

File No. 240155

Committee Item No. 2

Board Item No. 23

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Budget and Finance Committee Date April 24, 2024

Board of Supervisors Meeting Date April 30, 2024

#### Cmte Board

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| <input type="checkbox"/>            | <input type="checkbox"/>            | Motion                                       |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution                                   |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Ordinance                                    |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Legislative Digest                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Budget and Legislative Analyst Report        |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Youth Commission Report                      |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Introduction Form                            |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Department/Agency Cover Letter and/or Report |
| <input type="checkbox"/>            | <input type="checkbox"/>            | MOU  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Information Form                       |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Grant Budget                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Subcontract Budget                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Contract/Agreement                           |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Form 126 – Ethics Commission                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Award Letter                                 |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Application                                  |
| <input type="checkbox"/>            | <input type="checkbox"/>            | Public Correspondence                        |

#### OTHER (Use back side if additional space is needed)

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|-------------------------------------|-------------------------------------|---|
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Ex. A: Appropriations Funded by Proceeds of Taxes Subject to Limit</u> |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>Ex. B - Appropriations Limit Calculation</u>                           |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>CON Letter 2/12/2024</u>   |
| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | <u>CON Presentation 4/24/2024</u>   |
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Completed by: Brent Jalipa Date April 19, 2024

Completed by: Brent Jalipa Date April 25, 2024

1 [California Constitution Appropriations Limit for FY2023-2024]

2

3 **Resolution establishing the appropriations limit established at \$11,678,040,780 for**  
4 **Fiscal Year (FY) 2023-2024 pursuant to California Constitution, Article XIII B; due to**  
5 **the addition of local non-residential new construction and the percent change in**  
6 **population within the San Francisco Metropolitan Area from the previous year for the**  
7 **purpose of computation of its Appropriations Limit.**

8

9 WHEREAS, Article XIII B of the California Constitution provides that the annual  
10 appropriations of the City and County of San Francisco, which are subject to said Article,  
11 may not exceed the Appropriations Limit for the prior year, with adjustments as provided in  
12 said Article XIII B; and

13 WHEREAS, The California Government Code, Section 7901, defines the terms, and  
14 Section 7902(b) sets forth the equations to be used to determine the City and County of San  
15 Francisco's annual Appropriations Limit, according to the following formula:

16 (b) "...the appropriations limit of the state and each local jurisdiction shall equal the  
17 appropriations limit for the prior fiscal year multiplied by the product of the change in  
18 cost of living, as defined in paragraph (2) of subdivision (e) of Section 8 of Article XIII  
19 B of the California Constitution, and the change in population of the local jurisdiction  
20 for the calendar year preceding the beginning of the fiscal year for which the  
21 appropriations limit is to be determined, and adjusted for other changes required or  
22 permitted by Article XIII B of the California Constitution;" and

23 WHEREAS, Article XIII B, Section 8(e)(2) of the California Constitution authorizes the  
24 calculation of the cost of living, either the use of the percentage change in California per-  
25 capita personal income from the preceding year, or the use of the percentage change in the

1 local assessment roll from the preceding year for the jurisdiction due to the addition of local  
2 non-residential new construction; and

3 WHEREAS, The change in California per-capita personal income in fiscal year 2022-  
4 23 was 4.44%, while the percentage change in the local assessment roll in 2021 due to the  
5 addition of local non-residential new construction was 9.74%; and

6 WHEREAS, Chapter 1222 of the California State Statutes of 1980 allows the City and  
7 County of San Francisco to use the greater of its percentage change in population from the  
8 preceding year or the percentage change of the Metropolitan Statistical Area population;  
9 and

10 WHEREAS, The percentage change in population of the City and County of San  
11 Francisco was -0.64%; and

12 WHEREAS, The percentage change in population during calendar year 2022 for the  
13 San Francisco Metropolitan Statistical Area was -0.45%; and

14 WHEREAS, Article XIII B, Section 4 of the California Constitution authorizes voters to  
15 approve an increase in the Appropriations Limit for up to four years; and

16 WHEREAS, Voters approved five measures, the Parcel Tax for San Francisco  
17 Unified School District (Proposition J-November 2020), the Real Estate Transfer Tax  
18 (Proposition I-November 2020), the Executive Compensation Tax (Proposition L-November  
19 2020), the Business Tax Overhaul (Proposition F-November 2020), and the Residential  
20 Vacancy Tax (Proposition M-November 2022), that increased the Appropriations Limit by  
21 the aggregate sum collected by the levy of these taxes; and

