

Gann Limit Calculation 2019-2020

In November 1979, the California voters approved Proposition 4, which created Article XIII B of the State Constitution, a state law that requires the state and local governments to adopt an annual appropriation limit. This limit, also referred to as the “Gann Limit,” establishes a limit on the proceeds of taxes that may be appropriated for spending in a given fiscal year. The limit allows the City’s spending of tax proceeds to increase only by population growth and cost-of-living factors from the base year of 1978-1979. In June 1990, Proposition 111 was passed which changed the way the limit is calculated and is outlined as follows.

The City may increase its limit annually in two ways:

- By a percentage equal to the increase from the preceding year in county or city population (whichever is greater).
- By an amount equal to the change in per capita personal income in California or the change in the assessment roll the preceding year due to the addition of local non-residential new construction (whichever is greater).

The proposed appropriation limit for Fiscal Year 2019/20 is calculated as follows (see attached exhibit for the detailed calculation):

FY 2018/19 Appropriation Limit	\$ 921,344,622
Multiplied by percentage growth in State Per Capita Personal Income	1.0385
Multiplied by change in City Population	<u>1.0082</u>
Proposed FY 2019/20 Appropriation Limit	<u>\$ 964,662,284</u>

Appropriations of revenues controlled by the Gann Limit are primarily in the General Fund. The General Fund proposed appropriation for FY 2019/20 of \$231.8 million is significantly below this limit.

Examples of proceeds of taxes governed by the Gann Appropriation limit are: property taxes, sales taxes, utility taxes, state subventions, fines, forfeitures, interest revenue on regulatory licenses, user charges, and user fees to the extent that those proceeds exceed the costs reasonably borne by that entity in providing the regulation, product or service.

EXHIBIT A

GANN LIMIT CALCULATION FISCAL YEAR 2019-2020

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 2019-2020 adjustment are as follows:

Price Factor:

(A)	Percent growth in State per Capita Personal Income: (Source: Dept of Finance, California)	3.85%
(B)	Percent change in Assessed Valuation due to new non-residential construction: (Source: Orange County Assessor Prop 111 Report)	-1.52%

Population Factor:

(C)	Percent growth in County Population: (Source: Dept of Finance, California)	0.29%
(D)	Percent growth in City Population: (Source: Dept of Finance, California)	0.82%

Annual Adjustment Factor:

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

(A x C)	1.0385	x	1.0029	=	1.04151165
(A x D)	1.0385	x	1.0082	=	1.0470157
(B x C)	0.9848	x	1.0029	=	0.98765592
(B x D)	0.9848	x	1.0082	=	0.99287536

Calculation of the Fiscal Year 2019-2020 Limit

FY 18/19 Limit	\$921,344,622
Recommended Adjustment Factor (Largest Allowable Increase)	1.0470157
FY 19/20 Limit	<u><u>\$964,662,284</u></u>

Calculation of percent increase in the assessment roll from the addition of local, nonresidential construction.

Source: Orange County Assessor: Proposition 111 Report 2019/20

2018-2019 Secured Roll	40,177,763,005	
2017-2018 Secured Roll	less: <u>38,161,023,103</u>	
Difference in Secured Roll	<u>2,016,739,902</u>	(A)
Non-Residential New Construction 1/1/17-12/31/17	74,462,869	
Non-Residential New Construction 1/1/16-12/31/16	less: <u>105,153,049</u>	
Difference in Non-Residential New Construction	<u>(30,690,180)</u>	(B)
Percent increase (decrease)		-1.52% (B) / (A)



May 2019

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, 2019, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2019-20. 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 2019-20 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, 2019.**

Please Note: The prior year's city population estimates may be revised.

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

KEELY BOSLER
Director
By:

Vivek Viswanathan
Chief Deputy Director

Attachment

- 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 2019-20 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2019-20	3.85

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2019-20 appropriation limit.

