

RESOLUTION NUMBER R-300626

ADOPTED ON JUNE 28, 2005

WHEREAS, in November 1979, the California voters approved a constitutional amendment (Proposition 4, the Gann Initiative) which added article XIII B to the California Constitution; and

WHEREAS, in 1980, the State Legislature added Division 9 to Title 1 of the California Government Code (commencing with section 7900) to implement article XIII B; and

WHEREAS, said California Government Code sections require the governing body of each local jurisdiction in California to establish, by resolution, the tax appropriations limit for the following fiscal year predicated upon the appropriations limit for the prior fiscal year multiplied by a determinable factor; and

WHEREAS, on June 14, 2005, the City Council adopted Resolution No. R-299326 to establish the FY 2005 limit at \$924,630,272; and

WHEREAS, section 7910 of the California Government Code requires that the documentation used to determine the City's tax appropriations limit be made available to the public fifteen days prior to the Council meeting at which the tax appropriations limit resolution is to be considered; NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, that pursuant to the authority of California Government Code, Division 9, Title 1 (sections 7900 *et seq.*) there is hereby established the following tax appropriations limit for the City of San Diego:

Established for Fiscal Year 2004 \$ 807,446,834

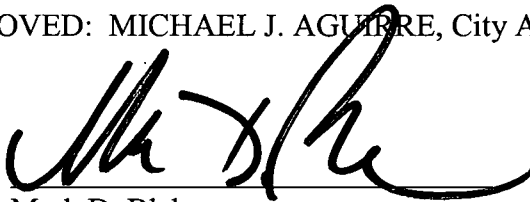
Established for Fiscal Year 2005 \$ 924,630,272

Established for Fiscal Year 2006 \$1,063,139,887

BE IT FURTHER RESOLVED, that the Council hereby certifies that, pursuant to the requirements of section 7910 of the California Government Code, the documentation upon which the tax appropriations limit herein established has been determined, which is attached hereto as Exhibit A, has been made available for public information and review at the office of the City Clerk since June 6, 2005.

APPROVED: MICHAEL J. AGUIRRE, City Attorney

By



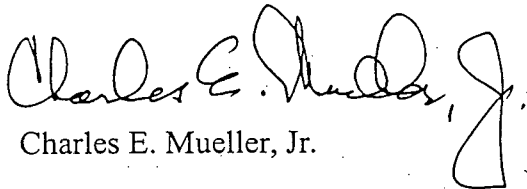
Mark D. Blake
Deputy City Attorney

MDB:ai
06/07/05
Or.Dept:Fin
R-2005-1290

EXHIBIT "A"
CITY OF SAN DIEGO
MEMORANDUM

DATE: June 6, 2005
TO: Charles G. Abdelnour, City Clerk
FROM: Charles E. Mueller, Jr., Acting City Treasurer
SUBJECT: Tax Appropriation Limit Public Inspection Packet

The attached packet contains documentation used in the determination of the City's tax appropriation limit for Fiscal Year 2006. Title I, Division 9 of the Government Code requires that such documentation be made available to the public fifteen days prior to Council adoption of the tax appropriation limit for the following fiscal year. To satisfy this requirement, the Inspection Packet should be made available no later than Monday, June 6, 2005.



Charles E. Mueller, Jr.

CEM/jp

R-300626

CITY OF SAN DIEGO
M E M O R A N D U M

DATE: June 6, 2005
TO: Viewer of Tax Appropriation Limit Public Inspection Packet
FROM: Charles E. Mueller, Jr., Acting City Treasurer
SUBJECT: City of San Diego Tax Appropriation Limit for Fiscal Year 2006

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 California Government Code to implement Article XIII B. This legislation requires the governing body of each local jurisdiction in the State to establish a tax appropriation limit on, or before June 30 of each year for the following fiscal year.

Proposition 111

On June 5, 1990, California voters approved Proposition 111, which amended Article XIII B by revising the methodology used to calculate the tax appropriation limit. The specific changes were as follows:

1. New Base Year - The base year was changed from Fiscal Year 1979 to Fiscal Year 1987.
2. Price Adjustment Factor - The annual price adjustment factor was changed from the percent change in either the U.S. Consumer Price Index or California Per Capita Income to either the change in California Per Capita Income or percentage change in total assessed valuation attributed to new non-residential construction.
3. Population Adjustment - Under Proposition 111, cities have the option of using as their population adjustment factor either the percentage change in citywide population, or countywide population. Prior to Proposition 111, cities were required to use citywide population.

Proposition 111 went into effect in Fiscal Year 1991. Due primarily to the option of being able to use countywide population growth as an adjustment factor and the shifting of the base year to Fiscal Year 1987, the City's limit under the new guidelines was greater than it would have been under pre-Proposition 111 procedures.

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Proposition E

On November 8, 1994, San Diego voters approved Proposition E, authorizing an increase of \$50 million in the City's tax appropriation limit for Fiscal Year 1996 and authorizing adjustments to this increased limit for the subsequent three fiscal years through Fiscal Year 1999. With the expiration of the four year waiver at the end of Fiscal Year 1999, the Fiscal Year 2000 tax appropriation limit was calculated based solely on increases in the approved adjustment factors (inflation and population) from the Proposition 111 base year of Fiscal Year 1987.

Appropriation Subject to the Limit

The Tax Appropriation 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, motor vehicle license fees, and other local taxes, less the amount paid in debt service on both voter-approved debt and qualified capital outlays. Other revenues, including fees, licenses and permits, rents and concessions, and inter-fund transfers are not subject to the limit. Based on the revenue estimates contained in the Proposed Fiscal Year 2006 Budget, the proposed limit of \$1,063,139,887 exceeds the projected appropriation subject to the limit by approximately \$416.2 million.

Fiscal Year 2006 Limit

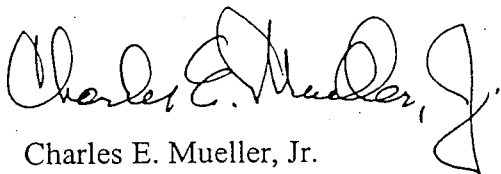
On June 21, 2005 the San Diego City Council is scheduled to consider the adoption of a resolution establishing a City of San Diego tax appropriation limit for Fiscal Year 2006. In order to assist you in understanding how the recommended limit was determined, the following documentation is attached for your review:

1. Tax Appropriation Limit for Fiscal Years 2004 and 2005 and Proposed Limit for Fiscal Year 2006.
2. Alternative Adjustment Factors.
3. Recommended Calculation of Permitted Growth in Limit.
4. Ten-Year History of Tax Appropriation Limit for Fiscal Years 1997 to 2006 (Proposed).
5. Source data used to calculate alternative adjustment factors:
 - A. Price and Population data.
 - B. Assessed valuation attributable to new non-residential construction.
6. Qualified Capital Outlays and Voter Approved Debt not subject to the Tax Appropriation Limit.
7. A copy of Article XIII B, the Gann Initiative.
8. A copy of Proposition 111.

Section 7910 of the Government Code provides the following time limits for challenges against the Article XIII B tax appropriation limit adopted by the City.

FOR THE 1981-82 FISCAL YEAR AND EACH FISCAL YEAR THEREAFTER, ANY JUDICIAL ACTION OR PROCEEDING TO ATTACK, REVIEW, SET ASIDE, VOID, OR ANNUL THE ACTION OF THE GOVERNING BODY TAKEN PURSUANT TO THIS SECTION SHALL BE COMMENCED WITHIN 45 DAYS OF THE EFFECTIVE DATE OF THE RESOLUTION.

Should you have any questions, please contact Kelly Cunningham at (619) 533-6252 or Jyothi Pantulu at (619) 236-6917.