22 WHEREAS, The aggregate sum collected by the levy of these taxes through fiscal  
23 year 2023-24 is projected to be \$1,639,691,483; and

24 WHEREAS, Article XIII B, Sections 8(h) and 10.5 of the California Constitution  
25 establish that the Base Appropriations Limit for a local government is equal to the

1 appropriations subject to limitation in fiscal year 1986-87; and

2 WHEREAS, The Base Appropriations Limit for fiscal year 2022-23 is \$9,188,742,541;

3 and

4 WHEREAS, The resulting calculation establishing the City and County of San

5 Francisco's fiscal year 2023-24 Appropriations Limit is:

6  $\$9,188,742,541 \times 0.9955 \times 1.0974 + \$1,639,691,483 = \$11,678,040,780$ ; and

7 WHEREAS, This matter has been considered at a regularly scheduled meeting of the

8 Board of Supervisors for the City and County of San Francisco; and

9 WHEREAS, The documentation used to determine the Appropriations Limit for the

10 City and County of San Francisco for FY2023-2024 was available for public inspection in

11 the Office of the Clerk of the Board of Supervisors for at least 15 days prior to said regularly

12 scheduled meeting; now, therefore, be it

13 RESOLVED, That the City and County of San Francisco elects to use the percentage

14 change in the local assessment roll from 2022 due to the addition of local non-residential

15 new construction and the percent change in population within the San Francisco

16 Metropolitan Area from the previous year for the purpose of computation of its

17 Appropriations Limit pursuant to Article XIII B of the California Constitution for FY 2023-

18 2024; and, be it

19 FURTHER RESOLVED, That the net appropriations limit for FY 2023-2024 is

20 established at \$11,678,040,780.

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1 Recommended:

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3 \_\_\_\_\_ /s/

4 Ben Rosenfield

5 Controller

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<p><b>Item 2</b> <b>File 24-0155</b></p>	<p><b>Department:</b> Controller’s Office</p>
<p><b>EXECUTIVE SUMMARY</b></p>	
<p style="text-align: center;"><b>Legislative Objectives</b></p> <ul style="list-style-type: none"> <li>• The proposed resolution would establish the City’s FY 2023-24 appropriations limit at \$11,678,040,780, as calculated by the Controller.</li> </ul> <p style="text-align: center;"><b>Key Points</b></p> <ul style="list-style-type: none"> <li>• The California Constitution places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for: (1) the change in population, and (2) the change in the cost of living. There are two definitions that local governments may use to calculate the cost-of-living adjustment: (a) the change in per capita personal income, or (b) the change in the local assessment roll due to the addition of non-residential new construction. The City is allowed to choose whichever percentage change is higher. In FY 2022-23, the growth in personal income was 4.44 percent and the roll growth due to nonresidential new construction was 9.74 percent. Consequently, the Controller’s Office is using the non-residential construction growth for the cost-of-living factor to calculate the appropriations limit.</li> <li>• The appropriations limit does not apply to tax proceeds appropriated for: (a) debt service, (b) payroll taxes for Social Security and Medicare, and (c) qualified capital outlays.</li> </ul> <p style="text-align: center;"><b>Fiscal Impact</b></p> <ul style="list-style-type: none"> <li>• The City’s FY 2023-24 appropriations limit is \$11,678,040,780. The FY 2023-24 net tax proceeds of \$5,384,322,904 are \$6,293,717,876 less than the FY 2023-24 appropriations limit of \$11,678,040,780.</li> </ul> <p style="text-align: center;"><b>Policy Consideration</b></p> <ul style="list-style-type: none"> <li>• For the FY 2023-24 appropriations limit, the Controller elected to use the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential new construction to calculate the cost-of-living adjustment, consequently calculating the appropriations limit at \$11,678,040,780. Had the Controller elected to use the percentage change in per-capita personal income from the preceding year, the appropriations limit would have been calculated at \$11,193,228,941.</li> </ul> <p style="text-align: center;"><b>Recommendation</b></p> <ul style="list-style-type: none"> <li>• Approve the proposed resolution.</li> </ul>	

**MANDATE STATEMENT**

California Constitution Article XIII B states that each local government must set annual appropriations limit as calculated using the preceding year’s appropriations limit adjusted for: (1) the change in population and (2) the change in the cost of living.

