

Gann Appropriations Limit

History

The voters of California, during a special election in 1979, approved Article XIII-B of the California State Constitution (informally known as Proposition 4, or the "Gann Initiative"), which restricts the total amount of appropriations allowed in any given fiscal year from the "proceeds of taxes."

In 1980, the State Legislature added Section 9710 to the Government Code which required the governing body of each local jurisdiction to establish, by resolution, an appropriations limit for the following year. The appropriations limit for any fiscal year was equal to the previous year's limit, adjusted for population changes, and the change in the U.S. Consumer Price Index (or California per Capita Personal Income, if smaller). The necessary statistical information is provided each year by the California Department of Finance.

In June 1990, the voters modified the original Article XIII-B (Proposition 4) with the passage of Proposition 111 and its implementing legislation (California Senate Bill 88). Beginning with the 1990-91 appropriations limit, a City may choose annual adjustment factors. The adjustment factors include the growth in the California Per Capita Income *or* the growth in the non-residential assessed valuation due to construction within the City, and the population growth within the County *or* the City. Under Proposition 4, if a city ends the fiscal year having more proceeds of taxes than the limit allows, it must return the excess to the taxpayers within two years (either by reducing taxes levied or fees charged).

Calculation of Limitation

Appropriations Limit for FY 2019/2020	\$40,011,845
Adjustment Factors:	<u>% Ratio</u>
Population Factor (City)	.9974
Price Factor	1.0373
Population Factor * Price Factor (.9974 X 1.0373)	1.034603
Appropriations Limit for FY 2020/2021	\$41,396,375

El Centro and the Future

The following table provides an analysis of the City of El Centro's appropriations limit. Historically, the City has remained well below its appropriations limit. For the 2020/2021 fiscal year, there is a significant gap of \$10,254,805 between the appropriations limit and the total City's appropriations. With such a sizable margin, the provisions related to the return of taxes clearly do not, and will not, apply the City of El Centro any time in the near future.

Fiscal Year	Appropriations Limit	Total City's Appropriations
2008/2009	26,271,167	19,901,958
2009/2010	27,113,421	19,085,418
2010/2011	27,056,483	17,291,416
2011-2012	28,165,799	18,978,203
2012/2013	29,486,775	19,280,830
2013/2014	31,350,339	19,985,907
2014/2015	31,362,566	22,830,292
2015/2016	32,912,190	25,794,510
2016/2017	34,853,022	26,639,019
2017/2018	36,395,617	32,235,812
2018/2019	38,482,178	30,052,295
2019/2020	40,011,845	30,793,677
2020/2021	41,396,375	31,141,570