

## 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 increase the supply of housing to mitigate price increases.
- We must assist Californians that are struggling to break the cycle of poverty due to outdated, top-down state mandates.

### SUMMARY

- **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. Electricity rates poised to increase as the Public Utilities Commission includes new rate increases for companies like Pacific Gas & Electric.

### ISSUES

#### ➤ **TAXES HAVE REGRESSIVE IMPACT**

- California's progressive income 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 8.85%) 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, including the 57.9 cents/gallon excise tax, which will increase by 3.5 percent to 59.9 cents/gallon on July 1, 2024.

#### ➤ **INFLATION**

- Inflation is currently down, hovering around 3.2%, but recent inflation spikes in 2021 and 2022 have resulted in the increased price of mortgage rates (discussed more below).
- Inflation had a significant impact on the price of food in California. The price of food increased by more than 11% (on average) in 2021 and 2022, following an average \$2.27% from 2013 to 2020.

#### ➤ **HOUSING COSTS HURT EVERYONE**

- California's median existing home price was \$840,360 in October 2023, more than double the US existing home median sales price of \$396,000 for the same month.
- Mortgage rates have skyrocketed, pushing home ownership out of reach for many. Mortgage interest rates fell to record lows in 2020 and 2021 during the COVID pandemic (below 3%), but 2022 was a different story. The average 30-year rate jumped to a high of 7.08% at the end of October 2022, fluctuated between 6% and 7% throughout 2023, and is estimated to average 6.8% in 2024.
- 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 56.4% premium for automobile gas, a 40.8% premium for diesel fuel, a 87.2% premium on residential electricity, an 101.7% premium on commercial electricity, and nearly 56.6% 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 prioritize General Fund resources 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 environmental and zero-emission vehicle mandates that drive up utility customer bills, and enforce the duty to make urgent grid upgrades.

## REFERENCES:

### ➤ TAXES:

- **State Sales Tax** – Statewide rate: 7.25% (Average statewide – 8.85% when including [average](#) local rate of 1.6%).
  - Sales taxes by local jurisdiction range from 7.25% to 10.75% ([California Department of Tax and Fee Administration](#)).
- **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.
- **Gas Taxes** – CDTFA reports Motor Vehicle Fuel ([gasoline](#)) [tax rates](#) each year.
- **State Income Tax** – Rates by income bracket for single taxpayers. Rates for all filing status included [here](#).

Taxable Income	Taxable Rate
\$0 to \$10,412	1%
\$10,412 to \$24,684	2%
\$24,684 to \$38,959	4%
\$38,959 to \$54,081	6%
\$54,081 to \$68,350	8%
\$68,350 to \$349,137	9.3%
\$349,137 to \$418,961	10.3%
\$418,961 to \$698,274	11.3%
\$698,271 to \$1 million	12.3%
\$1 million +	13.3%

### ➤ HOUSING

- Mortgage Rates skyrocketing (<https://themortgagereports.com/61853/30-year-mortgage-rates-chart#loan-purpose>)
- Details regarding real estate activity, see the Department of Finance’s monthly finance bulletin for [December 2023](#) and data collected by the [Federal Reserve Bank of St. Louis](#).
- 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.

### ➤ INFLATION

- Inflation impact on [mortgage rates](#).
- Inflation and other impacts on [food prices](#).

### ➤ 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.