

**FISCAL YEAR 2021 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 2021 is \$3,783,765,671. In accordance with Proposition 111 guidelines, the Fiscal Year 2021 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. See Page 2 for alternative adjustment factors applicable to Fiscal Year 2021. The recommended Fiscal Year 2021 adjustment factor was calculated using the price factor based on the percent change in assessed valuation in new non-residential construction (11.83%) and the population factor based on the percent growth in the County's population (0.27%), resulting in an adjustment factor of 1.0027 (see page 2). The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2021 of \$3,783,765,671, a 12.13% increase over the Fiscal Year 2020 Tax Appropriations Limit of \$3,374,445,439.

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, and other local taxes, 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 2021 Proposed Budget as modified by the May Revision, projects the adjusted tax appropriations subject to the Tax Appropriations Limit to be \$1.10 billion, as outlined in Page 4. The projected appropriations subject to the limit are estimated to be approximately \$2.69 billion below the recommended limit of \$3,783,765,671.

## FY 2021 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 2021 adjustment are as follows:

### Price Factors:

(A)	Percent growth in State per Capita Personal Income: (Source: Dept of Finance, California-Attachment 2A-2)	+3.73%
	<b>Price Factor A</b>	<b>1.0373</b>
(B)	Percent change in Assessed Valuation in new non-residential construction: (Source: San Diego County Assessor's Office-Attachment 2B)	+11.83%
	<b>Price Factor B</b>	<b>1.1183</b>

### Population Factors:

(C)	Percent growth in County Population: (Source: Dept of Finance, California-Attachment 2A-3)	+0.27%
	<b>Population Factor C</b>	<b>1.0027</b>
(D)	Percent growth in City Population: (Source: Dept of Finance, California-Attachment 2A-3)	+0.07%
	<b>Population Factor D</b>	<b>1.0007</b>

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

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

$$\begin{aligned} (A \times C) &= (1.0373) \times (1.0027) = 1.0401 \\ (A \times D) &= (1.0373) \times (1.0007) = 1.0380 \\ (B \times C) &= (1.1183) \times (1.0027) = 1.1213 \\ (B \times D) &= (1.1183) \times (1.0007) = 1.1191 \end{aligned}$$

The recommended limit was calculated using the adjustment factor “(B x C)”, resulting in a 12.13% increase over the Fiscal Year 2020 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.1213 adjustment factor represents the largest allowable increase to the appropriation limit.

### Calculation of the Fiscal Year 2021 Limit:

$$\begin{aligned} \text{Fiscal Year 2021 Limit} &= (\text{FY 2020 Limit}) \times (\text{Recommended Adjustment Factor}) \\ &= (\$3,374,445,439) \times (1.1213) = \mathbf{\$3,783,765,671} \end{aligned}$$

**FY 2021 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT**

<b>PRICE FACTOR (A)</b>			
Percent growth in State Per Capita Personal Income (2020-2021) Price Factor = 3.73			
Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (A) = (3.73 + 100)/100 <b>A = 1.0373</b>			

<b>PRICE FACTOR (B)</b>			
	Total Assessed Valuation	Change in AV	New non-residential construction
2018	\$248,605,832,912		
2019	\$263,331,329,111	\$14,725,496,199	\$1,741,534,266
Price Factor = New non-residential construction/Change in AV *100 11.83			
Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (B) = (11.83 + 100)/100 <b>B = 1.1183</b>			

<b>POPULATION FACTOR (C)</b>			
Percent growth in County Population = 0.27			
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (C) = (0.27 + 100) / 100 <b>C = 1.0027</b>			

<b>POPULATION FACTOR (D)</b>			
Percent growth in City Population = 0.07			
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (D) = (0.07 + 100) / 100 <b>D = 1.0007</b>			

<b>ANNUAL ADJUSTMENT FACTORS</b>		
(A x C) Income x Cnty Pop	(1.0373 x 1.0027)	<b>1.0401</b>
(A x D) Income x City Pop	(1.0373 x 1.0007)	<b>1.0380</b>
(B x C) Non-residential x Cnty Pop	(1.1183 x 1.0027)	<b>1.1213</b>
(B x D) Non-residential x City Pop	(1.1183 x 1.0007)	<b>1.1191</b>

Low Value  
High Value

FY 2020 Tax Appropriations Limit	'1'	\$3,374,445,439
Annual Adjustment factor	'2'	1.1213
FY 2021 Tax Appropriations Limit	'1x2'	\$3,783,765,671

