

## APPROPRIATIONS LIMIT CALCULATION

Article XIII B of the State Constitution, commonly referred to as the "Gann Limit", was adopted when California's voters approved Proposition 4 in November 1979. The limit has been modified by two subsequent initiatives-- Proposition 98 in 1988 and Proposition 111 in 1990--but its basic framework remains in place today.

Article XIII B places an annual limit on the appropriation of tax proceeds that can be made by the state, school districts and local governments in California. These limits are based on the amount of appropriations in the 1978-79 "base" year, as adjusted each year for population growth and cost-of-living factors. State and local governments are precluded from retaining any "excess revenues" above the limit. Article XIII B also requires the state to reimburse local governments for the cost of certain state mandates. The limit is different for every agency and changes each year.

For Fiscal Year 2026-27, the estimated tax proceeds appropriated by the West Covina City Council are under the limit. The Appropriations Limit for Fiscal Year 2026-27 is \$212,879,359. This amount is the maximum amount of tax proceeds the City is able to appropriate and spend in Fiscal Year 2026-27. The appropriations subject to the limit are \$72,970,730 leaving the City with an appropriations capacity under the limit of \$139,908,629.

### APPROPRIATIONS LIMIT CALCULATION - FISCAL YEAR 2026-27

#### **Part I - Calculation of Appropriations Limit**

|                                                    |                                     |
|----------------------------------------------------|-------------------------------------|
| Appropriations Limit - Fiscal Year 2025-26:        | \$ 203,129,159                      |
| Change in Per Capita Personal Income (5.95%)       | 1.0495 <sup>(a)</sup>               |
| Change in City Population (-0.14%):                | <u>0.9986 <sup>(a)</sup></u>        |
| Calculation of Growth Factor (1.0595 x 0.9986)     | <u>1.0480</u>                       |
| <b>Appropriations Limit - Fiscal Year 2026-27:</b> | <b><u><u>\$ 212,879,359</u></u></b> |

#### **Part II - Appropriations Subject to the Limit**

|                                                  |                                    |
|--------------------------------------------------|------------------------------------|
| Proceeds from Taxes                              | \$ 72,970,730                      |
| Less: Debt Service Payments                      | <u>-</u>                           |
| <b>Total Appropriations Subject to the Limit</b> | <b><u><u>\$ 72,970,730</u></u></b> |

#### **Part III - Calculation of Appropriations Over/Under the Limit**

|                                             |                                     |
|---------------------------------------------|-------------------------------------|
| Appropriations Limit - Fiscal Year 2026-27: | \$ 212,879,359                      |
| Less: Appropriations Subject to Limitation  | <u>(72,970,730)</u>                 |
| <b>Total Appropriations Under the Limit</b> | <b><u><u>\$ 139,908,629</u></u></b> |

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<sup>(a)</sup> Source: State of California, Department of Finance, Price and Population Information, May 2026