spending on essentials like food, shelter, clothing, transportation account for a much higher share of income than higher income families.

➤ **TAXES HAVE REGRESSIVE IMPACT.**

- California's taxes are among the highest in the U.S. and some taxes, like the regressive sales and gas taxes, stand out as particularly harmful to low- and middle-income households.
- The 7.25% statewide base sales tax rate is highest in the nation, and ninth highest (at 8.68%) when combined with locally imposed sales taxes.
- With the adoption of SB 1 (2017), California now also imposes the highest gas tax rate in the nation, further hurting working families and small businesses.

➤ **HOUSING COSTS HURT EVERYONE.**

- California's median existing home price was \$782,480 in November 2021, the second month below \$800,000 since March 2021, and a staggering 10% increase since October 2020.
- High rents and rising prices place housing out of reach, with 47% of Californians – including 61% of renters – claiming that housing costs are a financial strain on themselves and their families.
- The housing crisis is a problem of supply – there are simply not enough homes for everyone who needs one and it's too difficult and expensive to build more.
- High fees on homebuilders, limited land availability, restrictive zoning, the misuse of environmental laws by special interests, and "NIMBYism" all contribute to this problem.

➤ **ENERGY POLICIES IGNORE STEEP COSTS.**

- Compared to average prices for the US, Californians pay a 46% premium for automobile gas, a 37.4% premium for diesel fuel, a 73% premium on residential electricity, an 81.6% premium on commercial electricity, and nearly 50% premium for residential natural gas.
- One driver of the increase is California's renewable energy mandate, which requires utilities to phase out existing energy sources like natural gas and nuclear power in favor of more expensive renewables.
- Other laws, like ZEV mandates and gas taxes, raise prices and hinder competition among resources.

SOLUTIONS

Assembly Republicans should pursue an affordability agenda by doing the following:

- Pursue broad-based tax reform to reduce the impact of taxes and mitigate the impact of rising costs for goods and services.
- Repeal SB 1 and utilize the General Fund surplus to maintain and improve our highways, streets, and roads, instead of asking more from taxpayers.
- Declare a housing emergency and waive unnecessary regulations that make it harder to increase the housing supply, bringing home prices within the reach of all Californians.
- Pause unnecessary mandates that drive up utility customer bills, and enforce the duty to make urgent grid upgrades.

REFERENCES:

➤ **INFLATION**

- **39-year high** – [Inflation up 7% in December 2021](#).
- **Inflation** – [Impact of inflation in past two years](#), by the Public Policy Institute of California.

➤ **TAXES:**

- **State Sales Tax** – Statewide rate: 7.25%; [average](#) local rate: 1.43%.
 - Sales taxes by local jurisdiction range from 7.25% to 10.75% ([page 273 of the 2022-23 Governor's Budget](#)).
- **SB 1 (2017)** imposed a \$5.2 billion tax increase to fund transportation, including a \$25-\$175 annual vehicle registration tax, a 19.5 cent/gallon gas tax increase, a 20 cent/gallon diesel excise tax increase, and a 4% diesel sales tax increase.
- **State Income Tax** – Rates by income bracket for single taxpayers (according to [California Taxpayers Association](#)):

Taxable Income	Taxable Rate
\$0 to \$9,325	1%
\$9,325 to \$22,107	2%
\$22,107 to \$34,892	4%
\$34,892 to \$48,435	6%
\$48,435 to \$61,214	8%
\$61,214 to \$312,686	9.3%
\$312,686 to \$375,221	10.3%
\$375,221 to \$625,369	11.3%
\$625,369 to \$1 million	12.3%
\$1 million +	13.3%

➤ **HOUSING**

- Details regarding real estate activity, see the Department of Finance's monthly finance Bulletins for [December 2020](#) and [December 2021](#).
- The Legislative Analyst's Office issued a comprehensive report on the state's housing crisis in 2015, which underscores the supply shortage issue. It can be found here: <https://lao.ca.gov/reports/2015/finance/housing-costs/housing-costs.aspx>
- According to a [PPIC survey](#), 47 percent of Californians—including 61 percent of renters—say housing costs are a financial strain on themselves and their families
- [Zoning ordinances](#) and [the California Environmental Quality Act](#) are two major regulations impeding new housing.

➤ **ENERGY:**

- The California Center for Jobs and the Economy compares [California energy prices](#) across other states.
 - [The Renewable Portfolio Standard \(RPS\)](#) requires electric utilities to increase gradually the share of renewable resources they use to generate power: 33% by 2020 to 60% by 2030. Additionally, [SB 100](#) establishes state policy to achieve a goal of 100% renewable energy and zero-carbon electrical generation resources by 2045.
 - [Zero-emission vehicles \(ZEVs\)](#) utilize non-polluting technologies, and the state has developed programs to encourage their uptake. California requires carmakers to sell increasing numbers of ZEVs in state, utilities subsidize ZEV infrastructure (at ratepayer expense), and the state provides rebates for purchases, among other things.
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