

FISCAL YEAR 2024 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 2024 is \$5,127,592,710. In accordance with Proposition 111 guidelines, the Fiscal Year 2024 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. See Page 3 for alternative adjustment factors applicable to Fiscal Year 2024. The recommended Fiscal Year 2024 adjustment factor was calculated using the price factor based on the percent change in assessed valuation in new non-residential construction (9.73%) and the population factor based on the percent growth in the County's population (-0.13%), resulting in an adjustment factor of 1.0959 (see page 3). The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2024 of \$5,127,592,710, a 9.59% increase over the Fiscal Year 2023 Tax Appropriations Limit of \$4,678,887,408.

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 2024 Proposed Budget as modified by the May Revision, projects the adjusted tax appropriations subject to the Tax Appropriations Limit to be \$1,554,198,470, as outlined on Page 5. The projected

appropriations subject to the limit are estimated to be approximately \$3,573,394,240 below the recommended limit of \$5,127,592,710.

FY 2024 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 2024 adjustment are as follows:

Price Factors:

(A)	Percent growth in State per Capita Personal Income: (Source: Dept of Finance, California-Attachment 2A-2)	+4.44%
	Price Factor A	1.0444
(B)	Percent change in Assessed Valuation in new non-residential construction: (Source: San Diego County Assessor's Office-Attachment 2B)	+9.73%
	Price Factor B	1.0973

Population Factors:

(C)	Percent growth in County Population: (Source: Dept of Finance, California-Attachment 2A-3)	-0.13%
	Population Factor C	0.9987
(D)	Percent growth in City Population: (Source: Dept of Finance, California-Attachment 2A-3)	-0.30%
	Population Factor D	0.9970

Annual Adjustment Factors (rounded to 4 decimal places):

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

$$\begin{aligned} (A \times C) &= (1.0444) \times (0.9987) = 1.0430 \\ (A \times D) &= (1.0444) \times (0.997) = 1.0413 \\ (B \times C) &= (1.0973) \times (0.9987) = 1.0959 \\ (B \times D) &= (1.0973) \times (0.997) = 1.0940 \end{aligned}$$

The recommended limit was calculated using the adjustment factor “(B x C)”, resulting in a 9.59% increase over the Fiscal Year 2023 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.0959 adjustment factor represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 2024 Limit:

$$\begin{aligned} \text{Fiscal Year 2024 Limit} &= (\text{FY 2023 Limit}) \times (\text{Recommended Adjustment Factor}) \\ &= (\$4,678,887,408) \times (1.0959) = \mathbf{\$5,127,592,710} \end{aligned}$$

FY 2024 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT

PRICE FACTOR (A)			
Percent growth in State Per Capita Personal Income (2023-2024) Price Factor = 4.44			
Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (A) = (4.44 + 100)/100 A = 1.0444			

PRICE FACTOR (B)			
	Total Assessed Valuation	Change in AV	New non-residential construction
2021	\$288,204,045,191		
2022	\$310,375,890,925	\$22,171,845,734	\$2,156,456,589
Price Factor = New non-residential construction/Change in AV *100 9.73 Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (B) = (9.73 + 100)/100 B = 1.0973			

POPULATION FACTOR (C)			
Percent growth in County Population = -0.13			
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (C) = (-0.13 + 100) / 100 C = 0.9987			

POPULATION FACTOR (D)			
Percent growth in City Population = -0.30			
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (D) = (-0.3 + 100) / 100 D = 0.9970			

ANNUAL ADJUSTMENT FACTORS		
(A x C) Income x Cnty Pop	(1.0444 x 0.9987)	1.0430
(A x D) Income x City Pop	(1.0444 x 0.997)	1.0413
(B x C) Non-residential x Cnty Pop	(1.0973 x 0.9987)	1.0959
(B x D) Non-residential x City Pop	(1.0973 x 0.997)	1.0940

Low Value
High Value

FY 2023 Tax Appropriations Limit	'1'	\$4,678,887,408
Annual Adjustment factor	'2'	1.0959
FY 2024 Tax Appropriations Limit	'1x2'	\$5,127,592,710

