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# FY 2019-20 City and County of San Francisco Appropriations Limit

Budget and Finance Committee  
January 29, 2020



**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 2018, population growth in the City was 0.33%
- The growth in California per capita personal income was 3.85% and the percentage increase in the assessment rolls due to new construction was 23.65%. The City can choose the greater of these two factors.
- The total percentage increase in the Gann Limit for this year is 24.06%

## Temporary, Voter-Approved Increases

- With voter approval, the Gann Limit can be increased for up to four years.
- Since November 2016, four tax measures have passed that raised the Gann Limit by the aggregate sum collected from the taxes: the Sugary Drinks Distributor Tax (SDDT), the Real Property Transfer Tax (RPTT), the Cannabis tax, and the TNC tax.
- FY 2019-20 is the final year of the override for SDDT and RPTT. In FY 2020-21, the voter override for the Cannabis and TNC taxes will be an estimated \$55 million.
- Since June 2018, three other tax measures passed that included Gann Limit voter overrides: the Commercial Rent Tax for Childcare and Early Education (Prop C), a City parcel tax for the benefit of the SFUSD, and the Our City, Our Home gross receipts tax (Prop C). Due to pending litigation, the City is not yet recognizing revenue from these measures.

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## Fiscal Year 2019-20 Appropriations Limit

- FY 2018-19 Limit: \$4,343,960,284
- 2018 San Francisco Population Increase: 0.33%
- 2018 Increase in Cost of Living: 23.65%
- Temporary Voter Approved Increase: \$139,717,381
- FY 2019-20 Limit: \$5,528,830,486

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## Appropriations Subject to Limit

FY 2019-20 Estimated Total Tax Proceeds:	\$ 4,879,698,132
Less Appropriations Excluded from the Limit:	
Voter-Approved Debt:	-\$ 465,571,452
Qualified Capital Outlay:	-\$ 222,763,122
Federal Mandates (FICA / ADA Compliance) :	<u>-\$ 118,194,234</u>
<i>Net Tax Proceeds:</i>	<u>\$ 4,073,169,324</u>
FY 2019-20 Appropriations Limit:	\$ 5,528,830,486
Net Tax Proceeds:	<u>-\$ 4,073,169,324</u>
Amount Below Limit:	\$ 1,455,661,162