2019-20:

Per Capita Cost of Living Change = 3.85 percent
Population Change = 0.47 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.85 + 100}{100} = 1.0385$

Population converted to a ratio: $\frac{0.47 + 100}{100} = 1.0047$

Calculation of factor for FY 2019-20: $1.0385 \times 1.0047 = 1.0434$

Fiscal Year 2019-20

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2018 to January 1, 2019 and Total Population, January 1, 2019

County City	Percent Change	--- Population Minus Exclusions ---		Total
	2018-2019	1-1-18	1-1-19	1-1-2019
Orange				
Aliso Viejo	-0.57	51,664	51,372	51,372
Anaheim	0.18	358,686	359,322	359,339
Brea	2.40	44,539	45,606	45,606
Buena Park	-0.25	83,594	83,384	83,384
Costa Mesa	1.17	114,396	115,739	115,830
Cypress	0.12	49,774	49,833	49,833
Dana Point	-0.34	34,365	34,249	34,249
Fountain Valley	-0.46	56,914	56,652	56,652
Fullerton	-0.34	143,313	142,824	142,824
Garden Grove	0.12	174,951	175,155	175,155
Huntington Beach	0.82	202,097	203,761	203,761
Irvine	2.24	274,055	280,202	280,202
Laguna Beach	-0.49	23,474	23,358	23,358
Laguna Hills	-0.56	31,751	31,572	31,572
Laguna Niguel	1.48	65,777	66,748	66,748
Laguna Woods	-0.57	16,612	16,518	16,518
La Habra	1.57	62,558	63,542	63,542
Lake Forest	1.53	85,048	86,346	86,346
La Palma	-0.59	15,914	15,820	15,820
Los Alamitos	-0.59	11,790	11,721	11,721
Mission Viejo	-0.44	96,856	96,434	96,434
Newport Beach	-0.50	87,614	87,180	87,180
Orange	0.41	141,116	141,691	141,691
Placentia	-0.51	52,602	52,333	52,333
Rancho Santa Margarita	-0.56	49,238	48,960	48,960
San Clemente	-0.50	65,732	65,405	65,405
San Juan Capistrano	0.77	36,541	36,821	36,821
Santa Ana	-0.44	339,192	337,716	337,716
Seal Beach	-0.54	24,606	24,473	25,073
Stanton	-0.45	39,483	39,307	39,307
Tustin	-0.47	81,755	81,369	81,369
Villa Park	-0.47	5,961	5,933	5,933
Westminster	-0.46	93,035	92,610	92,610
Yorba Linda	-0.14	68,804	68,706	68,706
Unincorporated	0.31	128,726	129,128	129,128
County Total	0.29	3,212,533	3,221,790	3,222,498

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

Fiscal Year 2019-20

Attachment C
Annual Percent Change in Population Minus Exclusions*
January 1, 2018 to January 1, 2019

County	<u>Percent Change</u> 2018-19	<u>--- Population Minus Exclusions ---</u> 1-1-18	<u>1-1-19</u>
Napa			
Incorporated	0.06	113,733	113,800
County Total	-0.11	138,866	138,711
Nevada			
Incorporated	-0.02	32,331	32,325
County Total	-0.12	98,947	98,824
Orange			
Incorporated	0.29	3,083,807	3,092,662
County Total	0.29	3,212,533	3,221,790
Placer			
Incorporated	2.38	273,989	280,521
County Total	1.85	389,480	396,691
Plumas			
Incorporated	-0.25	1,981	1,976
County Total	-0.07	19,793	19,779
Riverside			
Incorporated	1.04	2,016,790	2,037,706
County Total	1.17	2,403,528	2,431,539
Sacramento			
Incorporated	1.26	934,786	946,602
County Total	1.02	1,525,316	1,540,818
San Benito			
Incorporated	2.81	41,075	42,230
County Total	2.39	60,841	62,296
San Bernardino			
Incorporated	0.96	1,840,038	1,857,722
County Total	0.90	2,143,215	2,162,510

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



Assessor Department

Memo

April 12, 2019

To: Eric Woolery Auditor-Controller
From: Claude Parrish *Claude Parrish* Assessor
Subject: GANN Spending Limit, Proposition 111: Nonresidential New Construction Considerations for 2019/20

In response to your memo request of April 2, 2019, please find attached the 2019/2020 Proposition 111 Report related to non-residential new construction data.

An addition to how the Gann spending limit (Proposition 111) may be calculated was passed by the voters in June of 1990 and it amended Article XIII B of the Constitution. It provides an alternate method for calculating the "Gann Limit" for each taxing jurisdiction. It changed the definition of "cost of living" in subdivision (e)(2) of Section 8 of Article XIII B to be either:

- A) The percentage change in California per capita personal income from the preceding year, or
- B) The percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction.

The information transmitted by this memorandum addresses the Assessor Department's assistance for item B.