Charles E. Mueller, Jr.
Acting City Treasurer

CEM/jp

- Attachments:
1. Tax Appropriation Limit for Fiscal Years 2004 and 2005 and Proposed Limit for Fiscal Year 2006.
 2. Alternative Adjustment Factors.
 3. Recommended Calculation of Permitted Growth in Limit.
 4. Ten-Year History of Tax Appropriation Limit for Fiscal Years 1997 to 2006 (Proposed).
 5. Source Data Used to Calculate Fiscal Year 2006 Limit:
 - a. Price and Population data.
 - b. Assessed valuation attributable to new non-residential construction.
 6. Qualified Capital Outlays and Voter Approved Debt not subject to the Tax Appropriation Limit.
 7. A copy of Article XIII B, the Gann Initiative.
 8. A copy of Proposition 111.

R-300626

**TAX APPROPRIATION LIMIT
FISCAL YEARS 2004, 2005 AND 2006 (PROPOSED)**

FY 2004 Tax Appropriation Limit	\$ 807,466,834
FY 2005 Tax Appropriation Limit	\$ 924,630,272
FY 2006 Tax Appropriation Limit (Proposed)	\$1,063,139,887

ADJUSTED TAX APPROPRIATIONS ⁽¹⁾

Budgeted Tax Appropriation for FY 2004	\$563,200,674
Budgeted Tax Appropriation for FY 2005	\$586,443,662
Proposed Tax Appropriation for FY 2006 ⁽²⁾	\$646,957,619

(1) Based on tax appropriation adjusted for annual debt service payments on voter approved indebtedness and annual lease payments on lease revenue bonds and certificates of participation issued for qualified capital outlays.

(2) Based on Fiscal Year 2006 Proposed Budget.

ALTERNATIVE ADJUSTMENT FACTORS

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 2006 adjustment are as follows:

Price Factor:

(A) Percent growth in State Per Capita Personal Income	+5.26 %
(B) Percent change in Assessed Valuation due to new non-residential construction	+13.54%

Population Factor:

(C) Percent growth in County Population	+1.27%
(D) Percent growth in City Population	+1.13%

Annual Adjustment Factors:

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

(A x C) = (1.0526) x (1.0127) =	1.0660
(A x D) = (1.0526) x (1.0113) =	1.0645
(B x C) = (1.1354) x (1.0127) =	1.1498
(B x D) = (1.1354) x (1.0113) =	1.1482

The recommended limit was calculated using the adjustment factor [(B x C)], resulting in a 14.98% increase to the limit.

Source data supporting the above calculation is provided in Attachments 5-A and 5-B.

RECOMMENDED CALCULATION OF PERMITTED GROWTH IN LIMIT

Recommended Adjustment Factors

The recommended appropriations limit of \$1,063,139,887 is based on the following factors:

Price Factor (Assessed valuation due to new non-residential construction)	13.54%
Population Factor (Change in County Population)	1.27%

To calculate the actual adjustment factor, the above factors were converted as follows:

$$\text{Price change converted to adjustment factor} = (13.54 + 100) \div (100) = 1.1354$$

$$\text{Population change converted to adjustment factor} = (1.27 + 100) \div (100) = 1.0127$$

$$\text{Combined adjustment factor} = (1.1354) \times (1.0127) = 1.1498$$

Calculation of FY 2006 Limit

$$\text{Fiscal Year 2006 Limit} = (\text{FY 2005 limit}) \times (\text{Adjustment Factor})$$

$$= (\$924,630,272) \times (1.1498) = \$1,063,139,887$$

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS⁽¹⁾
FOR FISCAL YEARS 1997 TO 2006 (Proposed)**

Fiscal Year	Price Adjustment	Population Adjustment	Total Adjustment	Appropriations Limit
1997	0.71%	1.33%	6.11%	\$475,160,586
1998	4.67%	1.19%	5.92%	\$504,620,542
1999	4.67%	1.46%	6.20%	\$539,035,663
2000	4.15%	2.56%	6.82%	\$512,052,218 ⁽²⁾
2001	4.91%	2.15%	7.17%	\$548,766,362
2002	7.82%	1.96%	9.93%	\$603,258,862
2003	11.38%	1.80%	13.38%	\$684,004,095
2004	16.05%	1.72%	18.05%	\$807,466,834
2005	12.80%	1.52%	14.51%	\$924,630,272
2006	13.54%	1.27%	14.98%	\$1,063,139,887

- (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 has been establishing this limit since 1981.
- (2) In November 1994 Proposition E was approved authorizing an increase of \$50 million in the City's tax appropriation limit for Fiscal Year 1996 and authorizing adjustments to this increased limit for the subsequent three fiscal years through Fiscal Year 1999. The Fiscal Year 2000 tax appropriation limit fell due to the expiration of this \$50 million increase in the appropriation limit resulting from Proposition E.



DEPARTMENT OF
FINANCE

Attachment 5 A

ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 2, 2005

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, Section 2227, mandates 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, 2005, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2005-06. Enclosure I 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 2005-06 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations, as noted.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228, for the various population options available to special districts to assess population change in their district. Article XIII B, Section 9, of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. No State agency reviews the appropriations limit.

Population Certification

The population certification program applies only to cities and counties. 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 3, 2005.**

Please Note: City population estimates are controlled to independently calculated county population estimates. Due to county estimates revisions for 2001 through 2004 prior year city population estimates for local areas have also been revised.

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

Sincerely,

TOM CAMPBELL
Director
By:

STEPHEN W. KESSLER
Chief Deputy Director

Enclosure

R-300626

May 2, 2005

Enclosure I

- 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 2005-2006 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2005-2006	5.26

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2005-2006 appropriation limit.

2005-2006:

Per Capita Change = 5.26 percent
Population Change = 1.50 percent

Per Capita converted to a ratio: $\frac{5.26 + 100}{100} = 1.0526$

Population converted to a ratio: $\frac{1.50 + 100}{100} = 1.015$

Calculation of factor for FY 2005-2006: $1.0526 \times 1.015 = 1.0684$

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Enclosure II
 Annual Percent Change in Population Minus Exclusions
 January 1, 2004 to January 1, 2005 and Total Population, January 1, 2005

County City	Percent Change	--- Population Minus Exclusions ---		Total Population
	2004-2005	1-1-04	1-1-05	1-1-2005
SAN DIEGO				
CARLSBAD	2.62	92,719	95,146	95,146
CHULA VISTA	4.35	207,884	216,917	217,543
CORONADO	0.16	16,615	16,642	26,973
DEL MAR	0.00	4,543	4,543	4,543
EL CAJON	0.35	97,359	97,703	97,703
ENCINITAS	0.60	62,401	62,774	62,774
ESCONDIDO	0.90	140,088	141,350	141,350
IMPERIAL BEACH	0.04	27,698	27,710	27,710
LA MESA	0.18	55,003	55,101	55,983
LEMON GROVE	0.05	25,517	25,531	25,531
NATIONAL CITY	-0.15	52,774	52,696	63,773
OCEANSIDE	1.32	172,800	175,085	175,085
POWAY	0.38	50,391	50,583	50,675
SAN DIEGO	1.13	1,271,980	1,286,320	1,305,736
SAN MARCOS	8.67	67,226	73,054	73,054
SANTEE	1.15	53,361	53,973	54,476
SOLANA BEACH	0.06	13,392	13,400	13,400
VISTA	0.36	93,773	94,109	94,109
UNINCORPORATED	0.05	426,730	426,933	465,716
COUNTY TOTAL	1.27	2,932,254	2,969,570	3,051,280

(*) Exclusions include residents on federal military installations and group quarters residents in state mental institutions and state and federal correctional institutions.