**BACKGROUND**

Proposition 4, known as the Gann Initiative and approved by California voters in November 1979, added Article XIII B to the California Constitution. Article XIII B (later amended by State Proposition 111, as approved by the voters in June 1990) places annual limits on the appropriation of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the limit for the preceding fiscal year and adjusted for: (1) the change in population and (2) the change in the cost of living.

Per Article XIII B Section 9 and California Government Code Section 7901, the appropriations limit does not apply to any tax proceeds appropriated for: (a) debt service, (b) federal mandates for Social Security and Medicare payroll taxes, (c) qualified capital outlays, and (d) other federal mandates.

**Population Growth Factor**

California Government Code Section 7901(b) uses the prior calendar’s population growth for the fiscal year for which the appropriations limit is determined. According to the California Department of Finance, between January 1, 2022 and January 1, 2023, the population growth of the nine-county Bay Area was -0.45 percent.<sup>1</sup>

**Cost of Living Factor**

California Constitution Article XIII B Section 8(e)2 allows the local government to use one of the two following definitions to calculate the cost-of-living adjustment:

**Definition 1:** The percentage change in California per-capita personal income from the preceding year, estimated to be 4.44 percent in FY 2022-23, or

**Definition 2:** The percentage change for the local jurisdiction in the assessment roll from the preceding year due to non-residential new construction, estimated to be 9.74 percent in 2022.

**DETAILS OF PROPOSED LEGISLATION**

The proposed resolution would establish the City’s FY 2023-24 appropriations limit at \$11,678,040,780, as calculated by the Controller. The appropriations limit for FY 2023-24 is based on the amount of the FY 2022-23 appropriations limit and adjusted to reflect increases in: (1) the

<sup>1</sup> Chapter 1222 of the California State Statutes of 1980 allows the City to use the greater of its percentage change in population from the preceding year or the percentage change of the nine-county Bay Area. The percentage change of the Bay Area population of -0.45 percent was less than the percentage change of the City’s population of -0.64 percent.

population and (2) cost of living (calculated using the increase in the local assessment roll due to the addition of non-residential new construction).

**FISCAL IMPACT**

**Cost of Living Factor**

Cost of living is determined by using either the change in California per capita personal income or the increase in the local assessment roll due to the addition of non-residential new construction. According to the Controller’s Office, the City may choose whichever percentage change is higher.

As mentioned above, in FY 2022-23, the growth in personal income was 4.44 percent and the roll growth due to nonresidential new construction was 9.74 percent. Consequently, the Controller’s Office is using the non-residential construction growth for the cost-of-living factor to calculate the appropriations limit.

**Appropriations Subject to Limit**

As mentioned above, the appropriations limit does not apply to tax proceeds appropriated for: (a) debt service, (b) payroll taxes for Social Security and Medicare, and (c) qualified capital outlays. Consequently, the Controller excluded \$775,458,252 from the City’s total FY 2023-24 tax proceeds of \$6,159,781,156, as shown in Exhibit 1 below, resulting in net tax proceeds subject to the appropriations limit of \$5,384,322,904.

**Exhibit 1: Tax Proceeds Subject to the Proposed Appropriations Limit**

<b>FY 2023-24 Total Tax Proceeds<sup>2</sup></b>	<b>\$6,159,781,156</b>
Exclusions	
(a) Debt Service	(471,661,843)
(b) Federal Mandate for Social Security/Medicare	(140,741,904)
(c) Qualified Capital Outlays	(163,054,504)
<b>Subtotal Exclusions</b>	<b>\$775,458,251</b>
<b>FY 2023-24 Net Tax Proceeds Subject to Appropriations Limit</b>	<b>\$5,384,322,905</b>

Source: Controller’s Office

Article XIII B lets voters approve an increase to the appropriations limit for up to four years. Recent tax increases have included language to increase the City’s appropriation limit, including: the Traffic Congestion Mitigation Tax (Proposition D in November 2019), the Vacancy Tax (Proposition D in March 2020), the Parcel Tax for San Francisco Unified School District (Proposition J in November 2020), the Real Estate Transfer Tax (Proposition I in November 2020), the Executive Compensation Tax (Proposition L in November 2020), the Business Tax Overhaul (Proposition F in November 2020), and the Residential Vacancy Tax (Proposition M in November 2022). These adjustments raise the FY 2023-24 appropriations limit by \$1,639,691,483.

