



COUNTY OF HUMBOLDT

For the meeting of: 6/7/2022

File #: 22-712

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Time Certain Matter

SUBJECT:

10 AM - Adopt Appropriation Limits for Fiscal Year 2019-20, 2020-21 and 2021-22

RECOMMENDATION(S):

That the Board of Supervisors:

1. Approve the attached resolution establishing the Fiscal Year (FY) 2019-20 Appropriation Limit in accordance with Article XIII B of the California Constitution and Division 9 of Title 1 of the California Government Code.
2. Approve the attached resolution establishing the FY 2020-21 Appropriation Limit in accordance with Article XIII B of the California Constitution and Division 9 of Title 1 of the California Government Code.
3. Approve the attached resolution establishing the FY 2021-22 Appropriation Limit in accordance with Article XIII B of the California Constitution and Division 9 of Title 1 of the California Government Code.

SOURCE OF FUNDING:

All county funds

DISCUSSION:

Each year, the governing body of the state and each local governmental must establish and is subject to an Appropriations Limit. The Appropriations Limit for any year is the Appropriations Limit from the previous fiscal year increased by inflation and population changes. Proposition 111 established FY 1986-87 as the base year for all governments, rather than the original FY 1978-79 base year established by the originating proposition.

History of Appropriation Limit (Gann's Limit)

The Appropriations Limit was approved by California voters in November 1979 as Proposition 4 (the Gann Initiative) and added to the California State Constitution as Article XIII B. In 1980, the State Legislature added Division 9 (commencing with [Section 7900](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=9.&title=1.&part=&chapter=&article=>) [<https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=9.&title=1.&part=&chapter=&article=>](https://leginfo.ca.gov/faces/codes_displayText.xhtml?lawCode=GOV&division=9.&title=1.&part=&chapter=&article=>)) to Title I of the Government Code

to implement Article XIII B. This legislation required the governing body of each local jurisdiction in California to establish an Appropriations Limit (also referred to as the GANN Limit) on or before June 30 of each year for the following fiscal year. The Appropriations Limit is based on actual appropriations during the FY 1986-87 and adjusted each year using population and inflation adjustment factors.

On June 5, 1990, California voters approved Proposition 111, amending Article XIII B. Proposition 111 allows local jurisdictions to choose among measures of inflation and population growth to compute the adjustment factor. The measures for inflation (price factors) include growth in California per capita income or growth in the county’s gross assessed valuation due to new non-residential construction; while measures for population growth include population growth within the county, county and contiguous counties or all cities within the county.

Humboldt County Appropriations Limits

The detailed calculations for each year’s Appropriations Limits are attached (Attachment 2, Attachment 4, and Attachment 6). A summary of the calculated appropriations limits is set forth below:

Humboldt County Calculated Appropriations Limit					
Fiscal Year	Prior Year Limit	x	Adjustment Factor	=	New Limit
2019-20	\$ 191,731,339		1.03848		\$ 199,108,961
2020-21	\$ 199,108,961		1.03726		\$ 206,527,920
2021-22	\$ 206,527,920		1.05721		\$ 218,342,402

Not all county revenues are subject to the Appropriations Limit. Proceeds from taxes subject to the limitation include:

- all taxes levied by or for a public agency
- any revenue received from regulatory licenses, user charges, and user fees only to the extent that the proceeds exceed the cost of providing the regulation, product or service
- State subventions for general purposes
- Any interest earned from the investment of tax proceeds

The total annual appropriations subject to the limit are set forth below:

Humboldt County Total Annual Appropriations Subject to the Limit		
Fiscal Year		Appropriations Subject to the Limit
2019-20	\$	77,832,493
2020-21	\$	79,302,382
2021-22	\$	84,514,068

Because funds received from the state that are restricted, such as Department of Health and Human Services and Road Taxes, are not subject to the Appropriations Limit, it primarily applies to General Fund tax revenues.