COUNTY OF SAN DIEGO

GREGORY J. SMITH
ASSESSOR/RECORDER/COUNTY CLERK



ASSESSOR'S OFFICE
1600 PACIFIC HIGHWAY, RM 103
SAN DIEGO, CA 92101-2480
(619) 236-3771 Fax (619) 557-4056

RECORDER/COUNTY CLERK'S OFFICE
1600 PACIFIC HIGHWAY, RM 260
SAN DIEGO, CA 92101-2480
(619) 237-0502 FAX (619) 557-4155

2004 INVENTORY OF PARCELS AND VALUES - CITY OF SAN DIEGO

		PARCELS	UNITS	ASSESSED VALUES
RESIDENTIAL	TOTAL	323,537	477,646	87,269,304,300
Time-share Condominiums		4,572	4,572	23,084,064
Mobilehomes		1,584	1,570	68,512,154
Vacant		5,457	51	887,405,503
Single Family		203,628	203,685	53,639,236,391
Duplex or 2 Houses		5,838	11,689	1,107,339,427
Multi 2 to 4 Houses		11,768	32,895	2,738,511,112
Multi 5 to 15 Units		5,214	40,818	2,376,929,412
Multi 16 to 60 Units		1,101	29,601	1,734,214,928
Multi 61 Units and Up		489	69,092	6,280,315,780
Condominium		82,805	83,296	18,354,937,273
Transitional		1,081	376	58,818,256
COMMERCIAL	TOTAL	11,188	48,486	22,519,333,339
Vacant		1,193	33	887,774,202
Store Building		5,823	5,222	11,576,765,550
Shopping Center		396	145	2,449,320,224
Hotel Motel		391	35,133	3,363,151,746
Service Station		320	73	213,911,766
Office Condominiums		320	178	59,644,691
Parking or Used Car Lot		893	396	771,503,467
Trailer Park		52	2,324	107,859,362
Auto Sales & Service Agency		124	154	212,607,945
General		1,674	3,828	2,876,794,386
INDUSTRIAL	TOTAL	4,352	14,515	7,912,175,948
Vacant		968	12	601,269,824
Factory		1,047	1,627	4,100,898,295
Warehousing		1,442	7,193	2,621,518,783
Bulk Storage		24	2,382	49,804,912
Extractive & Mining		43	6	48,515,351
Industrial Condominiums		298	121	159,381,148
General		530	3,174	330,787,635
IRRIGATED FARM	TOTAL	89	111	31,954,435
RURAL LAND (Non-irrigated)	TOTAL	631	20	206,473,761
INSTITUTIONAL	TOTAL	962	3,824	2,525,774,050
RECREATIONAL	TOTAL	3,003	1,927	963,666,286
MISCELLANEOUS	TOTAL	74	175	32,025,625
GRAND TOTAL		343,836	546,704	121,460,707,745

The above data is provided for your information and represents total assessed values of real property, prior to exemptions. If you have any questions, please contact David Butler, Chief Deputy, Valuation at: (619) 531-5475.

GREGORY J. SMITH
County Assessor

R-300626



COUNTY OF SAN DIEGO

GREGORY J. SMITH
ASSESSOR/RECORDER/COUNTY CLERK



ASSESSOR'S OFFICE
1800 PACIFIC HIGHWAY, RM 103
SAN DIEGO, CA 92101-2480
(619) 236-3771 Fax (619) 557-4058

RECORDER/COUNTY CLERK'S OFFICE
1800 PACIFIC HIGHWAY, RM 280
SAN DIEGO, CA 92101-2480
(619) 237-0802 FAX (619) 557-4138

2003 INVENTORY OF PARCELS AND VALUES - CITY OF SAN DIEGO

		PARCELS	UNITS	ASSESSED VALUES
RESIDENTIAL	TOTAL	318,682	470,233	78,128,253,577
Time-share Condominiums		4,572	4,572	23,437,451
Mobilehomes		1,487	1,476	57,937,761
Vacant		5,822	40	933,756,223
Single Family		201,990	202,100	48,473,707,573
Duplex or 2 Houses		5,862	11,720	1,001,953,174
Multi 2 to 4 Houses		11,808	33,044	2,490,700,768
Multi 5 to 15 Units		5,277	41,446	2,241,792,754
Multi 16 to 60 Units		1,123	30,079	1,850,633,163
Multi 61 Units and Up		492	65,943	5,533,901,611
Condominium		79,242	79,437	15,653,969,377
Transitional		1,007	376	86,268,720
COMMERCIAL	TOTAL	11,155	48,819	20,818,954,070
Vacant		1,161	35	653,520,015
Store Building		5,807	4,835	10,647,263,327
Shopping Center		399	107	2,337,661,591
Hotel Motel		395	35,012	3,146,921,860
Service Station		321	62	200,499,742
Office Condominiums		313	132	53,739,458
Parking or Used Car Lot		901	359	628,697,601
Trailer Park		52	2,324	107,249,910
Auto Sales & Service Agency		123	151	166,508,229
General		1,684	3,765	2,798,703,937
INDUSTRIAL	TOTAL	4,367	12,377	7,316,349,974
Vacant		967	14	553,253,222
Factory		1,052	1,591	3,766,078,095
Warehousing		1,438	7,138	2,483,515,223
Bulk Storage		23	1,359	36,789,337
Extractive & Mining		45	5	47,424,475
Industrial Condominiums		292	107	145,689,318
General		530	3,163	311,600,301
IRRIGATED FARM	TOTAL	97	107	34,647,462
RURAL LAND (Non-irrigated)	TOTAL	669	17	251,705,103
INSTITUTIONAL	TOTAL	959	4,037	2,374,144,410
RECREATIONAL	TOTAL	2,823	1,726	865,477,483
MISCELLANEOUS	TOTAL	45	74	19,350,013
GRAND TOTAL		338,798	535,392	109,811,633,102

The above data is provided for your information and represents total assessed values of real property, prior to exemptions. If you have any questions, please contact Craig Rustad, Chief Deputy, Valuation at (619) 531-5475.

GREGORY J. SMITH
County Assessor

PA540380 PA6433-01
RUN DATE 10/06/04

SAN DIEGO COUNTY ASSESSORS OFFICE
NON-RESIDENTIAL NEW CONSTRUCTION (PROP. 111)
ASSESSMENT ROLL 2004

1001-00 COUNTY GENERAL

TAX RATE AREA	VALUE
82012	\$62,700
82083	\$165,390
82174	\$2,853,000
83005	\$5,000
83024	\$35,500
83051	\$3,289,500
83072	\$469,460
83213	\$10,000
83233	\$125,000
83339	\$5,000,000
87171	\$23,000
87182	\$457,000
91001	\$20,000
91027	\$55,000
94075	\$2,370,000
94105	\$18,645

FUND TOTAL

\$1,577,180,009

R-300626

Attachment 5B

NOTE: IF A TAX RATE (TRA) IS NOT LISTED, IT INDICATES THAT NO NEW NON-RESIDENTIAL CONSTRUCTION OCCURRED DURING THE TAX YEAR.

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

Percentage of Assessed Valuation due to new non-residential construction

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

$$= \frac{\$ 1,577,180,009}{\$11,648,814,643} \times 100$$

$$= 0.1354 \times 100$$

$$= 13.54\%$$

- (1) Assessed Valuation for 2004 = \$121,460,707,745 and
Assessed Valuation for 2003 = \$109,811,893,102.

Source: County Assessor's Office

R-300626

**QUALIFIED CAPITAL OUTLAYS AND VOTER APPROVED DEBT
NOT SUBJECT TO THE TAX APPROPRIATION LIMIT**

	Fiscal Year 2006 Payment
Qualified Capital Outlays	
1994 City/MTDB Refunding Bonds - Bayside Trolley & Police Improvements	\$5,405,921
1996 A Balboa Park/Mission Bay Park Certificates of Participation	3,531,043
1996 B Balboa Park/Mission Bay Park Refunding Certificates of Participation	880,065
1998 Convention Center Expansion Lease Revenue Bonds ¹	9,200,545
2002 A Ballpark and Redevelopment Project	15,404,275
2002 B Fire and Life Safety Phase I	1,641,308
2003 City/MTDB Refunding Bonds – Old Town Light Rail Transit Extension	1,152,249
2003 Balboa Park/Mission Bay Park Refunding Certificates of Participation	2,162,649
Subtotal	\$39,378,055
Voter Approved Debt	
1991 Public Safety Communications GO Bonds	\$2,329,135
1994 Open Space Refunding GO Bonds	437,988
Sub Total	\$2,767,123

¹ \$4.5 million, the annual amount paid by the Port Authority, has been deducted from the total debt service.