<sup>2</sup> Includes property taxes, business taxes, excess Education Revenue Augmentation Fund (ERAF) revenues, other local taxes, interest, and state subventions.



As shown in Exhibit 2 below, the City’s FY 2023-24 appropriations limit, as calculated by the Controller, is \$11,678,040,780. The FY 2023-24 net tax proceeds of \$5,384,322,904 are \$6,293,717,876 less than the FY 2023-24 appropriations limit of \$11,678,040,780.

**Exhibit 2: Proposed FY 2023-24 Appropriations Limit**

<b>Base FY 2022-23 Appropriations Limit</b>	<b>\$9,188,742,541</b>
Adjustment Factors	
Increase in Population	-0.45%
Roll Growth due to Nonresidential Construction	9.74%
<b>Subtotal</b>	<b>\$10,038,349,297</b>
Voter Approved Limit Changes	\$1,639,691,483
<b>FY 2023-24 Appropriations Limit</b>	<b>\$11,678,040,780</b>

Source: Controller’s Office

**POLICY CONSIDERATION**

As previously mentioned, the Controller has discretion to calculate the cost-of-living adjustment factor using one of two definitions:

**Definition 1:** The percentage change in California per-capita personal income from the preceding year, estimated to be 4.44 percent in FY 2022-23, or

**Definition 2:** The percentage change for the local jurisdiction in the assessment roll from the preceding year due to non-residential new construction, estimated to be 9.74 percent in 2022.

Exhibit 3 below shows the FY 2023-24 appropriations limit using both definitions.

**Exhibit 3: FY 2023-24 Appropriations Limit by Definition**

	Definition 1: Per Capita Personal Income	Definition 2: Local Assessment Roll from Non-Residential New Construction
<b>FY 2022-23 Appropriations Limit</b>	<b>\$9,188,742,541</b>	<b>\$9,188,742,541</b>
Adjustment Factors		
Increase in Population	-0.45%	-0.45%
Increase in Per-Capita Personal Income	4.44%	-
Increase in Local Assessment Roll		9.74%
<b>Subtotal</b>	<b>\$9,553,537,458</b>	<b>\$10,038,349,297</b>
Voter Approved Limit Changes	1,639,691,483	1,639,691,483
<b>FY 2023-24 Appropriations Limit</b>	<b>\$11,193,228,941</b>	<b>\$11,678,040,780</b>

For the FY 2023-24 appropriations limit, the Controller elected to use the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential new construction to calculate the cost-of-living adjustment, consequently calculating the appropriations limit at \$11,678,040,780, as shown in Exhibit 2 above. Had the Controller elected to use the percentage change in per-capita personal income from the preceding year, the

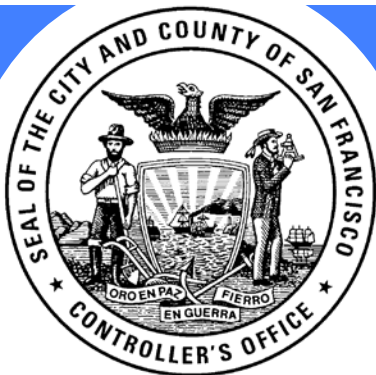
appropriations limit, as shown in Exhibit 3 above, would have been calculated at \$11,193,228,941, which is \$484,811,840 less than the proposed appropriations limit of \$11,678,040,780.

**RECOMMENDATION**

Approve the proposed resolution.

# FY 2023-24 City and County of San Francisco Appropriations Limit

Budget and Finance Committee  
April 24, 2024



**CITY & COUNTY OF SAN FRANCISCO**

Office of the Controller  
Budget and Analysis Division

## Background

California Propositions 4 (1979) and 98 (1988) amended the California Constitution to create the “Gann Limit,” a limit on appropriations from tax proceeds.

- Certain appropriations are *not* subject to the Gann Limit, including qualified capital outlays, voter-approved debt, and federal mandates.
- The Gann Limit for the current fiscal year starts with the appropriations subject to limitation in the base year (1986-87) and inflates that amount each year by the percentage increases in population and cost of living.
- If a government exceeds the Gann Limit on average over two consecutive fiscal years, it is required to return the excess to taxpayers, usually by reducing taxes.

