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California Governor Proposes \$100 Billion Recovery Package.

- **Plan to expand stimulus checks to total \$11.9 billion**
- **May 14 is deadline for Newsom to present next year's budget**

California Governor Gavin Newsom said he plans to use a massive tax-collection windfall to help finance a \$100 billion economic recovery package, with the centerpiece a proposal to give \$11.9 billion of direct cash payments to most Californians.

The plan would build on a previous program distributing \$600 checks to qualifying low-income residents by expanding eligibility to the middle class. Two out of three Californians would receive a check of at least \$600, with families with children receiving an additional \$500. It would create the biggest state tax rebate on record, Newsom said Monday at a press conference in Oakland.

"We believe people are better suited than we are to make determinations for themselves on how best to use these dollars," Newsom said.

The Democratic governor is seizing on an unprecedented \$75 billion operating budget surplus, fueled by a surging economy and capital-gains taxes, to greatly expand the state's role in the recovery just as he is facing a potential recall election later this year. The windfall leaves Newsom and lawmakers with \$38 billion extra to spend as they see fit, since some of the money is already earmarked.

The state will get an estimated \$27 billion from President Joe Biden's stimulus plan, according to latest Treasury figures.

Newsom's plan would also spend \$5.2 billion on what he said would be the largest renter assistance package in the country and would allow low-income residents to cover their back-rent and their rent for several months into the future. It also spends \$2 billion to cover overdue water and utility bills.

Excess Revenue

Newsom will spend the week highlighting parts of a package he billed the "California Comeback Plan." He's required to present a revised budget for the next fiscal year by the May 14 deadline.

The announcement underscores the improved financial picture of the most-populous U.S. state, which last May girded for deficits because of the pandemic-spurred recession. But the state, with a progressive tax system that rakes in more revenue when the income of the highest earners rises, has collected more than it expected from its wealthiest residents. That group has reaped the benefits of rising stock prices and stable employment even as lower-income workers lost their jobs in the pandemic.

The checks may satisfy a requirement being triggered for the first time since 1986 that excess revenue be returned to taxpayers. The voter-approved state appropriations limit is meant to keep

inflation-adjusted per-person government spending under the 1979 level. Lawmakers are required to split excess revenue between taxpayer rebates and education funding.

Newsom said the rebate mandate isn't driving his proposal, but the \$11.9 billion in cash payments to taxpayers earning less than \$75,000 a year is more than is required to fulfill it.

"The state is awash in cash," John Ceffalio, senior municipal research analyst at CreditSights Inc, said before the announcement. "California came into the pandemic in good fiscal shape and it's probably leaving it in even better fiscal shape."

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— *With assistance by Laura Mahoney*

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