To the Honorable Secretary of State of California:

We, the undersigned, registered, qualified voters of California, residents of _____ County (or City and County), hereby propose an amendment to add Article XIII B to the Constitution of California relating to a limitation of Government Appropriations and petition the Secretary of State to submit the same to the voters of California for their adoption or rejection at the next succeeding general election or at any special state-wide election held prior to the general election or otherwise provided by law. The proposed constitutional amendment reads as follows:

Article XIII B is added to read

ARTICLE XIII B.

Sec. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

Sec. 2. Revenues received by any entity of government in excess of that amount which is appropriated by such entity in compliance with this Article during the fiscal year shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Sec. 3. The appropriations limit for any fiscal year pursuant to Sec. 1 shall be adjusted as follows:

(a) In the event that the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then for the year in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that the financial responsibility of providing services is transferred, in whole or in part, from any entity of government to a private entity, or the financial sources for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then for the year of such transfer the appropriations limit of such entity of government shall be decreased accordingly.

(c) In the event of an emergency, the appropriation limit may be exceeded provided that the appropriation limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

Sec. 4. The appropriations limit imposed on any new or existing entity of government by this Article may be established or changed by the electors of such entity, subject to and in conformity with constitutional and statutory voting requirements. The duration of any such change shall be as determined by said electors, but shall in no event exceed four years from the most recent vote of said electors creating or continuing such change.

Sec. 5. Each entity of government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or similar funds as it shall deem reasonable and proper. Contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes, shall for purposes of this Article constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund, nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

Sec. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

(a) Legislative mandates requested by the local agency affected;

(b) Legislation defining a new crime or changing an existing definition of a crime; or

(c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Sec. 7. Nothing in this Article shall be construed to impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness.

Sec. 8. As used in this Article and except as otherwise expressly provided herein:

(a) "Appropriation subject to limitation" of the state shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds;

(b) "Appropriations subject to limitation of any entity of local government shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to the entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes;

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(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (i) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (ii) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions:

(d) "Local government" shall mean any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state;

(e) "Cost of Living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government; provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

(f) "Population" of any entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose;

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the appropriations limit of each entity of government for Fiscal Year 1978-79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For Fiscal Year 1978-79, state subventions to local governments, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

Sec. 9. "Appropriations subject to limitation" for each entity of government shall not include:

(a) Debt service.

(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 Fiscal Year levy an ad valorem tax on property in excess of 12 1/2 cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

Sec. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

Sec. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.

DIVISION 9

Expenditure Limitations

[Added by Stats 1980 ch 220 § 1, effective June 25, 1980, ch 1205 § 2]

- § 7900. Legislative findings
- § 7901. Definitions
- § 7902. Determination of appropriations limit
- § 7902.1. Increase in appropriation limit
- § 7902.5. Adoption of appropriations limit by cities incorporated prior to 1980
- § 7902.6. Adoption of appropriations limit for cities incorporated in 1980
- § 7903. "State subventions"
- § 7904. Applicability of appropriations limit
- § 7905. Aggregation of revenues
- § 7906. Proceeds of taxes for school districts
- § 7907. Proceeds of taxes for county superintendents of schools
- § 7908. Proceeds of taxes for community college districts
- § 7909. Notification of change in cost-of-living or change in per capita income and population
- § 7910. Establishment of appropriations limit by local jurisdictions; Judicial review
- § 7911. Return of excess revenues; Judicial review
- § 7912. Estimate of state's appropriations limit
- § 7913. Use of other revenues to provide services

Note—Stats 1980 ch 1205 also provides SEC. 3. The Legislature finds and declares that Article XIII B of the California Constitution is intended to provide certain limitations and controls on government spending at all levels of government in the state, but these restrictions are intended to be applied in a reasonable and practical way so as to permit flexibility in meeting the constantly changing conditions and needs of the people for governmental services.

By way of example, the California Constitution requires that the Legislature provide for a system of public schools and the courts of this state have held that a method of financing this public school system which depends substantially on local property taxes with resultant wide disparities in school revenue violates constitutional provisions guaranteeing equal protection of the laws. If Article XIII B were construed to require that all money expended by a local school district was required to be included within its appropriations subject to limitation, attempts to accommodate each of these separate demands of the California Constitution could be substantially frustrated.

The Legislature further finds and declares, accordingly, that equalization of the financial capabilities of school districts is a matter of statewide interest and

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concern and that state money provided to school districts to achieve this end is properly excluded from "state subventions" to local school districts as that term is used in Article XIII B of the California Constitution.

Similarly, the various categorical aid programs provided by the state are provided as a matter of statewide public policy. The changing character of children and neighborhoods and the resultant changing needs of local school districts require flexibility in providing these programs which can only be achieved by characterizing these programs as state programs, thereby excluding state support for these programs from state subventions to local school districts.

The Legislature finds and declares that the provisions of this act provide for the implementation of Article XIII B of the California Constitution in a manner which is entirely consistent with the intent of that article and the voters who adopted it, which accommodates competing constitutional demands, and which permits reasonable and practical methods of satisfying the future changing needs of this state.

SEC. 4. A local jurisdiction which has established an appropriations limit prior to the effective date of this act shall nevertheless be governed by the provisions of this act.

SEC. 5. If any provision of this act or the application thereof to any person or circumstances is held invalid, such invalidity shall not affect other provisions or applications of the act which can be given effect without the invalid provision or application, and to this end the provisions of this act are severable.

Collateral References:

Cal Jur & Municipalities §§ 361, 382, Schools §§ 40, 84, State of California § 85, Universities and Colleges § 157.

Law Review Articles:

Review of Selected 1980 Legislation, 12 Pacific LJ 589.

§ 7900. Legislative findings

(a) The Legislature finds and declares that the purpose of this division is to provide for the effective and efficient implementation of Article XIII B of the California Constitution.

(b) It is the intent of the Legislature that citizens be provided with timely information so that effective oversight can be accomplished at the local level.

Added Stats 1980 ch 1205 § 2.

Former Section: Former § 7900 was added by Stats 1980 ch 220 § 1, effective June 25, 1980, and amended and renumbered § 7902.5 by Stats 1980 ch 1205 § 1.

§ 7901. Definitions

For the purposes of Article XIII B of the California Constitution and this division:

(a) "Change in California per capita personal income" for a calendar year means the number resulting when the quotient of the California personal income, as published by the U.S. Department of Commerce in the Survey of Current Business for the fourth quarter of a calendar

year divided by the civilian population of the state on January 1 of the next calendar year, as estimated by the Department of Finance, is divided by the similarly determined quotient for the next prior year. For example, the change in California per capita personal income for 1979 (to be used for computing the appropriations limit for the 1980-81 fiscal year) would equal the fourth quarter 1979 personal income divided by the January 1, 1980, population, the quotient divided by the fourth quarter 1978 personal income divided by the January 1, 1979, population.

(b) "Change in cost of living" for a calendar year means the number resulting when the United States All Urban Consumer Price Index for the month of March of a calendar year is divided by such index for the month of March of the prior calendar year.

(c) "Change in population" for a local agency for a calendar year means the number resulting when the percentage change in population between January 1 of the next calendar year and January 1 of the calendar year in question, as estimated by the Department of Finance pursuant to Section 2227 of the Revenue and Taxation Code for each city and county and Section 2228 of the Revenue and Taxation Code for each special district, plus 100, is divided by 100. For example, the change in population for 1979 would equal the percentage change in population between January 1, 1980, and January 1, 1979, plus 100, the sum divided by 100. For purposes of the state's appropriations limit, "change in population" means the number resulting when the civilian population of the state on January 1 of the next calendar year, as estimated by the Department of Finance, is divided by the similarly estimated population for January 1 of the calendar year in question. For example, the change in population for 1979 (to be used for computing the appropriations limit for the 1980-81 fiscal year) would equal the January 1, 1980, population divided by the January 1, 1979, population.