## Factors in the Annual Limit Increase

- The Gann Limit is increased each year by population growth and a cost-of-living factor, which is either the growth in California per capita personal income, or the percentage increase in the assessment rolls in the City due to new construction.
- In 2021, population growth in the City was -0.64% and -0.45% in the 9 Bay Area Counties. The City can choose whichever population growth is greater.
- The growth in California per capita personal income was 4.44% and the percentage increase in the assessment rolls due to new construction was 9.74%. The City can choose the greater of these two factors.
- The total percentage increase in the Gann Limit for this year is 9.25%

## Temporary, Voter-Approved Increases

- With voter approval, the Gann Limit can be increased for up to four years.
- In the past four years, voters approved five tax increases that included an increase: Parcel Tax for SFUSD, Real Estate Transfer Tax, Executive Compensation Tax, Business Tax Overhaul, and Residential Vacancy.
- These voter approvals raise the FY 2022-23 Gann Limit by \$1,636,691,483.

## Fiscal Year 2023-24 Appropriations Limit

- FY 2022-23 Base Limit: \$9,188,742,541
- 2022 Bay Area Population Increase: -0.45%
- 2022 Increase in Cost of Living: 9.74%
- Temporary Voter Approved Increase: \$1,639,691,483
- FY 2023-24 Limit: \$11,678,040,780

## Appropriations Subject to Limit

FY 2023-24 Estimated Total Tax Proceeds:	\$ 6,159,781,156
Less Appropriations Excluded from the Limit:	
Voter-Approved Debt:	-\$ 471,661,843
Qualified Capital Outlay:	-\$ 163,054,504
Federal Mandates (FICA / ADA Compliance) :	<u>-\$ 140,741,904</u>
<i>Net Tax Proceeds:</i>	<i>\$ 5,384,322,904</i>
<hr/>	
FY 2023-24 Appropriations Limit:	\$ 11,678,040,780
Net Tax Proceeds:	<u>-\$ 5,384,322,904</u>
<b>Amount Below Limit:</b>	<b>\$ 6,293,717,876</b>



California Constitution Article XIII B Appropriations Limit  
 Fiscal Year 2023-24 Final Budget  
 Exhibit A - Appropriations Funded by Proceeds of Taxes Subject to Limit

Fiscal Year 2023-24

Proceeds of Taxes

	General Fund	Other Governmental Funds	Total
Property Tax	\$ 2,144,940,000	\$ 677,243,086	\$ 2,822,183,086
Excess ERAF	365,060,000	-	365,060,000
Business Tax	851,100,000	485,000,000	1,336,100,000
Other Local Taxes	1,147,880,000	55,469,000	1,203,349,000
Interest	85,266,670	22,952,400	108,219,070
State Subventions	323,650,000	1,220,000	324,870,000
<b>Total Proceeds of Tax</b>	<b>\$ 4,917,896,670</b>	<b>\$ 1,241,884,486</b>	<b>\$ 6,159,781,156</b>

Excludable Appropriations

FICA Expenditures	\$ 140,741,904
Qualified Capital Outlays	163,054,504
Debt Service	471,661,843
<b>Total Excludable Appropriations</b>	<b>\$ 775,458,252</b>

<b>Net Proceeds of Taxes:</b>	<b>\$ 5,384,322,904</b>
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Appropriations Limit Calculation

Base Limit for FY 2022-23	9,188,742,541
Population Adjustment	-0.45%
Cost of Living Adjustment	9.74%
<i>Total Adjustment</i>	9.25%
Base Limit for FY 2023-24	10,038,349,297
Temporary Voter Approved Overrides	1,639,691,483
<b>Appropriations Limit for FY 2023-24</b>	<b>\$ 11,678,040,780</b>

<b>FY 2023-24 Appropriations Under (Over) Statutory Limit</b>	<b>\$ 6,293,717,876</b>
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**California Constitution Article XIII B Appropriations Limit**  
**Fiscal Year 2023-24 Final Budget**  
**Exhibit B - Appropriations Limit Calculation**

Cost of Living Factor: Use the maximum of CA Per-Capital Personal Income Change, or the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction.

CA Per-Capita Personal Income change	4.44%
Roll Growth Due to New Nonresidential Construction	9.74%
<b>Cost of Living Change</b>	<b>9.74%</b>

Population Factor: Use the maximum of either CCSF population growth, or the population growth of the 9 bay area counties if it exceeds the Roll Growth cost of living factor.

