



FISCAL YEAR 2026 TAX APPROPRIATIONS LIMIT

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Fiscal Year 2025/26 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 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 exceeds \$100,000). Other revenues, including fees, licenses and permits, rents and concessions, and inter-fund transfers are not subject to the limit.



Fiscal Year 2025/26 Tax Appropriations Limit

Ten Year History of Price and Population Factors & Tax Appropriations Limits for Fiscal Years 2016/17 through 2025/26

<u>Fiscal Year</u>	<u>Price Adjustment</u>		<u>Population Adjustment</u>		<u>Total Adjustment</u>	<u>Appropriations Limit</u>
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
2024/25	1.0362	x	1.0038	=	1.0401	613,036,431
2025/26	1.0644	x	1.0056	=	1.0704	656,170,067

May 2025

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

California Revenue and Taxation Code Section 2227 requires the Department of 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, 2025, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2025-26. 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 2025-26 appropriations limit. Attachment B provides the city and unincorporated county population percentage change along with 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, 2025.**

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 STEPHENSHAW
Director
By:

ERIKA LI
Chief Deputy Director

Attachment

May 2025

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 2025-26 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2025-26	6.44

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2025-26 appropriation limit.

2025-26:

Per Capita Cost of Living Change = 6.44 percent
Population Change = 0.28 percent

Per Capita Cost of Living converted to a ratio: $\frac{6.44 + 100}{100} = 1.0644$

Population converted to a ratio: $\frac{0.28 + 100}{100} = 1.0028$

Calculation of factor for FY 2025-26: $1.0644 \times 1.0028 = 1.0674$

FISCAL YEAR 2025-26

Attachment B

Annual Percent Change in Population Minus Exclusions*
January 1, 2024 to January 1, 2025 and Total Population January 1, 2025

City	County	Percent Change 24-25	Population Minus Exclusions 1-1-24	Population Minus Exclusions 1-1-25	Total Population 1-1-25
American Canyon City	Napa	2.94	21,757	22,396	22,396
Calistoga City	Napa	-0.41	5,181	5,160	5,160
Napa City	Napa	0.28	77,520	77,736	77,736
St Helena City	Napa	-0.13	5,356	5,349	5,349
Yountville City	Napa	-0.54	2,056	2,045	2,638
Unincorporated	Napa	-0.30	21,840	21,775	22,845
Incorporated	Napa	0.73	111,870	112,686	113,279
County Total	Napa	0.56	133,710	134,461	136,124