(d) "Change in population" for a school district means the number resulting when the second principal apportionment units of average daily attendance for the current regular school year, excluding average daily attendance in summer programs, adult education programs, and in regional occupational centers and programs, is divided by the corresponding number for the preceding year.

(e) "Change in population" for a community college district means the number resulting when the average daily attendance for the community college district for the current year computed pursuant to Section 84500 of the Education Code is divided by the similarly computed average daily attendance for the previous year.

(f) "Local agency" means a city, county, city and county, special district, authority or other political subdivision of the state, except a school district, community college district, or county superintendent

of schools. The term "special district" shall not include any district which (1) existed on January 1, 1978, and did not possess the power to levy a property tax at that time or did not levy or have levied on its behalf, an ad valorem property tax rate on all taxable property in the district on the secured roll in excess of 12½ cents per \$100 of assessed value for the 1977-78 fiscal year, or (2) existed on January 1, 1978, or was thereafter created by a vote of the people, and is totally funded by revenues other than the proceeds of taxes as defined in subdivision (c) of Section 8 of Article XIII B of the California Constitution.

If a special district levied, or had levied on its behalf, different property tax rates for the 1977-78 fiscal year depending on which area or zone within the district boundaries property was located, it shall be deemed not to have levied a secured property tax rate in excess of 12½ cents per \$100 of assessed value if the total revenue derived from the ad valorem property tax levied by or for the district for 1977-78, divided by the total amount of taxable assessed valuation within the district's boundaries for 1977-78, does not exceed .00125.

(g) "School district" means an elementary, high school, or unified school district.

(h) "Local jurisdiction" means a local agency, school district, community college district, or county superintendent of schools.

(i) As used in Section 2 and subdivision (b) of Section 5 of Article XIII B, "revenues" means all tax revenues and the proceeds to a local jurisdiction or the state received from (1) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (2) the investment of tax revenues as described in subdivision (i) of Section 8 of Article XIII B. For a local jurisdiction, revenues and appropriations shall also include subventions, as defined in Section 7903, and with respect to the state, revenues and appropriations shall exclude such subventions.

(j) "Proceeds of taxes" shall not include proceeds to a local jurisdiction or the state from regulatory licenses, user charges, or user fees except to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service.

Added Stat 1980 ch 1205 § 2.

§ 7902. Determination of appropriations limit

(a) For the 1980-81 fiscal year, the appropriations limit of the state and of each local jurisdiction shall be determined as follows:

(1) Multiply the total amount of appropriations subject to limitation of each such entity for the 1978-79 fiscal year by the lesser of the

change in cost of living for the 1979 calendar year or the change in California per capita personal income for the 1978 calendar year, and multiply this product by the change in population of each such entity for the 1978 calendar year.

(2) Multiply the product determined pursuant to paragraph (1) by the lesser of the change in cost of living for the 1980 calendar year or the change in California per capita personal income for the 1979 calendar year, and multiply this product by the change in population of each entity for the 1979 calendar year. The resulting product, as adjusted for other changes required or permitted by Article XIII B of the California Constitution, shall be the appropriations limit of each entity for fiscal year 1980-81.

(b) For the 1981-82 fiscal year and each year thereafter, the appropriations limit of the state and of each local jurisdiction shall equal the appropriations limit for the prior fiscal year multiplied by the lesser of the change in cost of living for the calendar year in which the fiscal year begins or the change in California per capita personal income for the calendar year preceding the beginning of the fiscal year for which the appropriations limit is to be determined, the product multiplied by the change in population of the local jurisdiction for the calendar year preceding the beginning of the fiscal year for which the appropriations limit is to be determined, and adjusted for other changes required or permitted by Article XIII B of the California Constitution.

(c) For the purposes of this division, if a local agency's fiscal year begins on January 1, the agency shall base its appropriations limit on its appropriations subject to limitation for the 1979 calendar year. For such agency, the 1981 calendar year shall be the first year for which the appropriations limit shall apply. For purposes of the computations required by this section, such agency shall use the change in population, cost-of-living, and per capita personal income factors which it would have used had its fiscal year begun on the previous July 1.

Added Stats 1980 ch 1205 § 2.

§ 7902.1. Increase in appropriations limit

(a) If, beginning with the 1980-81 fiscal year or any fiscal year thereafter, the proceeds of taxes of a school district, community college district, or county superintendent of schools, exceed its appropriations limit determined pursuant to Section 7902 for that fiscal year, the governing body of the school district or community college district, or the county superintendent of schools, may increase its appropriations limit to an amount equal to its proceeds of taxes.

(b) In the event that the governing body of a district or the county superintendent of schools increases its appropriations limit pursuant

to this section, it shall notify the Director of Finance of the change within 45 days.

(c) Any increase in a local jurisdiction's appropriations limit pursuant to this section shall, in the fiscal year in which the change is made, reduce the appropriations limit of the state by an equal amount.

Added Stats 1981 ch 1093 § 18.7.

Prior Law: Former § 7902.1, as added by Stats 1981 ch 15 § 1.

Former Section: Former § 7902.1, similar to the present section, was added by Stats 1981 ch 15 § 1, effective April 14, 1981, and repealed by Stats 1981 ch 1093 § 18.3.

§ 7902.5. Adoption of appropriations limit by cities incorporated prior to 1980

The governing body of any city incorporated after July 1, 1978, but prior to January 1, 1980, may, by resolution, adopt an appropriations limit for the purposes of Article XIII B of the California Constitution determined in the following manner:

(a) If the city's first full fiscal year of operation was the 1979-80 fiscal year, the appropriations limit of the city for fiscal year 1980-81 shall be equal to the total amount of proceeds of taxes received for fiscal year 1979-80 adjusted for changes in the cost of living and population and such other changes as may be required or permitted by Article XIII B.

(b) If the city's first full fiscal year of operation is the 1980-81 fiscal year, the governing body of the city shall, prior to July 1, 1980, estimate the amount of revenue anticipated to be received by the city from the proceeds of taxes for the 1980-81 fiscal year. This amount shall be the appropriations limit of the city for the 1980-81 fiscal year. For the 1981-82 fiscal year and each fiscal year thereafter, the appropriations limit of the city shall be equal to the total amount of proceeds of taxes received for fiscal year 1980-81 adjusted for changes in the cost of living and population and such other changes as may be required or permitted by Article XIII B.

Added Stats 1980 ch 220 § 1, effective June 25, 1980, as § 7900, Amended and renumbered Stats 1980 ch 1205 § 1.

Amendment

1980 Amendment Substituted "appropriations" for "appropriation" wherever it appears in the introductory clause and in subds (a) and (b).

§ 7902.6. Adoption of appropriations limit for cities incorporated in 1980

The governing body of any city incorporated at the General Election held on November 4, 1980, for which no appropriations limit has been established by the electors of that entity, may, by resolution,

adopt an appropriations limit for the purposes of Article XIII B of the California Constitution in the following manner:

(a) For the 1980-81 fiscal year, the appropriations limit of the city shall not exceed the amount determined pursuant to subdivision (a) of Section 3 of Article XIII B of the California Constitution as adjusted in any manner which may be required or permitted by Article XIII B.

(b) For the 1981-82 fiscal year, the appropriations limit of the city shall not exceed the total amount of proceeds of taxes received by the city during the 1981-82 fiscal year.

(c) For the 1982-83 fiscal year and each year thereafter, the appropriations limit of the city shall be equal to the total amount of proceeds of taxes received by the city for the 1981-82 fiscal year, adjusted for changes in the cost-of-living and population and such other changes as may be required or permitted by Article XIII B.

Added Stats 1981 ch 84 § 1, effective June 21, 1981.

