

Gann Limit

The Appropriations Limit, established by the State of California per Article XIII B of the California State Constitution, sets a limit for the annual appropriations of tax proceeds for all municipalities.

Article XIII B was amended by Proposition 111 to change the method of calculating the annual appropriations limit. Prior to Proposition 111, the appropriations limit was adjusted annually by the change in the cost of living or by the change in California per capita personal income, whichever was less, and by the percentage change in the population of the City.

Under the guidelines set forth by Proposition 111, the annual appropriations limit will not exceed a base year adjusted by the change in population of the City or the County combined with either the change in California per capita personal income or the change in the local assessment roll due to local non-residential construction. Proposition 111 also changed the base year for all municipalities to 1986-87. Starting with a base year limit of \$1,008,643 for 1986-87 and increasing it to the 2006/2007 limit by using the guidelines set forth in Proposition 111, the calculation would be as follows:

Appropriations Subject to Limitation for Fiscal Year 2007-2008	
Proceeds from Taxes	\$ 1,655,590
Less: Current Year Limit (FY 07/08)	\$ 3,053,723
Excess of Appropriations limit over proceeds of taxes	\$ (1,398,133)
<i>* City is well below appropriations limit for FY 07/08</i>	

Section 9710 of the California Government Code, added in 1980 by the State legislature, requires the City Council to adopt the City's Gann appropriations limits for the following year by resolution. Resolution 2006-2888 was adopted by the City Council on June 27, 2006.

Below is information for five years on the appropriations limit:

Fiscal Year	Prior Year's Limit	Add Change in Personal Income	Add Change in Population	Appropriation Limit
2003-04	\$2,385,879	2.31%	1.65%	\$2,481,269
2004-05	\$2,481,269	3.28%	1.42%	\$2,599,045
2005-06	\$2,599,045	5.26%	1.13%	\$2,766,668
2006-07	\$2,766,668	3.96%	0.83%	\$2,900,101
2007-08	\$2,900,101	4.42%	0.84%	\$3,053,723