

## THE GANN INITIATIVE LIMIT

In 1979, one year after Proposition 13 was adopted, the voters approved Proposition 4, referred to as the Gann Initiative. This proposition is now Article XIII B of the California Constitution. In June 1990, the original Article XIII B (Proposition 4) and its implementing Chapter 1205/80 were modified by Proposition III and SB88 (Chapter 60/90). The Gann Initiative was aimed at government spending and places limitations on appropriations of revenue from the “proceeds of taxes”. These proceeds are defined to include: (1) all tax revenues; (2) revenue from the investment of tax revenues; (3) revenue from user charges and regulatory fees to the extent it exceeds the reasonable cost of providing the service; and (4) local government subventions received from the State.

In order to determine the “Gann Limit”, the city was required to establish a base year 1981/1982 appropriations limitation. Each year this limitation has been adjusted to reflect changes in population and the cost of living. Beginning with the 1990/1991 Appropriations Limit, the annual adjustment factors changed. Instead of using the lesser of California Per Capita Income of U.S. CPI to measure inflation, each city may choose:

- The growth in the California Per Capita Income, OR
- The growth in the non-residential assessed valuation due to new construction with the city.

In addition, instead of using only the population growth of the City, each city may choose to use the population growth within its County. These are both annual elections.

After determining the dollar limit, the budgeted or anticipated “tax revenues” are calculated and compared to the “Gann Limit”. If the City exceeds its “Gann Limit” in any one year, they may avoid a tax refund if they fall sufficiently below the Limit in the next fiscal year. They then have two more years to refund any remaining excess by revising tax rates or fee schedules, or return monies already collected, or obtain a successful override vote.

The tax revenues of the City of Cathedral City are currently at about 49.42% of the “Gann Limit”, which indicates the City is not overtaxing its citizens.

The calculation for Fiscal Year 2025/2026 follows on the next page, along with a summary of the percentage changes in the cost of living and population since adopting the Gann Initiative. Based upon Proposition III and SB88 (Chapter 60/90) passed in June 1990, a revised limit for 1990/1991 is shown.