

SADDLE CREEK COMMUNITY SERVICES DISTRICT
Proposed Calculation of 2018-19 Gann Limit

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 XIII 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

Article XIII-B of the California Constitution and State law (Sections 7900-7914 of the Government Code) requires each local government agency to determine during each fiscal year the appropriations limit applicable during the following fiscal year. The Appropriations Limit is based on actual appropriations during the base year (1986-87) and is adjusted each year using specified growth factors. The Board, as the legislative body of Saddle Creek Community Services District, must

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establish by resolution the annual Appropriations Limit for the following fiscal year. The annual calculation must also be reviewed as part of the annual independent audit of the District's Financial Statements.

Calculation of 2018-19 Appropriations Limit:

Set out below is the methodology proposed to be used to calculate the fiscal year 2018-19 Appropriations Limit for the District.

1.	Appropriations Limit for Fiscal Year 2017-18:	\$1,332,106
2.	**Population Change:	-0.08%
3.	***Per Capita Change:	3.67%
4.	Fiscal Year 2018-19 Calculation of factor: (.9992 X 1.0367)	1.0359
5.	Fiscal Year 2018-19 Appropriations Limit (\$1,332,106 x 1.0359)	\$1,379,929

** The Population Change percentage represents an average of the change in the population over the prior year within the unincorporated areas of Calaveras County per the Demographic Research Unit of the California Department of Finance.

Population converted to a ratio:
$$\frac{-0.08 + 100}{100} = .9992$$

*** The Per Capita Change in Personal Income percentage represents the change in per capita personal income over the prior year per the Demographic Research Unit of the California Department of Finance.

Per Capita converted to a ratio:
$$\frac{3.67 + 100}{100} = 1.0367$$

Attachment: - Department of Finance Price and Population Information

Respectfully posted and submitted,
PETER KAMPA
District General Manager



May 2018

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, 2018, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2018-19. 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 2018-19 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, 2018.**

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.

MICHAEL COHEN
Director
By:

AMY M. COSTA
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 2018-19 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2018-19	3.67

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2018-19 appropriation limit.

2018-19:

Per Capita Cost of Living Change = 3.67 percent
Population Change = 0.78 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.67 + 100}{100} = 1.0367$

Population converted to a ratio: $\frac{0.78 + 100}{100} = 1.0078$

Calculation of factor for FY 2018-19: $1.0367 \times 1.0078 = 1.0448$

Fiscal Year 2018-19

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2017 to January 1, 2018 and Total Population, January 1, 2018

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2017-2018	1-1-17	1-1-18	1-1-2018
Calaveras				
Angels City	0.32	4,108	4,121	4,121
Unincorporated	-0.08	40,981	40,949	41,036
County Total	-0.04	45,089	45,070	45,157

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