

**FISCAL YEAR 2027 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 2027 is \$7,027,534,709. In accordance with Proposition 111 guidelines, the Fiscal Year 2027 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. The recommended Fiscal Year 2027 adjustment factor was calculated using the price factor based on the percent change in assessed valuation in new non-residential construction (11.10%) and the population factor based on the percent growth in the City's population (0.52%), resulting in an adjustment factor of 1.1168. The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2027 of \$7,027,534,709, an 11.68% increase over the Fiscal Year 2026 Tax Appropriations Limit of \$6,235,868,546<sup>1</sup>.

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 2027 Draft Budget as approved by the San Diego City Council, projects the adjusted tax appropriations subject to the Tax Appropriations Limit to be \$1,708,960,564, as outlined on Page 4. The projected appropriations subject to the limit are estimated to be approximately \$5,318,574,145 below the recommended limit of \$7,027,534,709.

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<sup>1</sup> The Fiscal Year 2026 Tax Appropriations Limit was revised to \$6,292,563,314 following correction of an annual adjustment factor. The revision has no impact on the City's compliance with the appropriations limit.

## FY 2027 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 2027 adjustment are as follows:

### **Price Factors:**

(A)	Percent growth in State per Capita Personal Income: (Source: Dept of Finance, California-Attachment 2A-2)	+4.95%
	<b>Price Factor A</b>	<b>1.0495</b>
(B)	Percent change in Assessed Valuation in new non-residential construction: (Source: San Diego County Assessor's Office-Attachment 2B)	+11.10%
	<b>Price Factor B</b>	<b>1.1110</b>

### **Population Factors:**

(C)	Percent growth in County Population: (Source: Dept of Finance, California-Attachment 2A-3)	+0.04%
	<b>Population Factor C</b>	<b>1.0004</b>
(D)	Percent growth in City Population: (Source: Dept of Finance, California-Attachment 2A-3)	+0.52%
	<b>Population Factor D</b>	<b>1.0052</b>

### **Annual Adjustment Factors (rounded to 4 decimal places):**

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

$$\begin{aligned}
 (A \times C) &= (1.0495) \times (1.0004) = 1.0499 \\
 (A \times D) &= (1.0495) \times (1.0052) = 1.0550 \\
 (B \times C) &= (1.1110) \times (1.0004) = 1.1114 \\
 (B \times D) &= (1.1110) \times (1.0052) = 1.1168
 \end{aligned}$$

The recommended limit was calculated using the adjustment factor “(B x D)”, resulting in an 11.68% increase over the Fiscal Year 2026 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.1168 adjustment factor represents the largest allowable increase to the appropriation limit.

### **Calculation of the Fiscal Year 2027 Limit:**

$$\begin{aligned}
 \text{FY 2027 Limit} &= (\text{FY 2026 Limit}) \times (\text{Recommended Adjustment Factor}) \\
 &= (\$6,292,563,314) \times (1.1168) = \mathbf{\$7,027,534,709}
 \end{aligned}$$

**FY 2027 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT**

<b>PRICE FACTOR (A)</b>			
Percent growth in State Per Capita Personal Income (2026-2027) Price Factor = 4.95			
Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (A) = (4.95 + 100)/100 <b>A = 1.0495</b>			

<b>PRICE FACTOR (B)</b>			
	Total Assessed Valuation	Change in AV	New non-residential construction
2024	\$350,764,637,762		
2025	\$367,338,322,587	\$16,573,684,825	\$1,839,536,829
Price Factor = New non-residential construction/Change in AV *100 11.10 Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (B) = (11.1 + 100)/100 <b>B = 1.1110</b>			

<b>POPULATION FACTOR (C)</b>			
Percent growth in County Population = 0.04			
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (C) = (0.04 + 100) / 100 <b>C = 1.0004</b>			

<b>POPULATION FACTOR (D)</b>			
Percent growth in City Population = 0.52			
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (D) = (0.52 + 100) / 100 <b>D = 1.0052</b>			