FY 2024 TAX APPROPRIATIONS SUBJECT TO THE TAX APPROPRIATIONS LIMIT

Appropriations Subject to the Tax Appropriations Limit *			
Property Tax		\$	756,734,716
Property Tax (1)			19,490,501
Sales Tax			401,665,728
Safety Sales Tax			13,402,932
Transient Occupancy Tax (TOT)			329,324,142
Property Transfer Tax			11,952,564
Business Tax			30,180,409
Rental Unit Taxes			7,284,502
Interest Earnings			1,800,000
State Subventions			31,700,000
Total Unadjusted Appropriations subject to the Limit	[A]	\$	1,603,535,494
Adjustment for appropriations not subject to the Tax Appropriations Limit *			
<u>Annual Debt Service for Voter Approved Debt (G.O. Bonds)</u>			
Total Annual Debt Service for Voter Approved Debt (2)	[B]	\$	-
<u>Qualified Capital Outlays</u>			
2012A General Fund CIP Bonds			1,914,500
2012B Fire and Life Safety Refunding Bonds			1,398,169
2013A General Fund CIP Bonds			2,154,706
2013B 2003 Balboa Park/Mission Bay Park Refunding Bonds			738,000
2015A&B General Fund CIP Bonds			6,899,125
2016 Ballpark Refunding Bonds (3)			9,290,125
2018A Lease Revenue Refunding Bonds (4)			6,680,372
2020A General Fund CIP and Convention Center Expansion Refunding Bonds			14,345,172
2021A General Fund CIP Bonds			5,916,855
Total Qualified Capital Outlays	[C]	\$	49,337,024
Total Adjustment	[D = B+C]	\$	49,337,024
Total Adjusted Appropriations Subject to the Limit	[E = A-D]	\$	1,554,198,470
Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit			
Prior Year (FY 2023) Tax Appropriations Limit	[F]	\$	4,678,887,408
Adjustment Factor	[G]		1.0959
Tax Appropriations Limit for FY 2024	[H = F*G]	\$	5,127,592,710
Projected appropriations are below the limit by:	[I = H-E]	\$	3,573,394,240
<p>(1) Ad Valorem Tax imposed for Zoological Exhibits which is subject to the appropriation limit.</p> <p>(2) No Annual Debt Service for Voter Approved Debt in FY 2024.</p> <p>(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.</p> <p>(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.</p> <p>* Source: FY 2024 Proposed Budget and FY 2024 May Revision to the Proposed Budget Report.</p>			

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS ⁽¹⁾
FOR FISCAL YEARS 2015 TO 2024**

Fiscal Year	Price Adjustment	Population Adjustment	Total Adjustment	Appropriations Limit
2015	1.1056	X 1.0129	= 1.1199	\$1,929,603,239
2016	1.0720	X 1.0161	= 1.0893	\$2,101,916,808
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	\$4,678,887,408
2024	1.0973	X 0.9987	= 1.0959	\$5,127,592,710

(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.



Gavin Newsom ■ Governor

1021 O Street, Suite 3110 ■ Sacramento CA 95814 ■ www.dof.ca.gov

May 2023

Dear Fiscal Officer:

Subject: Price Factor and Population Information**Appropriations Limit**

California Revenue and Taxation Code section 2227 requires the Department of Finance (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, 2023, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2023-24. 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 2023-24 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. 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, 2023.**

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 SPEPHENSHAW
Director
By:

Erika Li
Chief Deputy Director

Attachment

May 2023

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 2023-24 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2023-24	4.44

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2023-24 appropriation limit.

2023-24:

Per Capita Cost of Living Change = 4.44 percent
 Population Change = -0.35 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.44 + 100}{100} = 1.0444$

Population converted to a ratio: $\frac{-0.35 + 100}{100} = 0.9965$

Calculation of factor for FY 2023-24: $1.0444 \times 0.9965 = 1.0407$

County City	<u>Percent Change</u> 2022-2023	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
		1-1-22	1-1-23	1-1-2023
San Diego				
Carlsbad	-0.28	114,865	114,549	114,549
Chula Vista	0.26	273,813	274,534	274,784
Coronado	-0.64	16,523	16,417	22,150
Del Mar	0.00	3,903	3,903	3,903
El Cajon	-0.61	105,266	104,619	104,619
Encinitas	-0.32	61,283	61,085	61,085
Escondido	-0.17	150,059	149,799	149,799
Imperial Beach	-0.43	25,976	25,864	25,864
La Mesa	0.30	60,240	60,418	60,418
Lemon Grove	1.22	27,089	27,420	27,420
National City	-0.16	58,924	58,828	60,974
Oceanside	-0.41	171,766	171,063	171,063
Poway	-0.04	48,504	48,483	48,483
San Diego	-0.30	1,355,980	1,351,947	1,368,395
San Marcos	0.75	93,829	94,530	94,530
Santee	0.88	58,709	59,227	59,227
Solana Beach	0.05	12,778	12,784	12,784
Vista	-0.14	99,978	99,835	99,835
Unincorporated	0.00	477,051	477,074	509,873
County Total	-0.13	3,216,536	3,212,379	3,269,755

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

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

$$\begin{aligned} &= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2021 to CY 2022)}^2} \times 100 \\ &= \frac{\$2,156,456,589}{\$22,171,845,734} \times 100 \\ &= 0.0973 \times 100 \\ &= 9.73\% \end{aligned}$$

¹ Source: San Diego County Assessor’s Office
² Source: San Diego County Assessor’s Office

Assessed Valuation for Calendar Year 2021 = \$288,204,045,191
Assessed Valuation for Calendar Year 2022 = \$310,375,890,925

Change in Assessed Valuation = Assessed Valuation for 2022 –
Assessed Valuation for 2021

= \$310,375,890,925 - \$288,204,045,191
= \$22,171,845,734