§ 7903. "State subventions"

"State subventions" shall include only money received by a local agency from the state, the use of which is unrestricted by the statute providing the subvention.

Added Stats 1980 ch 1205 § 2.

§ 7904. Applicability of appropriations limit

In no event shall the appropriation of the same proceeds of taxes be subject to the appropriations limit of more than one local jurisdiction or the state.

Added Stats 1980 ch 1205 § 2.

§ 7905. Aggregation of revenues

Revenues to a local jurisdiction from regulatory licenses, user charges, or user fees may be aggregated if they are reasonably related.

Added Stats 1980 ch 1205 § 2.

§ 7906. Proceeds of taxes for school districts

For school districts:

(a) "ADA" means a school district's second principal apportionment units of average daily attendance in the regular school year, excluding average daily attendance in summer programs, adult education programs, and regional occupational centers and programs.

(c) "Foundation program level" means:

(1) For the 1978-79 fiscal year, one thousand two hundred forty-one

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dollars (\$1,241) for elementary districts, one thousand three hundred twenty-two dollars (\$1,322) for unified districts, and one thousand four hundred twenty-seven dollars (\$1,427) for high school districts.

(2) For the 1979-80 fiscal year and each fiscal year thereafter, the levels specified in paragraph (1) increased by the lesser of the change in cost of living or California per capita personal income for the preceding calendar year.

(c) "Proceeds of taxes" shall be deemed to include subventions received from the state only if those subventions are for one of the following two purposes:

(1) Basic aid subventions of \$120 per ADA;

(2) Additional apportionments, if any, which, when added to the district's local revenues as defined in Section 42237 or 42238 of the Education Code, do not exceed the foundation program level for that type of district. Any apportionments which are provided in excess of the amount needed to increase a district's 1978-79 revenue limit per ADA by the lesser of the change in cost of living or California per capita personal income, shall not be considered to be proceeds of taxes for that school district.

(d) The remainder of the state apportionments, including special purpose apportionments and categorical aid subventions shall not be considered proceeds of taxes for a school district.

Added Stats 1980 ch 1205 § 2.

§ 7907. Proceeds of taxes for county superintendents of schools

For county superintendents of schools:

(a) "Proceeds of taxes" shall be deemed to include subventions received from the state only if those subventions are received for programs operated pursuant to:

(1) Subdivision (c) of Section 2500, Section 2500.1, Section 1982 for pupils specified in subdivision (c) of Section 1981, Section 14957 for programs operated pursuant to Sections 48633 and 48634, Section 1904 and subdivision (a) of Section 1908, Section 52570, or Section 1806 of the Education Code; or

(2) Section 1510, 2504, 2506, 2506.5, or 2509 of the Education Code.

(b) For programs identified in paragraph (1) of subdivision (a), an amount shall be calculated equal to the appropriations made for those programs from the proceeds of taxes for the 1978-79 fiscal year, adjusted for the 1979-80 and 1980-81 fiscal years by the lesser of the change in cost-of-living or change in California per capita personal income applicable to each year and by the percentage change in average daily attendance in those programs for the 1979-80 and 1980-81 fiscal years.

(c) For all other programs operated by the county superintendent of schools, including, but not limited to, the programs identified in paragraph (2) of subdivision (a), an amount shall be calculated equal to the appropriations made for those programs from the proceeds of taxes for the 1978-79 fiscal year, adjusted for the 1979-80 and 1980-81 fiscal years by the lesser of the change in cost-of-living or change in California per capita personal income for each year and by the percentage change in population (as defined by subdivision (d) of Section 7901) for all the districts in the county for the 1979-80 and 1980-81 fiscal years.

(d) The sum of the amounts calculated in subdivisions (b) and (c) shall be the appropriations limit for the county superintendent for the 1980-81 fiscal year.

(e) For the 1981-82 fiscal year and each year thereafter, the appropriations limit for the prior year shall be adjusted by the appropriate average daily attendance and the lesser of the change in cost-of-living or California per capita personal income.

(f) State apportionments to county superintendents in excess of the amounts in (d) or (e) shall not be considered proceeds of taxes for a county superintendent of schools.

Added Stats 1980 ch 1205 § 2.

§ 7908. Proceeds of taxes for community college districts

For community college districts:

(a) As used in this section, "ADA" means the annual average daily attendance reported for students attending the community college district during the fiscal year.

(b) "Proceeds of taxes" shall be deemed to include subventions from the state only if those subventions, when added to the district's local resources, as defined in items (2) and (3) of subdivision (a) of Section 84904 of the Education Code, do not exceed:

(1) For the 1978-79 fiscal year, the lesser of the statewide average revenues or the actual revenues received per ADA, as defined in paragraph (1) of subdivision (c) of Section 84700 of the Education Code, multiplied by the ADA in the district for the 1978-79 fiscal year.

(2) For the 1979-80 fiscal year and each fiscal year thereafter, the amount specified in paragraph (1) adjusted by the lesser of the change in cost-of-living or California per capita personal income for the preceding calendar year and the percentage change in the district's ADA for that fiscal year.

(c) The remainder of state apportionments, including special purpose

apportionments and categorical aid subventions, shall not be considered proceeds of taxes for a community college district.

Added Stats 1920 ch 1205 § 2.

§ 7909. Notification of change in cost-of-living or change in per capita income and population

No later than May 1 of each year, the Department of Finance shall notify each local jurisdiction of the change in the cost-of-living or change in California per capita income, whichever is less, and population for each local jurisdiction for the prior calendar year.

Added Stats 1939 ch 1205 § 2.

§ 7910. Establishment of appropriations limit by local jurisdictions; Judicial review

Each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following fiscal year pursuant to Article XIII B at a regularly scheduled meeting or noticed special meeting. Fifteen days prior to such meeting documentation used in the determination of the appropriations limit shall be available to the public. The determination of the appropriations limit is a legislative act.

Any judicial action or proceeding to attack, review, set aside, void, or annul the action of the governing body taken pursuant to this section for the 1980-81 fiscal year shall be commenced within 60 days of the effective date of the resolution or the effective date of the act which added this section to the Government Code, whichever date is later.

For the 1981-82 fiscal year and each fiscal year thereafter, any judicial action or proceeding to attack, review, set aside, void, or annul the action of the governing body taken pursuant to this section shall be commenced within 45 days of the effective date of the resolution.

All courts wherein such actions are or may be hereafter pending, including any court reviewing such action on appeal from the decision of a lower court, shall give such actions preference over all other civil actions therein, in the manner of setting the same for hearing or trial and in hearing the same to the end that all such actions shall be quickly heard and determined.

Added Stats 1980 ch 1205 § 2.

§ 7911. Return of excess revenues; Judicial review

For the purposes of Section 2 of Article XIII B, a local jurisdiction may return excess revenues by granting a tax credit or refund, by providing a temporary suspension of tax rates or fee schedules, or by

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§ 7914

any other means consistent with the intent of that section. The determination by the governing body of such entity of the means by which such excess revenues are to be returned is a legislative act.

Judicial review of such determination may be obtained only by a proceeding for a writ of mandate which shall be brought within 30 days after the governing body's determination.

All courts wherein such actions are or may be hereafter pending, including any court reviewing such action on appeal from the decision of a lower court, shall give such actions preference over all other civil actions therein, in the manner of setting the same for hearing or trial and in hearing the same, to the end that all such actions shall be quickly heard and determined.

Added Stats 1930 ch 1205 § 2

§ 7912. Estimate of state's appropriations limit

Each year, the Governor shall include in the budget as submitted to the Legislature an estimate of the state's appropriations limit for the budget year. This estimate shall be subject to the budget process, and shall be established in the Budget Bill.

Added Stats 1980 ch 1205 § 2

§ 7913. Use of other revenues to provide services

For purposes of subdivision (b) of Section 3 of Article XIII B of the California Constitution, the financial responsibility of providing services is transferred in whole or in part from other revenues of an entity of government to proceeds from regulatory licenses, user charges, or user fees only when the dollar amount allocated from other revenues of a local jurisdiction or the state to the provision of such services is decreased.

