

CALCULATION OF THE GANN LIMITATION

This appendix provides guidance to local government agencies in the calculation of the appropriation limit required by Proposition 4, the Gann Initiative, that was approved by the voters in 1979.

A. BACKGROUND REGARDING THE GANN LIMITATION

Proposition 4 imposed an appropriation limit on state and local government agencies in California. Beginning with fiscal year 1980-81, the state's and each local government's appropriations will be limited to the fiscal year 1978-79 appropriations plus increases according to a formula based on population growth and increases in the cost of living, or the growth of personal income, whichever is less.

Proposition 4 did not identify responsibility for determining the Gann limitation for local government agencies, however, since a limit must be established for any proposed agency, the LAFCo will ensure that a Gann limit is calculated for each agency that has an action come before LAFCo.

B. ADJUSTMENTS TO EXISTING APPROPRIATION LIMITS

Proposition 4 includes provision for the adjustment of appropriation limits for existing agencies. Specifically, Section 3A of the initiative states:

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.

LAFCo staff will participate with the involved agencies in the negotiation of any adjusted appropriations limits. Any changes in these limits should reflect prior appropriations for these agencies, changes in population growth and increases in cost of living, or the growth of personal income, whichever is less.

C. ESTABLISHING A NEW APPROPRIATION LIMIT

The language of Proposition 4 did not provide a clear method for establishing the appropriation limit of a new agency proposed for formation. However, Section 4 of Proposition 4 allows a new agency to establish an appropriation limit through an election. Specifically, this section states:

The appropriation 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.

LAFCo staff will participate with the involved parties in the creation of any new agency of government based upon the anticipated budget of the new agency. However, the appropriations limit of the new agency may be established or changed by the electors of such agency consistent with existing law.