## FY 2021 TAX APPROPRIATIONS SUBJECT TO THE TAX APPROPRIATIONS LIMIT

Appropriations Subject to the Tax Appropriations Limit *			
Property Tax	\$		630,628,268
Property Tax (1)			15,647,842
Sales Tax			274,432,582
Safety Sales Tax			8,200,931
Transient Occupancy Tax (TOT)			171,641,619
Property Transfer Tax			11,322,183
Business Tax			27,994,908
Rental Unit Taxes			7,284,502
Interest Earnings			3,497,168
<b>Total Unadjusted Appropriations subject to the Limit</b>	<b>[A]</b>	<b>\$</b>	<b>1,150,650,003</b>
Adjustment for appropriations not subject to the Tax Appropriations Limit *			
<u>Annual Debt Service for Voter Approved Debt (G.O. Bonds)</u>			
<b>Total Annual Debt Service for Voter Approved Debt (2)</b>	<b>[B]</b>	<b>\$</b>	<b>-</b>
<u>Qualified Capital Outlays</u>			
2012A Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds			12,560,050
2012B Fire and Life Safety Refunding Bonds			1,390,419
2013A General Fund CIP Bonds & 2003 Old Town Light Rail Extension Refunding			3,218,206
2013B 2003 Balboa Park/Mission Bay Park Refunding Bonds			738,000
2016 Ballpark Refunding Bonds (3)			9,291,500
2018A Lease Revenue Refunding Bonds (4)			10,730,316
2012A Deferred CIP Lease Revenue Bonds			4,591,325
2015A&B General Fund CIP Bonds			10,010,125
Commerical Paper			1,880,000
<b>Total Qualified Capital Outlays</b>	<b>[C]</b>	<b>\$</b>	<b>54,409,941</b>
<b>Total Adjustment</b>	<b>[D = B+C]</b>	<b>\$</b>	<b>54,409,941</b>
<b>Total Adjusted Appropriations Subject to the Limit</b>	<b>[E = A-D]</b>	<b>\$</b>	<b>1,096,240,062</b>
Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit			
<b>Prior Year (FY 2020) Tax Appropriations Limit</b>	<b>[F]</b>	<b>\$</b>	<b>3,374,445,439</b>
<b>Adjustment Factor</b>	<b>[G]</b>		<b>1.1213</b>
<b>Tax Appropriations Limit for FY 2021</b>	<b>[H = F*G]</b>	<b>\$</b>	<b>3,783,765,671</b>
<b>Projected appropriations are below the limit by:</b>	<b>[I = H-E]</b>	<b>\$</b>	<b>2,687,525,609</b>

(1) Ad Valorem Tax imposed for Zoological Exhibits.

(2) No Annual Debt Service for Voter Approved Debt in FY 2021.

(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 COPs 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 2021 Proposed Budget and FY 2021 May Revise Budget Memorandum.

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &  
TAX APPROPRIATIONS LIMITS <sup>(1)</sup>  
FOR FISCAL YEARS 2012 TO 2021**

Fiscal Year	Price Adjustment	Population Adjustment	Total Adjustment	Appropriations Limit
2012	1.0251	X	1.0077 = 1.0330	\$1,421,136,594
2013	1.1336	X	1.0091 = 1.1439	\$1,625,638,150
2014	1.0512	X	1.0083 = 1.0599	\$1,723,013,875
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

(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.



DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

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May 2020

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, 2020, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2020-21. 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 2020-21 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, 2020.**

**Please Note:** The prior year's city population estimates may be revised. The per capita personal income change is based on historical data. Given the stay-at-home orders due to COVID-19, growth in the coming years may be substantially lower than recent trends.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

/s/ Keely Martin Bosler

KEELY MARTIN BOSLER  
Director

Attachment



May 2020

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 2020-21 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2020-21	3.73

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2020-21 appropriation limit.

**2020-21:**

Per Capita Cost of Living Change = 3.73 percent  
 Population Change = 0.22 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.73 + 100}{100} = 1.0373$

Population converted to a ratio:  $\frac{0.22 + 100}{100} = 1.0022$

Calculation of factor for FY 2020-21:  $1.0373 \times 1.0022 = 1.0396$

Fiscal Year 2020-21

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2019 to January 1, 2020 and Total Population, January 1, 2019**

<b>County City</b>	<b><u>Percent Change</u></b>	<b><u>--- Population Minus Exclusions ---</u></b>		<b><u>Total Population</u></b>
	<b>2019-2020</b>	<b>1-1-19</b>	<b>1-1-20</b>	<b>1-1-2020</b>
San Diego				
Carlsbad	0.73	113,635	114,463	114,463
Chula Vista	0.43	270,736	271,908	272,202
Coronado	-0.45	16,774	16,699	21,381
Del Mar	-0.16	4,275	4,268	4,268
El Cajon	0.28	104,104	104,393	104,393
Encinitas	0.14	62,096	62,183	62,183
Escondido	0.40	152,391	153,008	153,008
Imperial Beach	0.43	27,934	28,055	28,055
La Mesa	0.23	59,827	59,966	59,966
Lemon Grove	0.38	26,426	26,526	26,526
National City	-0.27	57,308	57,153	62,099
Oceanside	0.05	177,242	177,335	177,335
Poway	0.08	49,298	49,338	49,338
San Diego	0.07	1,410,653	1,411,662	1,430,489
San Marcos	0.58	96,651	97,209	97,209
Santee	0.38	57,780	57,999	57,999
Solana Beach	0.38	13,786	13,838	13,838
Vista	0.81	102,098	102,928	102,928
Unincorporated	0.59	465,611	468,381	505,675
County Total	0.27	3,268,625	3,277,312	3,343,355

\*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

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2018 to CY 2019)}^2} \times 100$$

$$= \frac{\$1,741,534,266}{\$14,725,496,199} \times 100$$

$$= 0.1183 \times 100$$

$$= 11.83\%$$

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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 2018 = \$248,605,832,912

Assessed Valuation for Calendar Year 2019 = \$263,331,329,111

Change in Assessed Valuation = Assessed Valuation for 2018 –  
Assessed Valuation for 2017

= \$263,331,329,111 - \$248,605,832,912

= \$14,725,496,199