Added Stats 1980 ch 1205 § 2

§§ 7914-7999. [Sections reserved]

Senate Constitutional Amendment No. 1

RESOLUTION CHAPTER 66

Senate Constitutional Amendment No. 1—A resolution to propose to the people of the State of California an amendment to the Constitution of the State, by amending Sections 1 and 2, subdivision (c) of Section 3, and Sections 8 and 9 of, and by adding Sections 1.5 and 10.5 to, Article XIII B thereof, and by amending Sections 8 and 8.5 of Article XVI thereof, relating to appropriations limitations.

[Filed with Secretary of State July 5, 1959.]

LEGISLATIVE COUNSEL'S DIGEST

SCA 1, Garamendi. Appropriations limit.

(1) Existing provisions of Article XIII B of the California Constitution prohibit the annual appropriations subject to limitation, as defined, of an entity of government from exceeding its annual appropriations limit and provide for annual adjustments in that limit based on changes in the cost of living and population, calculated in a specified manner.

This measure would require that the annual calculation of the appropriations limit for each entity of local government be reviewed as part of an annual financial audit.

(2) Existing provisions of Article XIII B of the California Constitution provide that all revenues received by an entity of government, except the state, in excess of the amount which is appropriated by that entity in compliance with Article XIII B during a fiscal year must be returned by that entity by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

Existing provisions of Article XIII B of the California Constitution provide that a prescribed amount of the revenues received by the state in excess of the amount which is appropriated by the state in compliance with Article XIII B during a fiscal year is required to be transferred and allocated to the State School Fund, and any remaining amount of excess revenues must be returned by the state by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

This measure would provide that revenues so received by an entity of government, other than the state, in a fiscal year and the fiscal year immediately following it must be returned by the entity by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

This measure would provide that 50% of the excess revenues received by the state in a fiscal year and the fiscal year immediately following it must be transferred and allocated from a fund established for that purpose, to the State School Fund and the remaining 50% of excess revenues received by the state in a fiscal year and the fiscal year immediately following it must be returned

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by the state by a revision of tax rates or fee schedules within the next 2 subsequent fiscal years.

(3) Existing provisions of Article XIII B of the California Constitution provide that the appropriations limit of an entity of government may be exceeded in the event of an emergency, but the appropriations limits in the following 3 years must be reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

This measure would provide that if an emergency is declared by the legislative body of an entity of government, the appropriations limits in the following 3 years must be reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

This measure would provide that if an emergency, as defined, is declared by the Governor, appropriations approved by a $\frac{2}{3}$ vote of the legislative body of an affected entity of government to an emergency account for expenditures relating to that emergency would not constitute appropriations subject to limitation.

(4) Existing provisions of Article XIII B of the California Constitution define the terms "cost of living" and "population" for purposes of the annual adjustment in the appropriations limit of an entity of government.

This measure would revise the definition of "cost of living" for purposes of the annual adjustment in the appropriations limit of an entity of government and would revise the definition of "population" for purposes of the annual adjustment in the appropriations limit of the state, a school district, and a community college district.

(5) Existing provisions of Article XIII B of the California Constitution exclude certain appropriations from the appropriations limit for each entity of government.

This measure would also exclude from the appropriations limit for each entity of government appropriations for all qualified capital outlay projects, as defined by the Legislature, and appropriations of revenues which are derived from (a) that portion of the tax imposed on motor vehicle fuels used in motor vehicles upon public streets and highways at a rate in excess of 9¢ per gallon, (b) the sales and use taxes collected on the increment of the tax specified in (a), and (c) the weight fee imposed on commercial vehicles above the weight fee imposed on those vehicles on January 1, 1990.

(6) This measure would require that for fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government would be the appropriations limit for the 1986-87 fiscal year adjusted, as specified.

(7) Existing provisions of Article XVI of the California Constitution require the state, commencing with the 1988-89 fiscal year, to provide a minimum level of funding for school districts and community college districts equal to the larger of 2 amounts

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determined in accordance with prescribed formulas. That article allows the minimum level of support requirement to be suspended for one year by the enactment of an urgency statute. That article also requires additional state funding for school districts and community college districts to be provided from a portion of excess revenues of the state in accordance with prescribed formulas.

This measure would, commencing with the 1990-91 fiscal year, revise the 2 existing formulas and would add a 3rd formula, under specified conditions, for determining the minimum level of state funding for school districts and community college districts.

This measure would revise the amount of additional state funding for school districts and community college districts required to be provided from a portion of the excess revenues received by the state in a fiscal year, to provide that 50% of the excess revenue received by the state in a fiscal year and the fiscal year immediately following it must be so used for that purpose.

(8) Existing provisions of Article XVI of the California Constitution provide that the portion of the excess revenues received by the state during a fiscal year which is provided for additional state funding for school districts and community college districts, as specified, does not constitute an appropriation subject to limitation of the school districts or community college districts and that the appropriations limit of the school districts and community college districts shall be annually increased by the amount of the allocation.

This measure would delete the provision requiring the appropriations limit of the school districts and community college districts to be annually increased by the amount of the allocation.

(9) This measure would also make technical, nonsubstantive changes.

(10) This measure would take effect on July 1 next following the date on which it is approved by the electors.

Resolved by the Senate, the Assembly concurring, That the Legislature of the State of California at its 1988-90 Regular Session commencing on the fifth day of December 1988, two-thirds of the members elected to each of the two houses of the Legislature voting therefor, hereby proposes to the people of the State of California that the Constitution of the State be amended as follows:

First—That Section 1 of Article XIII B thereof is amended to read:

SEC. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of the entity of government for the prior year adjusted for the change in the cost of living and the change in population, except as otherwise provided in this article.

Second—That Section 1.5 is added to Article XIII B thereof, to read:

SEC. 1.5. The annual calculation of the appropriations limit

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under this article for each entity of local government shall be reviewed as part of an annual financial audit.

Third—That Section 2 of Article XIII B thereof is amended to read:

SEC. 2 (a) (1) Fifty percent of all revenues received by the state in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the state in compliance with this article during that fiscal year and the fiscal year immediately following it shall be transferred and allocated, from a fund established for that purpose, pursuant to Section 8.5 of Article XVI.

(2) Fifty percent of all revenues received by the state in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the state in compliance with this article during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

(b) All revenues received by an entity of government, other than the state, in a fiscal year and in the fiscal year immediately following it in excess of the amount which may be appropriated by the entity in compliance with this article during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Fourth—That subdivision (c) of Section 3 of Article XIII B thereof is amended to read:

(c) (1) In the event an emergency is declared by the legislative body of an entity of government, the appropriations limit of the affected entity of government may be exceeded provided that the appropriations limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

(2) In the event an emergency is declared by the Governor, appropriations approved by a two-thirds vote of the legislative body of an affected entity of government to an emergency account for expenditures relating to that emergency shall not constitute appropriations subject to limitation. As used in this paragraph, "emergency" means the existence, as declared by the Governor, of conditions of disaster or of extreme peril to the safety of persons and property within the state, or parts thereof, caused by such conditions as attack or probable or imminent attack by an enemy of the United States, fire, flood, drought, storm, civil disorder, earthquake, or volcanic eruption.

Fifth—That Section 8 of Article XIII B thereof is amended to read:

SEC. 8. As used in this article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state means any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made

colleges, multiplied by the percentage of the state's budget for prior fiscal year that is expended for educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges.

Any determination of population pursuant to this subdivision, other than that measured by average daily attendance, shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor department.