Procedural Requirements

Government Code § 7910 requires that 15 days prior to adopting its annual Appropriations Limit, a local government make available to the public the documentation used to determine the Appropriations Limit. The Clerk of the Board published the notice in the New Times Standard on May 22, 2022 (Attachment 7) and the calculation documentation was available as of May 23, 2022. That same code section sets forth the requirements and time limit for contesting the adopted Appropriation Limit. A judicial action to attack, review, set aside, void or annul the action of the government must be commenced within 45 days of the resolution effective date. As the documentation supports the recommended appropriation limit, has been available for the requisite public inspection period and adequate public notice of the location for inspection has been given, the Board of Supervisors may adopt the attached resolutions.

County Status of Appropriations Limits

The Appropriations Limit and the total annual appropriations subject to the limit are required information by the California State Controller for both the Annual Financial Transactions Report and the Annual Adopted Budget. As your Board is aware, a lawsuit against the Auditor-Controller and the County has been brought by the California State Attorney General on behalf of the State Controller for failing to file a FY 2019-20 Financial Transactions Report and FY 2020-21 and FY 2021-22 Adopted Budgets on time and that contained the required information. The FY 2020-21 Financial Transactions Report was never filed but is subject to the lawsuit because of its delinquency.

Adoption of the attached resolutions establishing the Appropriations Limits and total annual appropriations subject to limitation provides one of the three missing elements of the FY 2020-21 and FY 2021-22 Adopted Budgets. The other two elements are Fund Balances and that funding sources equal financing uses.

In order to provide better assurance that the Appropriations Limit will be established timely going forward, the FY 2022-23 Appropriation Limit will be incorporated into the process of your Board’s adoption of the Proposed Budget on June 28, 2022, and for years thereafter.

FINANCIAL IMPACT:

There is no direct financial impact of establishing the Appropriations Limits or the total annual appropriations subject to the limit because the county's budgets have been and will likely continue to be well below the Appropriations Limits using any one of the six alternative adjustment factors as presented on page 2 of each year's Appropriations Limit Calculations.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by facilitating the establishment of local revenue sources to address local needs.

OTHER AGENCY INVOLVEMENT:

California State Controller's Office
State of California

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Your Board may choose not to approve staff's recommendation to approve the resolutions establishing the Appropriations Limits and total annual appropriations subject to the limit for FY 2019-20, FY 2020-21 and FY 2021-22; however, this is not recommended as the Appropriation Limits are very much delinquent and included as part of the basis for the lawsuit filed by the Attorney General of California on behalf of the California State Controller, Betty T. Yee.

Further, the Appropriations Limit calculation builds on each prior year, so without adopting the delinquent Appropriations Limits, the County would be unable to establish future Appropriations Limits.

ATTACHMENTS:

1. Resolution establishing the Fiscal Year 2019-2020 Appropriation Limit under Article XIII B of the California Constitution, and establishing the period for contesting such limits for the county
2. Attachment A - Fiscal Year 2019-2020 Appropriations Limit
3. Resolution establishing the Fiscal Year 2020-2021 Appropriation Limit under Article XIII B of the California Constitution, and establishing the period for contesting such limits for the county
4. Attachment A - Fiscal Year 2020-2021 Appropriations Limit
5. Resolution establishing the Fiscal Year 2021-2022 Appropriation Limit under Article XIII B of the California Constitution, and establishing the period for contesting such limits for the county
6. Attachment A - Fiscal Year 2021-2022 Appropriations Limit
7. Notice of Publication

PREVIOUS ACTION/REFERRAL:

Board Order No.: C. 3

Meeting of: 12/04/2018

File No.: 18-1517: [COUNTY OF HUMBOLDT - File #: 18-1517 \(legistar.com\)](https://legistar.com/legislation/detail.aspx?ID=3768512&GUID=A4F36F9D-78EB-461F-8701-3C299DC71907&Options=ID|Text|&Search=%22Appropriation+Limit%22)

<https://humboldt.legistar.com/LegislationDetail.aspx?ID=3768512&GUID=A4F36F9D-78EB-461F-8701-3C299DC71907&Options=ID|Text|&Search=%22Appropriation+Limit%22>