County of San Francisco	-0.64%
CCSF and Surrounding Counties	-0.45%
<b>Population Percentage Change</b>	<b>-0.45%</b>

Calculation of Appropriations Limit: Inflate the prior year Base Gann Limit (i.e., before voter overrides) by the Cost of Living and Population factors above.

Base Appropriations Limit FY 2022-23	9,188,742,541
Cost of Living Growth Factor	1.09740
Population Growth Factor	0.99550
<b>Base Appropriations Limit FY 2023-24</b>	<b>10,038,349,297</b>
Voter approved Limit changes:	1,639,691,483
<b>Appropriations Limit FY 2023-24</b>	<b>\$11,678,040,780</b>



**OFFICE OF THE CONTROLLER**  
**CITY AND COUNTY OF SAN FRANCISCO**

Ben Rosenfield  
Controller  
Todd Rydstrom  
Deputy Controller

February 12, 2024

Mayor London Breed  
City and County of San Francisco  
City Hall, Room 200  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Board of Supervisors  
City and County of San Francisco  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: Appropriations Limit for Fiscal Year 2023-24

Dear Mayor Breed and Board Members:

In accordance with Article XIII B of the State Constitution, attached is the resolution establishing the City and County's annual appropriations limit for FY 2023-24. We estimate City and County appropriations are approximately \$6,294 million below the state-mandated appropriations limit.

**Background**

Article XIII B of the State Constitution provides that annual appropriations of the City and County of San Francisco that are funded from "Proceeds of Taxes" may not exceed the City and County's appropriations limit. This limit is equal to the prior year's limit adjusted for changes in population and cost of living.

Our computation of proceeds of taxes is in accordance with California Government Code Section 7900 and conforms to "Article XIII B California Constitution Appropriations Limit Procedure Guidelines for California Counties" prepared by the County Accounting Standards and Procedures Committee (See Exhibit A).

## Annual Appropriations Limit Adjustments

Each year the City and County of San Francisco adjusts its appropriations limit based upon two factors: population growth and the cost of living as determined by California Government Code. Population growth is determined using either the change in San Francisco City and County population or the change in the nine Bay Area counties. According to the California Department of Finance, between January 1, 2022 and January 1, 2023, San Francisco City and County population declined by 0.64% and the Bay Area counties declined by 0.45%. The maximum growth factor, -0.45%, is used in the calculation. Cost of living is determined using either the change in California per capita personal income or the increase in the local assessment roll due to the addition of non-residential new construction. The change in per capita income for fiscal year 2022-23 is 4.44%, while the local assessment growth in 2021 due to non-residential new construction is 9.74%. The fiscal year 2023-24 increase in local assessment growth is used in the appropriations limit calculation (See Exhibit B).

## Adjustments to Proceeds of Taxes

There are certain appropriations that are excluded from proceeds of taxes, as allowed by Article XIII B. The following exclusions are factored into our calculation of Net Proceeds of Taxes:

- (1) \$471.7 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$140.7 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$163.0 million is excluded under the determination of “qualified capital outlay” (Article XIII B Section 9(e)).

## Adjustments to the Appropriations Limit

Article XIII B allows voters to approve an increase to the appropriations limit for up to four years. In the past four years, voters approved seven measures that included increases to the appropriations limit: the Parcel Tax for San Francisco Unified School District (Proposition J-November 2020), the Real Estate Transfer Tax (Proposition I-November 2020), the Executive Compensation Tax (Proposition L-November 2020), the Business Tax Overhaul (Proposition F-November 2020); and the Residential Vacancy Tax (Proposition M-November 2022. This adjustment raises the FY 2023-24 appropriations limit by \$1,693.7 million.

## City and County Appropriations are under the Limit

The appropriations limit for FY 2023-24 is \$11,678,040,780. We estimate that appropriations subject to limitation will be \$5,384,322,904. Thus, the Controller projects that the City and County will be \$6,293,717,876 below its limit in the current fiscal year.

It is the Controller's responsibility to monitor this appropriations limit each year for compliance. If the sum of adjusted appropriations for two consecutive fiscal years exceeds the sum of the appropriations

limits for those two fiscal years, the excess must be returned to the taxpayers in the two subsequent fiscal years.

Sincerely,

/s/

Ben Rosenfield  
Controller

Attachments

cc: Anna Duning, Mayor's Budget Director  
David Chiu, City Attorney  
Jon Givner, Deputy City Attorney  
Angela Calvillo, Clerk of the Board  
Harvey Rose, Budget Analyst