<b>ANNUAL ADJUSTMENT FACTORS</b>			
(A x C) Income x Cnty Pop	(1.0495 x 1.0004)	<b>1.0499</b>	Low Value
(A x D) Income x City Pop	(1.0495 x 1.0052)	<b>1.0550</b>	
(B x C) Non-residential x Cnty Pop	(1.111 x 1.0004)	<b>1.1114</b>	
(B x D) Non-residential x City Pop	(1.111 x 1.0052)	<b>1.1168</b>	High Value

FY 2026 Tax Appropriations Limit	'1'	\$6,292,563,314
Annual Adjustment factor	'2'	1.1168
FY 2027 Tax Appropriations Limit	'1x2'	\$7,027,534,709

**FY 2027 TAX APPROPRIATIONS SUBJECT TO THE TAX APPROPRIATIONS LIMIT**

<b>Appropriations Subject to the Tax Appropriations Limit *</b>			
Property Tax		\$	881,021,758
Property Tax <sup>1</sup>			22,801,395
Sales Tax			386,667,688
Safety Sales Tax			13,448,105
Transient Occupancy Tax (TOT)			400,711,028
Property Transfer Tax			12,027,095
Business Tax			29,263,574
Rental Unit Taxes			7,284,502
Interest Earnings			11,337,561
State Subventions			30,200,000
<b>Total Unadjusted Appropriations subject to the Limit</b>	<b>[A]</b>	<b>\$</b>	<b>1,794,762,706</b>
<b>Adjustment for appropriations not subject to the Tax Appropriations Limit *</b>			
<u>Annual Debt Service for Voter Approved Debt (G.O. Bonds)</u>			
<b>Total Annual Debt Service for Voter Approved Debt<sup>2</sup></b>	<b>[B]</b>	<b>\$</b>	<b>-</b>
<u>Qualified Capital Outlays</u>			
2020A Convention Center Expansion Refunding Bonds <sup>3</sup>			12,097,115
2021A General Fund CIP Bonds			5,920,337
2023A General Fund CIP Bonds			276,577
2024A General Fund CIP Bonds and Refunding Bonds <sup>4</sup>			14,857,125
2025 Ballpark Refunding Bonds <sup>3</sup>			8,458,375
2025A General Fund CIP Bonds and Refunding Bonds <sup>4</sup>			44,192,613
<b>Total Qualified Capital Outlays</b>	<b>[C]</b>	<b>\$</b>	<b>85,802,142</b>
<b>Total Adjustment</b>	<b>[D = B+C]</b>	<b>\$</b>	<b>85,802,142</b>
<b>Total Adjusted Appropriations Subject to the Limit</b>	<b>[E = A-D]</b>	<b>\$</b>	<b>1,708,960,564</b>
<b>Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit</b>			
<b>Prior Year (FY 2026) Tax Appropriations Limit<sup>5</sup></b>	<b>[F]</b>	<b>\$</b>	<b>6,292,563,314</b>
<b>Adjustment Factor</b>	<b>[G]</b>		<b>1.1168</b>
<b>Tax Appropriations Limit for FY 2027</b>	<b>[H = F*G]</b>	<b>\$</b>	<b>7,027,534,709</b>
<b>Projected appropriations are below the limit by:</b>	<b>[I = H-E]</b>	<b>\$</b>	<b>5,318,574,145</b>

<sup>1</sup> Ad Valorem Tax imposed for Zoological Exhibits which is subject to the appropriation limit.

<sup>2</sup> No Annual Debt Service for Voter Approved Debt in FY 2027.

<sup>3</sup> The 2020A Convention Center Expansion Refunding Bonds and 2025 Ballpark Refunding Bonds debt service payments are paid from Transient Occupancy Tax revenue.

<sup>4</sup> The 2024A Refunding Bonds refunded the 2012B Fire & Life Safety Refunding Bonds and 2013A Lease Revenue Bonds. The 2025A Refunding Bonds refunded the 2015A&B Lease Revenue Bonds, 2018A Lease Revenue Refunding Bonds and 2020A Lease Revenue Refunding Bonds.