Data is available and presented in this report for Roll years 2017/2018 and 2018/19. We have generated by Tax Rate Area (TRA) the attached information for your use.

If you have questions, please call me or Mr. Neil Shah at (714) 834-2733.

CP:kw

Attachments: 2019/2020 Proposition 111 Report, Roll Year Values and Calendar Year Nonresidential New Construction Data for Cities and County

ct: Honorable Board of Supervisors
Frank Kim, County Executive Officer
Neil Shah, Assessor Department, Manager, Management Services & Roll Support

Orange County Assessor

Proposition 111 Report

Prime TRA	Description	2017-18	2018-19	Non-Residential	Non-Residential
		Secured Roll	Secured Roll	New Construction	New Construction
		Column A	Column B	1/1/16 - 12/31/16	1/1/17 - 12/31/17
		Column C	Column D		
01	ANAHEIM	\$ 45,185,302,038	\$ 47,627,299,815	\$ 113,624,090	\$ 147,192,662
02	BREA	\$ 9,616,198,470	\$ 10,176,711,071	\$ 38,163,106	\$ 23,512,205
03	FULLERTON	\$ 19,668,303,091	\$ 20,731,312,202	\$ 11,529,053	\$ 31,312,415
04	HUNTINGTON BEACH	\$ 38,161,023,103	\$ 40,177,763,005	\$ 105,153,049	\$ 74,462,869
05	LAGUNA BEACH	\$ 14,618,731,882	\$ 15,493,091,967	\$ 3,175,737	\$ 478,219
06	LA HABRA	\$ 6,287,126,020	\$ 6,658,808,201	\$ 6,778,575	\$ 32,939,292
07	NEWPORT BEACH	\$ 53,960,129,039	\$ 57,818,478,871	\$ 63,229,149	\$ 24,883,726
08	ORANGE	\$ 22,275,544,580	\$ 23,341,032,058	\$ 26,853,393	\$ 60,426,939
09	PLACENTIA	\$ 6,448,378,939	\$ 6,753,597,462	\$ 1,298,812	\$ 621,735
10	SAN CLEMENTE	\$ 16,197,005,240	\$ 17,021,242,580	\$ 17,737,370	\$ 9,761,457
11	SANTA ANA	\$ 26,362,882,414	\$ 27,821,687,890	\$ 24,033,723	\$ 36,221,836
12	SEAL BEACH	\$ 5,782,503,630	\$ 6,029,847,361	\$ 3,817,170	\$ 2,557,830
13	TUSTIN	\$ 12,901,134,003	\$ 13,567,664,726	\$ 14,364,092	\$ 44,555,315
14	BUENA PARK	\$ 9,790,501,189	\$ 10,499,394,630	\$ 60,872,148	\$ 41,240,528
15	COSTA MESA	\$ 18,864,280,848	\$ 20,199,402,827	\$ 7,575,224	\$ 43,529,578
16	LA PALMA	\$ 2,101,818,075	\$ 2,207,995,137	\$ 6,435,749	\$ 3,566,931
17	STANTON	\$ 2,755,071,576	\$ 2,904,308,769	\$ 2,851,977	\$ 3,278,949
18	GARDEN GROVE	\$ 16,111,842,853	\$ 17,008,814,341	\$ 49,259,300	\$ 4,088,022
19	CYPRESS	\$ 7,047,252,434	\$ 7,489,058,984	\$ 6,280,970	\$ 4,705,578
20	WESTMINSTER	\$ 9,153,213,905	\$ 9,616,426,427	\$ 12,217,055	\$ 4,613,196
21	FOUNTAIN VALLEY	\$ 9,427,371,072	\$ 9,837,668,711	\$ 23,593,012	\$ 7,869,638
22	LOS ALAMITOS	\$ 2,133,370,931	\$ 2,234,434,697	\$ 9,157,225	\$ 1,402,744
23	SAN JUAN CAPISTRANO	\$ 8,018,319,213	\$ 8,405,905,552	\$ 2,356,204	\$ 4,824,106
