

FISCAL YEAR 2026 TAX APPROPRIATIONS LIMIT

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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 the 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 2026 is \$6,235,868,546. In accordance with Proposition 111 guidelines, the Fiscal Year 2026 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. The recommended Fiscal Year 2026 adjustment factor was calculated using the price factor based on the percent change in assessed valuation in new non-residential construction (10.91%) and the population factor based on the percent growth in the City's population (1.15%), resulting in an adjustment factor of 1.1219. The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2026 of \$6,235,868,546, a 12.19% increase over the Fiscal Year 2025 Tax Appropriations Limit of \$5,558,310,498¹.

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, other local taxes, and state subventions (unrestricted money received by a local agency from the state) 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. The Fiscal Year 2026 Draft Budget as modified by the May Revision, projects the adjusted tax appropriations subject to the Tax Appropriations Limit to be \$1,685,804,759, as outlined on Page 4. The projected appropriations subject to the limit are estimated to be approximately \$4,550,063,787 below the recommended limit of \$6,235,868,546.

¹ A rounding discrepancy of \$1 was identified during a previous year's audit and has been corrected. As a result, the Fiscal Year 2025 Tax Appropriations Limit was revised to \$5,558,310,497.

FY 2026 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT

Under Proposition 111, there are two options available for each of the major adjustment factors. The values of these factors for the purpose of calculating the Fiscal Year 2026 adjustment are as follows:

Price Factors:

- | | | |
|-----|--|---------------|
| (A) | Percent growth in State per Capita Personal Income:
(Source: Dept of Finance, California-Attachment 2A-2) | +6.44% |
| | Price Factor A | 1.0644 |
| (B) | Percent change in Assessed Valuation in new
non-residential construction:
(Source: San Diego County Assessor's Office-Attachment 2B) | +10.91% |
| | Price Factor B | 1.1091 |

Population Factors:

- | | | |
|-----|---|---------------|
| (C) | Percent growth in County Population:
(Source: Dept of Finance, California-Attachment 2A-3) | +0.44% |
| | Population Factor C | 1.0044 |
| (D) | Percent growth in City Population:
(Source: Dept of Finance, California-Attachment 2A-3) | +1.15% |
| | Population Factor D | 1.0115 |

Annual Adjustment Factors (rounded to 4 decimal places):

Based upon the actual data, the four annual adjustment factors are as follows:

$$\begin{aligned}
 (A \times C) &= (1.0644) \times (1.0044) = 1.0691 \\
 (A \times D) &= (1.0644) \times (1.0115) = 1.0766 \\
 (B \times C) &= (1.1091) \times (1.0044) = 1.1140 \\
 (B \times D) &= (1.1091) \times (1.0115) = 1.1219
 \end{aligned}$$

The recommended limit was calculated using the adjustment factor “(B x D)”, resulting in an 12.19% increase over the Fiscal Year 2025 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.1219 adjustment factor represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 2026 Limit:

$$\begin{aligned}
 \text{FY 2026 Limit} &= (\text{FY 2025 Limit}) \times (\text{Recommended Adjustment Factor}) \\
 &= (\$5,558,310,497) \times (1.1219) = \mathbf{\$6,235,868,546}
 \end{aligned}$$

FY 2026 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT**PRICE FACTOR (A)**

Percent growth in State Per Capita Personal Income
(2025-2026)

Price Factor = 6.44

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100

Adjustment Factor (A) = (6.44 + 100)/100

A = 1.0644

PRICE FACTOR (B)

	Total Assessed Valuation	Change in AV	New non-residential construction
2023	\$332,174,433,630		
2024	\$350,764,637,762	\$18,590,204,132	\$2,029,083,352

Price Factor = New non-residential construction/Change in AV *100
10.91

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100

Adjustment Factor (B) = (10.91 + 100)/100

B = 1.1091

POPULATION FACTOR (C)

Percent growth in County Population = 0.44

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100

Adjustment Factor (C) = (0.44 + 100) / 100

C = 1.0044

POPULATION FACTOR (D)

Percent growth in City Population = 1.15

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100

Adjustment Factor (D) = (1.15 + 100) / 100

D = 1.0115

ANNUAL ADJUSTMENT FACTORS

(A x C) Income x Cnty Pop	(1.0644 x 1.0044)	1.0691	Low Value
(A x D) Income x City Pop	(1.0644 x 1.0115)	1.0766	
(B x C) Non-residential x Cnty Pop	(1.1091 x 1.0044)	1.1140	
(B x D) Non-residential x City Pop	(1.1091 x 1.0115)	1.1219	High Value

FY 2025 Tax Appropriations Limit

'1'

\$5,558,310,497

Annual Adjustment factor

'2'

1.1219

FY 2026 Tax Appropriations Limit

'1x2'

\$6,235,868,546

FY 2026 TAX APPROPRIATIONS SUBJECT TO THE TAX APPROPRIATIONS LIMIT

Appropriations Subject to the Tax Appropriations Limit *

Property Tax	\$	843,760,294
Property Tax (1)		21,757,366
Sales Tax		370,805,174
Safety Sales Tax		12,657,066
Transient Occupancy Tax (TOT)		406,963,241
Property Transfer Tax		11,884,826
Business Tax		31,724,215
Rental Unit Taxes		7,284,502
Interest Earnings		5,500,000
State Subventions		38,000,000

Total Unadjusted Appropriations subject to the Limit	[A]	\$	1,750,336,684
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Adjustment for appropriations not subject to the Tax Appropriations Limit *