<sup>5</sup> The Fiscal Year 2026 Tax Appropriations Limit was revised to \$6,292,563,314 following correction of an annual adjustment factor. The revision has no impact on the City's compliance with the appropriations limit.

\* Source: FY 2027 Draft Budget, FY 2027 Final Draft Budget (May Revision) and approved San Diego City Council modifications.

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &  
TAX APPROPRIATIONS LIMITS<sup>1</sup>  
FOR FISCAL YEARS 2018 TO 2027**

<b>Fiscal Year</b>	<b>Price Adjustment</b>	<b>Population Adjustment</b>	<b>Total Adjustment</b>	<b>Appropriations Limit</b>
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	1.1192	X 1.0115	= 1.1321	\$6,292,563,314
2027	1.1110	X 1.0052	= 1.1168	\$7,027,534,709

<sup>1</sup> 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 1, 2026

Dear Fiscal Officer:

## 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, 2026, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2026–27. Attachment A provides the change in California’s per capita personal income and an example for utilizing the factors to calculate the 2026–27 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. 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, 2026.** 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.

/s Erika Li  
Attachment

**May 2026  
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 2026–27 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2026-27	4.95

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2026–27 appropriation limit.

**2026–27:**

Per Capita Cost of Living Change = 4.95 percent  
Population Change = -0.14 percent

Per Capita Cost of Living converted to a ratio:  $\frac{4.95 + 100}{100} = 1.0495$

Population converted to a ratio:  $\frac{-0.14 + 100}{100} = 0.9986$

Calculation of factor for FY 2026–27:  $1.0495 \times 0.9986 = 1.0480$

## FISCAL YEAR 2026-27

## Attachment B

## Annual Percent Change in Population Minus Exclusions\*

January 1, 2025 to January 1, 2026, and Total Population January 1, 2026

City	County	Percent Change 25-26	Population Minus Exclusions 1-1-25	Population Minus Exclusions 1-1-26	Total Population 1-1-26
Carlsbad	San Diego	-0.13	116,022	115,867	115,867
Chula Vista	San Diego	0.41	281,586	282,738	282,999
Coronado	San Diego	-0.92	17,477	17,317	23,796
Del Mar	San Diego	-0.51	3,937	3,917	3,917
El Cajon	San Diego	-0.49	105,449	104,932	104,932
Encinitas	San Diego	-0.32	62,392	62,193	62,193
Escondido	San Diego	0.17	151,932	152,196	152,196
Imperial Beach	San Diego	-1.12	26,362	26,066	26,066
La Mesa	San Diego	-0.25	61,863	61,707	61,707
Lemon Grove	San Diego	-0.75	28,445	28,233	28,233
National City	San Diego	0.09	56,625	56,677	58,701
Oceanside	San Diego	-0.67	175,193	174,027	174,027
Poway	San Diego	-0.86	50,699	50,263	50,263
San Diego	San Diego	0.52	1,394,988	1,402,217	1,419,531
San Marcos	San Diego	-0.10	97,647	97,554	97,554
Santee	San Diego	-0.39	60,044	59,812	59,812
Solana Beach	San Diego	-0.91	13,060	12,941	12,941
Vista	San Diego	-0.56	101,934	101,365	101,365
Unincorporated	San Diego	-0.62	471,773	468,849	508,222
Incorporated	San Diego	0.16	2,805,655	2,810,022	2,836,100
County Total	San Diego	0.04	3,277,428	3,278,871	3,344,322

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

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

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

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2024 to CY 2025)}^2} \times 100$$

$$= \frac{\$1,839,536,829}{\$16,573,684,825} \times 100$$

$$= 0.1110 \times 100$$

$$= 11.10\%$$

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<sup>1</sup> Source: San Diego County Assessor's Office

<sup>2</sup> Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2025 = \$367,338,322,587

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

Change in Assessed Valuation	= Assessed Valuation for 2025 – Assessed Valuation for 2024
	= \$367,338,322,587 – \$350,764,637,762
	= \$16,573,684,825