(g) "Debt service" means appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979, or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for that purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year is that amount which total annual appropriations subject to limitation may not exceed under Sections 1 and 3. However, the "appropriations limit" of each entity of government for fiscal year 1978-79 is the total of the appropriations subject to limitation of the entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, are deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" do not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

Sixth—That Section 9 of Article XIII B thereof is amended to read:

SEC. 9. "Appropriations subject to limitation" for each entity of government do not include:

(a) Appropriations for debt service.
(b) Appropriations required to comply with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

(d) Appropriations for all qualified capital outlay projects, as defined by the Legislature. — Sec. 53 ff for definition of

(e) Appropriations of revenue which are derived from any of the following:

(1) That portion of the taxes imposed on motor vehicle fuels for use in motor vehicles upon public streets and highways at a rate of

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more than nine cents (\$.09) per gallon.

→ (2) Sales and use taxes collected on that increment of the tax specified in paragraph (1).

→ (3) That portion of the weight fee imposed on commercial vehicles which exceeds the weight fee imposed on those vehicles on January 1, 1990.

Seventh—That Section 10.5 is added to Article XIII B thereof, to read:

SEC. 10.5. For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government shall be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to this article, as amended by the measure adding this section, adjusted for the changes required by Section 3.

Eighth—That Section 8 of Article XVI thereof is amended to read:

SEC. 8. (a) From all state revenues there shall first be set apart the moneys to be applied by the state for support of the public school system and public institutions of higher education.

(b) Commencing with the 1990-91 fiscal year, the moneys to be applied by the state for the support of school districts and community college districts shall be not less than the greater of the following amounts:

(1) The amount which, as a percentage of General Fund revenues which may be appropriated pursuant to Article XIII B, equals the percentage of General Fund revenues appropriated for school districts and community college districts, respectively, in fiscal year 1986-87.

(2) The amount required to ensure that the total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes shall not be less than the total amount from these sources in the prior fiscal year, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B. This paragraph shall be operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita General Fund revenues plus one half of one percent.

(3) (A) The amount required to ensure that the total allocations to school districts and community college districts from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes shall equal the total amount from these sources in the prior fiscal year, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment and adjusted for the change in per capita General Fund revenues.

(B) In addition, an amount equal to one-half of one percent times

the prior year total allocations to school districts and community colleges from General Fund proceeds of taxes appropriated pursuant to Article XIII B and allocated local proceeds of taxes, excluding any revenues allocated pursuant to subdivision (a) of Section 8.5, adjusted for changes in enrollment.

(C) This paragraph (3) shall be operative only in a fiscal year in which the percentage growth in California per capita personal income in a fiscal year is greater than the percentage growth in per capita General Fund revenues plus one half of one percent.

(c) In any fiscal year, if the amount computed pursuant to paragraph (1) of subdivision (b) exceeds the amount computed pursuant to paragraph (2) of subdivision (b) by a difference that exceeds one and one-half percent of General Fund revenues, the amount in excess of one and one-half percent of General Fund revenues shall not be considered allocations to school districts and community colleges for purposes of computing the amount of state aid pursuant to paragraph (2) or 3 of subdivision (b) in the subsequent fiscal year.

(d) In any fiscal year in which school districts and community college districts are allocated funding pursuant to paragraph (3) of subdivision (b) or pursuant to subdivision (h), they shall be entitled to a maintenance factor, equal to the difference between (1) the amount of General Fund moneys which would have been appropriated pursuant to paragraph (2) of subdivision (b) if that paragraph had been operative or the amount of General Fund moneys which would have been appropriated pursuant to subdivision (b) had subdivision (b) not been suspended, and (2) the amount of General Fund moneys actually appropriated to school districts and community college districts in that fiscal year.

(e) The maintenance factor for school districts and community college districts determined pursuant to subdivision (d) shall be adjusted annually for changes in enrollment, and adjusted for the change in the cost of living pursuant to paragraph (1) of subdivision (e) of Section 8 of Article XIII B, until it has been allocated in full. The maintenance factor shall be allocated in a manner determined by the Legislature in each fiscal year in which the percentage growth in per capita General Fund revenues exceeds the percentage growth in California per capita personal income. The maintenance factor shall be reduced each year by the amount allocated by the Legislature in that fiscal year. The minimum maintenance factor amount to be allocated in a fiscal year shall be equal to the product of General Fund revenues from proceeds of taxes and one-half of the difference between the percentage growth in per capita General Fund revenues from proceeds of taxes and in California per capita personal income, not to exceed the total dollar amount of the maintenance factor.

(f) For purposes of this section, "changes in enrollment" shall be measured by the percentage change in average daily attendance.

However, in any fiscal year, there shall be no adjustment for decreases in enrollment between the prior fiscal year and the current fiscal year unless there have been decreases in enrollment between the second prior fiscal year and the prior fiscal year and between the third prior fiscal year and the second prior fiscal year.

(h) Subparagraph (B) of paragraph (3) of subdivision (b) may be suspended for one year only when made part of or included within any bill enacted pursuant to Section 12 of Article IV. All other provisions of subdivision (b) may be suspended for one year by the enactment of an urgency statute pursuant to Section 8 of Article IV, provided that the urgency statute may not be made part of or included within any bill enacted pursuant to Section 12 of Article IV.

Ninth—That Section 8.5 of Article XVI thereof is amended to read:

SEC. 8.5. (a) In addition to the amount required to be applied for the support of school districts and community college districts pursuant to Section 8, the Controller shall during each fiscal year transfer and allocate all revenues available pursuant to paragraph 1 of subdivision (a) of Section 2 of Article XIII B to that portion of the State School Fund restricted for elementary and high school purposes, and to that portion of the State School Fund restricted for community college purposes, respectively, in proportion to the enrollment in school districts and community college districts respectively.

(1) With respect to funds allocated to that portion of the State School Fund restricted for elementary and high school purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for elementary and high schools, and that average class size equals or is less than the average class size of the 10 states with the lowest class size for elementary and high schools.

(2) With respect to funds allocated to that portion of the State School Fund restricted for community college purposes, no transfer or allocation of funds pursuant to this section shall be required at any time that the Director of Finance and the Chancellor of the California Community Colleges mutually determine that current annual expenditures per student for community colleges in this state equal or exceed the average annual expenditure per student of the 10 states with the highest annual expenditures per student for community colleges.

(b) Notwithstanding the provisions of Article XIII B, funds allocated pursuant to this section shall not constitute appropriations subject to limitation.

(c) From any funds transferred to the State School Fund pursuant to subdivision (a), the Controller shall each year allocate to each

pursuant to Section 6) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds.

(b) "Appropriations subject to limitation" of an entity of local government means any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6) exclusive of refunds of taxes.

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (1) 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, and (2) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6, and, with respect to the state, proceeds of taxes shall exclude such subventions.

(d) "Local government" means any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state.

(e) (1) "Change in the cost of living" for the state, a school district, or a community college district means the percentage change in California per capita personal income from the preceding year.

(2) "Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall 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. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing body.

(f) "Change in population" of any entity of government, other than the state, a school district, or a community college district, shall be determined by a method prescribed by the Legislature. — See SB 23 1/2

"Change in population" of a school district or a community college district shall be the percentage change in the average daily attendance of the school district or community college district from the preceding fiscal year, as determined by a method prescribed by the Legislature.

"Change in population" of the state shall be determined by adding (1) the percentage change in the state's population multiplied by the percentage of the state's budget in the prior fiscal year that is expended for other than educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges, and (2) the percentage change in the total statewide average daily attendance in kindergarten and grades one to 12, inclusive, and the community

school district and community college district an equal amount per enrollment in school districts from the amount in that portion of the State School Fund restricted for elementary and high school purposes and an equal amount per enrollment in community college districts from that portion of the State School Fund restricted for community college purposes.

(d) All revenues allocated pursuant to subdivision (a) shall be expended solely for the purposes of instructional improvement and accountability as required by law.

(e) Any school district maintaining an elementary or secondary school shall develop and cause to be prepared an annual audit accounting for such funds and shall adopt a School Accountability Report Card for each school.

Tenth—That the amendment of the Constitution made by this measure shall take effect on July 1 next following the date on which this measure is approved by the electors.

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