

**Saddle Creek Community Services District**  
**Regular Meeting of December 20th, 2016**

**AGENDA SUPPORTING DATA**

**8. PUBLIC HEARING – 2017 BUDGET**

- a. Approval of a resolution establishing the District's appropriations limit (Gann Limit) for 2017.

**Recommended Motion**

I move to approve a resolution establishing the District's appropriations limit (Gann Limit) for 2017.

**Background**

Proposition 4, which was co-sponsored by Proposition 13 author Paul Gann and commonly known as the Gann Initiative, was passed by California voters in 1979. It established Article XIII B of the State Constitution and set limits on the growth of most appropriations from tax sources made by the state and affected local governmental entities. Most local governments and districts are subject to the limit. Starting in the 1980-81 fiscal year, Article XIII B limited the annual growth of applicable appropriation levels to calculated percentages, above the previous year's level, based upon regional population growth and the rate of inflation as measured by the lower of the percentage change in the Consumer Price Index, CPI, or California's per capita personal income.

Types of revenue subject to the Article XIII B limit included tax revenues, interest earnings on invested tax revenues, and proceeds from regulatory and service licenses, fees and charges that exceed costs to cover administration and services provided. Appropriations for debt service and compliance with court orders and federal mandates were exempt from the limit. Voters within a jurisdiction were allowed to authorize an increase in the limit; however any increase approved could only be in effect for a maximum of four years. After four years, voters could approve another increase, otherwise the limit would return to the level it would have been without the first increase. The article further specified that tax revenues in excess of the limits were to be returned to taxpayers in the form of lower tax rates or reduced fee schedules.

In 1988 Proposition 98 allowed excess appropriations to be transferred to K-14 schools, up to 4 per cent of the schools minimum funding base. Proposition 99, also passed in 1988, increased taxes on cigarette and tobacco products and made these tax revenues exempt from the Article XIII B limit.

More comprehensive changes were implemented in 1990 with the approval of Proposition 111. One of the most significant changes under 111 was to extend the appropriations limit restriction to a two-year period. Excess revenues received in one year could be carried over to the following

year, preventing a rebate if the revenues fell below the limit in the second year. The effect was to create a two year average, allowing the State and local entities more flexibility in managing appropriations and expenditures. In addition, Proposition 111 covered a gap in previous legislation that left the State and local governments open to spending limits that could prevent adequate funding of multi-year capital outlays and sufficient response to emergencies such as natural disasters. Subsequently costs associated with recovery from natural disasters and for qualified capital outlays were exempt from the Article VIII B limits.

The net effect of the three propositions was to soften the appropriations limit, adding new exemptions, allowing for a two-year average against the limit and increasing the funding available to schools. However, the State and each affected local governmental entity, must plan and budget against the Gann limit as it remains a binding constraint on governmental appropriations.

### **Discussion**

State law (Sections 7902(b) and 7910 of the Government Code) requires each local government agency to determine during each fiscal year the appropriations limit pursuant to Article XIII-B of the California Constitution applicable during the following fiscal year. The limit must be adopted at a regularly scheduled meeting and the documentation used in determining the limit must be made available for fifteen days prior to such meeting.