24	VILLA PARK	\$ 1,771,017,225	\$ 1,851,253,895	\$ 1,117,500	\$ 58,878
25	YORBA LINDA	\$ 15,284,236,450	\$ 16,037,312,445	\$ 1,124,992	\$ 13,800,832
26	IRVINE	\$ 72,092,511,584	\$ 79,112,522,354	\$ 500,659,184	\$ 508,760,755
27	MISSION VIEJO	\$ 16,917,363,215	\$ 17,938,457,350	\$ 8,644,975	\$ 10,829,676
28	DANA POINT	\$ 12,132,204,219	\$ 12,812,842,957	\$ 4,102,691	\$ 3,106,147
29	LAGUNA NIGUEL	\$ 15,454,638,678	\$ 16,092,851,207	\$ 10,512,152	\$ 3,552,962
30	LAKE FOREST	\$ 14,201,885,985	\$ 15,534,300,466	\$ 25,441,221	\$ 9,848,410
31	LAGUNA HILLS	\$ 6,765,883,776	\$ 7,131,342,499	\$ 1,766,342	\$ 1,709,483
32	LAGUNA WOODS	\$ 2,943,628,419	\$ 3,137,701,174	\$ 413,000	\$ 3,771,900
33	RANCHO SANTA MARGARITA	\$ 8,301,456,603	\$ 8,675,943,978	\$ 1,148,414	\$ 2,248,513
34	ALISO VIEJO	\$ 9,930,292,224	\$ 10,641,706,012	\$ 53,802,726	\$ 55,739,152
52	ORANGE CO -ANAHEIM AREA	\$ -	\$ -	\$ -	\$ -
53	ORANGE CO - BREA OLINDA AREA	\$ 347,035,661	\$ 238,334,741	\$ -	\$ -
54	ORANGE CO -BUENA PARK	\$ 37,917,656	\$ 40,652,717	\$ -	\$ -
55	ORANGE CO. - NEWPORT MESA AREA	\$ 185,561,485	\$ 195,216,575	\$ 257,080	\$ -
61	ORANGE CO -FULLERTON AREA	\$ -	\$ -	\$ -	\$ -
62	ORANGE CO -GARDEN GROVE AREA	\$ 140,373,669	\$ 147,086,854	\$ -	\$ -
64	ORANGE CO - HUNTINGTON BEACH	\$ 52,797,975	\$ 52,494,635	\$ -	\$ -
66	ORANGE CO -LAGUNA BEACH AREA	\$ 1,935,231,192	\$ 2,019,712,263	\$ -	\$ -
67	ORANGE CO -LA HABRA AREA	\$ 43,306,654	\$ 46,668,194	\$ -	\$ -
68	ORANGE CO - LOS ALAMITOS AREA	\$ 2,174,427,308	\$ 2,295,209,112	\$ -	\$ -
70	ORANGE CO -LOWELL JOINT	\$ 98,949,294	\$ 106,546,500	\$ -	\$ -
71	ORANGE CO -MAGNOLIA	\$ 658,339,045	\$ 688,296,894	\$ -	\$ -
73	ORANGE CO -OCEAN VIEW	\$ 107,577,256	\$ 112,773,345	\$ 9,298	\$ -
76	ORANGE CO - ORANGE AREA	\$ 1,690,404,964	\$ 1,773,871,540	\$ 778,639	\$ 338,669
80	ORANGE CO - PLACENTIA AREA	\$ 511,944,405	\$ 539,386,991	\$ -	\$ -
81	ORANGE CO - IRVINE AREA	\$ 47,727,661	\$ 48,654,586	\$ 814,800	\$ -
82	ORANGE CO - CAPISTRANO AREA	\$ 13,663,746,798	\$ 14,583,355,227	\$ 22,236,171	\$ 13,214,800
83	ORANGE CO - SANTA ANA AREA	\$ 301,107,439	\$ 286,651,604	\$ 27,250	\$ 248,150
84	ORANGE CO -SAVANNA	\$ -	\$ -	\$ -	\$ -
88	ORANGE CO - SADDLEBACK VALLEY	\$ 504,403,214	\$ 589,246,131	\$ 217,760	\$ -
89	ORANGE CO - TUSTIN AREA	\$ 5,508,606,660	\$ 5,789,331,185	\$ 18,800	\$ 2,352,000
91	ORANGE CO - WESTMINSTER AREA	\$ 531,496,258	\$ 572,235,245	\$ 278,900	\$ 149,000
	Unspecified	\$ -	\$ 83,500	\$ -	\$ -
COUNTY TOTALS		\$567,203,377,517	\$602,713,989,460	\$ 1,243,728,078	\$ 1,237,775,097