Annual Debt Service for Voter Approved Debt (G.O. Bonds)

Total Annual Debt Service for Voter Approved Debt (2)	[B]	\$	-
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Qualified Capital Outlays

2015A&B General Fund CIP Bonds	6,901,375
2016 Ballpark Refunding Bonds (3)	9,291,125
2018A Lease Revenue Refunding Bonds (4)	6,683,325
2020A General Fund CIP and Convention Center Expansion Refunding Bonds	16,267,267
2021A General Fund CIP Bonds	5,919,210
2023A General Fund CIP Bonds	4,610,873
2024A General Fund CIP Bonds	14,858,750

Total Qualified Capital Outlays	[C]	\$	64,531,925
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Total Adjustment	[D = B+C]	\$	64,531,925
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Total Adjusted Appropriations Subject to the Limit	[E = A-D]	\$	1,685,804,759
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Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit

Prior Year (FY 2025) Tax Appropriations Limit	[F]	\$	5,558,310,497
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Adjustment Factor	[G]		1.1219
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Tax Appropriations Limit for FY 2026	[H = F*G]	\$	6,235,868,546
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Projected appropriations are below the limit by:	[I = H-E]	\$	4,550,063,787
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(1) Ad Valorem Tax imposed for Zoological Exhibits which is subject to the appropriation limit.

(2) No Annual Debt Service for Voter Approved Debt in FY 2026.

(3) As a result of the dissolution of the Redevelopment Agency, the 2016 Ballpark Refunding Bonds debt service payment is paid from Transient Occupancy Tax revenue.

(4) The 2018A Lease Revenue Refunding Bonds refunded the 2010A Master Refunding Bonds which refunded the 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding CIPs and the 1996A Qualcomm Stadium Bonds. Stadium Bonds debt service is excluded, as revenues from stadium operations are sufficient to pay all debt service on those bonds.

* Source: FY 2026 Draft Budget and FY 2026 Final Proposed Budget (May Revision).

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS ⁽¹⁾
FOR FISCAL YEARS 2017 TO 2026**

Fiscal Year	Price Adjustment	Population Adjustment	Total Adjustment	Appropriations Limit
2017	1.0866	X	1.0094 = 1.0968	\$2,305,382,355
2018	1.1327	X	1.0112 = 1.1454	\$2,640,584,949
2019	1.1145	X	1.0133 = 1.1293	\$2,982,012,583
2020	1.1255	X	1.0054 = 1.1316	\$3,374,445,439
2021	1.1183	X	1.0027 = 1.1213	\$3,783,765,671
2022	1.0889	X	0.9963 = 1.0849	\$4,105,007,376
2023	1.1383	X	1.0013 = 1.1398	\$4,678,887,407
2024	1.0973	X	0.9987 = 1.0959	\$5,127,592,709
2025	1.0831	X	1.0008 = 1.0840	\$5,558,310,497
2026	1.1091	X	1.0115 = 1.1219	\$6,235,868,546

(1) In 1980, the State Legislature added Division 9 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 on or before June 30 of each year for the following fiscal year, pursuant to which the City of San Diego has been establishing this limit since 1981.

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.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

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
Carlsbad City	San Diego	-0.24	116,652	116,368	116,368
Chula Vista City	San Diego	0.19	280,590	281,137	281,401
Coronado City	San Diego	-0.41	17,471	17,400	22,610
Del Mar City	San Diego	0.05	3,948	3,950	3,950
El Cajon City	San Diego	-0.47	105,429	104,932	104,932
Encinitas City	San Diego	0.17	61,851	61,956	61,956
Escondido City	San Diego	-0.63	151,386	150,425	150,425
Imperial Beach City	San Diego	-0.35	26,462	26,369	26,369
La Mesa City	San Diego	-0.27	61,072	60,908	60,908
Lemon Grove City	San Diego	0.93	27,903	28,163	28,163
National City	San Diego	0.07	56,900	56,941	58,965
Oceanside City	San Diego	0.44	173,569	174,340	174,340
Poway City	San Diego	0.86	49,948	50,379	50,379
San Diego City	San Diego	1.15	1,378,448	1,394,234	1,408,937
San Marcos City	San Diego	-0.14	97,261	97,123	97,123
Santee City	San Diego	-0.60	59,928	59,568	59,568
Solana Beach City	San Diego	-0.52	13,054	12,986	12,986
Vista City	San Diego	-0.14	101,740	101,599	101,599
Balance of County	San Diego	-0.19	470,041	469,135	509,160
Incorporated	San Diego	0.54	2,783,612	2,798,778	2,820,979
County Total	San Diego	0.44	3,253,653	3,267,913	3,330,139

**ASSESSED VALUATION ATTRIBUTABLE TO
NEW NON-RESIDENTIAL CONSTRUCTION**

Percent change in Assessed Valuation in
new non-residential construction within the City

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2023 to CY 2024)}^2} \times 100$$

$$= \frac{\$2,029,083,352}{\$18,590,204,132} \times 100$$

$$= 0.1091 \times 100$$

$$= 10.91\%$$

¹ Source: San Diego County Assessor's Office

² Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2024 = \$350,764,637,762

Assessed Valuation for Calendar Year 2023 = \$332,174,433,630

Change in Assessed Valuation	$= \text{Assessed Valuation for 2024} - \text{Assessed Valuation for 2023}$ $= \$350,764,637,762 - \$332,174,433,630$ $= \$18,590,204,132$
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