

# FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

## Calculating Your Annual Gann Limit



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Since the passage of Proposition 4 (1979), state and local government agencies are required to calculate their annual “Gann Limit,” which is intended to constrain their yearly spending by linking year-to-year changes in expenditures to changes in inflation and population. School districts and county offices of education (COEs) are among local governments subject to Gann Limits.

Specifically, Education Code Section (EC §) 1629 and EC § 42132 require county boards of education and school district governing boards, respectively, to adopt a resolution identifying the estimated spending limit for the current fiscal year and the actual spending limit for the preceding fiscal year at a regular or special meeting. Counties must adopt this resolution by October 15, while school districts must do so by September 15.

The Gann Limit is calculated by multiplying the prior-year limit by the percentage change in average daily attendance and per capita personal income. Through this calculation, the revenue of nearly every district and COE is close to, if not exactly at, its Gann Limit. If, however, a district or COE should find itself over its Gann Limit for any reason, it is required to increase its spending limit to the amount equal to its proceeds of taxes, reducing the state’s Gann Limit by an equal dollar amount (see Government Code Section [GC §] 7902.1).

The ability of a district or COE to use the state’s spending limit when its revenues exceed its local Gann Limit has been a longstanding authority, but the ability of the state to recoup “room” of local Gann Limits from districts and COEs was recently authorized with the passage of the 2021 Budget Act. Now, if a district’s or COE’s Gann Limit exceeds its revenue from taxes, then it must decrease its limit to equal its proceeds of taxes, in turn increasing the state’s Gann Limit by an equal dollar amount.

The authority for the state to capture local spending “room” to increase its annual Gann Limit was further bolstered by a change in the definition of proceeds of taxes that applies to districts and COEs beginning with the 2021-22 fiscal year. As part of the 2022 Budget Act, GC § 7901 was amended to exclude from local proceeds of taxes the annual deposits into a district’s or COE’s Routine Restricted Maintenance Account (RRMA) as part of the yearly Gann Limit calculation.

The Standardized Account Code Structure (SACS) Form Gann has been updated to capture any adjustments in a district’s or COE’s spending limit, including the exclusion of the annual RRMA deposits. The California Department of Education has updated the SACS Software User Guide with additional information regarding these changes, which is included when users download the SACS software.

The 2022 SACS Software and user guide can be accessed [here](#).