



FISCAL YEAR 2024 TAX APPROPRIATIONS LIMIT

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**Fiscal Year 2023/24 Tax Appropriations Limit****Executive Summary**

In November 1979, California voters approved Proposition 4 (the Gann Initiative) and added Article XIII B to the California State Constitution. In 1980, the State Legislature added Division 9 (commencing with Section 7900) to Title I of the Government Code to implement Article XIII B. This legislation required the governing body of each local jurisdiction in California to establish a Tax Appropriations Limit (also referred to as the GANN Limit) on or before June 30 of each year for the following fiscal year. The Tax Appropriations Limit is based on actual appropriations during the State of California Fiscal Year 1978/79 and adjusted each year using population and inflation adjustment factors.

On June 5, 1990, California voters approved Proposition 111, amending Article XIII B. Proposition 111 allows local jurisdictions to choose among measures of inflation and population growth to compute and adjustment factor. The measures for inflation (price factors) include growth in California per capita income or growth in the City's gross assessed valuation due to new non-residential construction; while measures for population growth include population growth within the county or city.

The proposed Tax Appropriations Limit for Fiscal Year 2023/24 is \$589,380,150. In accordance with Proposition 111 guidelines, the Fiscal Year 2023/24 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. The recommended Fiscal Year 2023/24 adjustment factor was calculated using the percentage change in CPI (4.44%) and the population factor based on the percent growth in the City's population (-0.92%), resulting in an adjustment factor of 1.035. The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2023/24 of \$589,380,150; a 3.48% increase over the Fiscal Year 2022/23 Tax Appropriations Limit of \$569,554,482.

The Tax Appropriations Limit does not apply to all City revenues, or all General Fund revenues, but only to proceeds of taxes including property tax, sales tax, transient occupancy tax, motor vehicle license fees, and other local taxes, less the amount paid in debt service on both voter approved debt and qualified capital outlays (a fixed asset, including land, with a useful life of more than 10 years and a value that equals or

**Fiscal Year 2023/24 Tax Appropriations Limit**

exceeds \$100,000). Other revenues, including fees, licenses and permits, rents and concessions, and inter-fund transfers are not subject to the limit. The Fiscal Year 2023/24 Adopted budget projects the tax appropriations subject to the Tax Appropriations Limit to be \$120.73 million. The projected appropriations subject to the limit are estimated to be approximately \$468.7 million below the recommended limit of \$589,380,150.



Fiscal Year 2023/24 Tax Appropriations Limit

FY 2023/24 Tax Appropriations Subject to the Tax Appropriations Limit

Appropriations Subject to the Tax Appropriations Limit		FY 2023/24 Adopted Budget
Property Tax		46,504,550
Sales Tax (<i>excluding Prop 172</i>)		31,513,700
Business License Tax		4,099,770
Transient Occupancy Tax (<i>excluding Tourism Improvement District</i>)		35,430,000
Real Property Transfer Taxes		525,000
State Mandate Reimbursements		10,000
Other Discretionary State Grants and Aid		1,536,790
Interest Earnings (on proceeds of taxes)		1,106,578
Total Unadjusted Appropriations subject to the Limit	[A]	120,726,388
Adjustments for appropriations not subject to the Tax Appropriations Limit		
Annual Debt Service for Voter Approved Debt		-
Total Annual Debt Service	[B]	-
Qualified Capital Outlays		
Total Qualified Capital Outlays	[C]	-
Total Adjustments [D = B + C]	[D]	-
Total Adjusted Appropriations subject to the Limit [E = A - D]	[E]	120,726,388
Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit		
Prior Year (FY 2022/23) Tax Appropriations Limit	[F]	569,554,482
Adjustment Factor	[G]	1.0348
Tax Appropriations Limit for FY 2023/24 [H = F x G]	[H]	589,380,150
Projected appropriations are below the limit by [I = H - E]	[I]	468,653,762



Fiscal Year 2023/24 Tax Appropriations Limit

**Ten Year History of Price and Population Factors & Tax Appropriations Limits for
Fiscal Years 2014/15 through 2023/24**

<u>Fiscal Year</u>	<u>Price Adjustment</u>		<u>Population Adjustment</u>		<u>Total Adjustment</u>	<u>Appropriations Limit</u>
2014/15	1.1151	x	1.0038	=	1.1193	434,599,992
2015/16	1.0382	x	1.0094	=	1.0480	455,447,106
2016/17	1.0537	x	1.0203	=	1.0751	489,658,157
2017/18	1.0006	x	1.0369	=	1.0376	508,054,206
2018/19	1.0067	x	0.9972	=	1.0038	510,009,935
2019/20	1.0085	x	0.9999	=	1.0085	514,321,628
2020/21	1.0373	x	0.9943	=	1.0314	530,481,309
2021/22	1.0033	x	1.0048	=	1.0082	534,807,381
2022/23	1.0755	x	0.9902	=	1.0650	569,554,482
2023/24	1.0444	x	0.9908	=	1.0348	589,380,150

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

California Revenue and Taxation Code section 2227 requires the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2023, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2023-24. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2023-24 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. California Revenue and Taxation Code section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. The code section and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. California Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2023.**

Please Note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

JOE SPEPHENSHAW
Director
By:

Erika Li
Chief Deputy Director

Attachment

May 2023

Attachment A

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2023-24 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2023-24	4.44

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2023-24 appropriation limit.

2023-24:

Per Capita Cost of Living Change = 4.44 percent
Population Change = -0.35 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.44 + 100}{100} = 1.0444$

Population converted to a ratio: $\frac{-0.35 + 100}{100} = 0.9965$

Calculation of factor for FY 2023-24: $1.0444 \times 0.9965 = 1.0407$

Fiscal Year 2023-24

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2022 to January 1, 2023 and Total Population, January 1, 2023

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2022-2023	1-1-22	1-1-23	1-1-2023
Napa				
American Canyon	-1.35	21,631	21,338	21,338
Calistoga	-0.68	5,162	5,127	5,127
Napa	-0.92	77,533	76,821	76,821
St Helena	-0.46	5,380	5,355	5,355
Yountville	-0.86	2,211	2,192	2,778
Unincorporated	-1.10	22,357	22,112	23,218
County Total	-0.99	134,274	132,945	134,637

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

Fiscal Year 2023-24

Attachment C
Annual Percent Change in Population Minus Exclusions*
January 1, 2022 to January 1, 2023

County	<u>Percent Change</u> 2022-23	<u>--- Population Minus Exclusions ---</u> 1-1-22	1-1-23
Napa			
Incorporated	-0.97	111,917	110,833
County Total	-0.99	134,274	132,945
Nevada			
Incorporated	0.25	33,423	33,506
County Total	-0.26	100,926	100,667
Orange			
Incorporated	-0.46	3,018,568	3,004,808
County Total	-0.46	3,151,305	3,136,922
Placer			
Incorporated	0.59	296,653	298,408
County Total	0.21	409,441	410,305
Plumas			
Incorporated	-1.64	2,129	2,094
County Total	-1.23	19,232	18,996
Riverside			
Incorporated	0.24	2,024,892	2,029,837
County Total	0.34	2,423,020	2,431,270
Sacramento			
Incorporated	0.44	965,442	969,714
County Total	-0.02	1,568,532	1,568,233
San Benito			
Incorporated	0.53	44,674	44,913
County Total	0.19	65,543	65,666
San Bernardino			
Incorporated	0.20	1,860,675	1,864,456
County Total	0.12	2,150,981	2,153,467

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.