



**PROPOSITION 4,
GANN APPROPRIATIONS LIMITATIONS**

PROPOSITION 4, GANN APPROPRIATION LIMIT

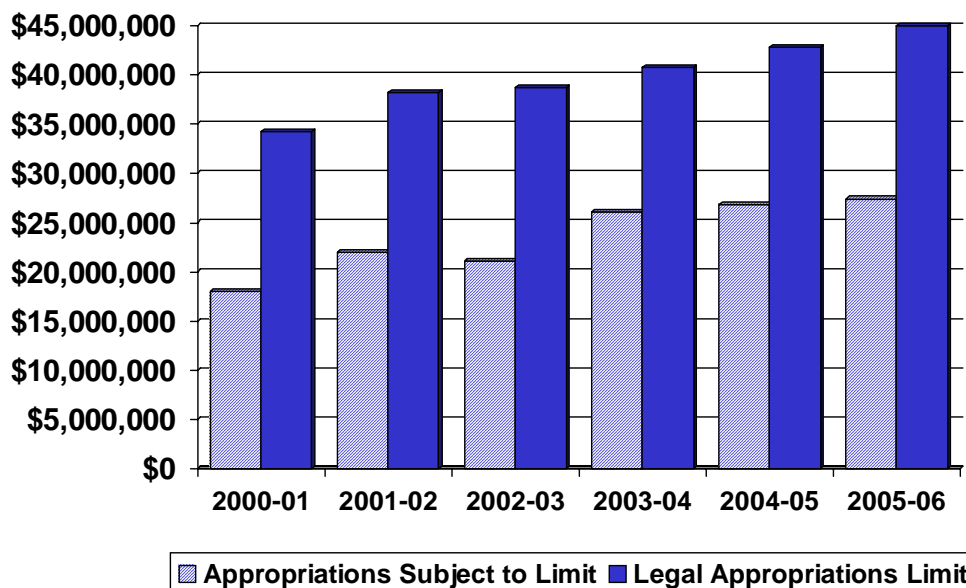
Article XIII B of the California State Constitution, was approved by California voters in November 1979, and modified by Proposition 111 in 1990. This article more commonly referred to as the Gann Initiative or Gann Limit, placed limits on the amount of proceeds of taxes that state and local governmental agencies can receive and spend each year.

The appropriations limit is different for each agency and the limit changes each year. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978-79 in each agency, and modified for changes in inflation and population in each subsequent year.

Each year the City Council must adopt, by resolution, an appropriations limit for the following year. Using cost of living data provided by the State of California, and population and per capita personal income data provided by the State Department of Finance, the City's Appropriation Limit for 2005-06 has been computed to be \$45,892,305. Appropriations subject to the limitation in the 2005-06 budget total \$27,431,035 which is \$18,461,270 less than the computed allowable limit.

Additional appropriations to the budget funded by non-tax sources, such as charges for service, restricted revenues, grants or beginning fund balances, would not be affected by the Appropriations Limit.

The graph below shows a history of the City of Davis' Appropriations Limits.



**GANN APPROPRIATIONS LIMITATION COMPUTATION
FY 2005-2006 FINAL BUDGET**

APPROPRIATIONS LIMIT:

2004-2005 APPROPRIATIONS LIMIT		\$42,881,989
2005-2006 ADJUSTMENT FACTORS		
Population	1.0167	
Inflation	<u>1.0526</u>	
Total	<u>1.0702</u>	
ANNUAL ADJUSTMENT		3,010,316
TRANSFER OF RESPONSIBILITY ADJUSTMENT		0
2005-2006 APPROPRIATIONS LIMIT		<u><u>\$45,892,305</u></u>

APPROPRIATIONS SUBJECT TO LIMITATION/ESTIMATED PROCEEDS OF TAXES:

ACTUAL PROCEEDS OF TAXES		\$28,819,533
LESS: QUALIFIED CAPITAL OUTLAY		
DEBT SERVICE APPROPRIATIONS		0
CIP CONST TAX APPROPRIATIONS		<u>(1,388,498)</u>
APPROPRIATIONS SUBJECT TO LIMITATION		\$27,431,035
PERCENTAGE OF APPROPRIATIONS LIMIT USED:		59.77%

