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**Effective:[See Text Amendments]**West's Annotated California Codes [Currentness](#)Constitution of the State of California 1879 ([Refs & Annos](#))▢ [Article XIII B](#). Government Spending Limitation ([Refs & Annos](#))→→ **§ 8. Definitions**

Sec. 8. As used in this article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state means any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to [Section 6](#) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance, and disability insurance funds.

(b) "Appropriations subject to limitation" of an entity of local government means any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to [Section 6](#)) exclusive of refunds of taxes.

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (1) regulatory licenses, user charges, and user fees to the extent that those proceeds exceed the costs reasonably borne by that entity in providing the regulation, product, or service, and (2) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to [Section 6](#), and, with respect to the state, proceeds of taxes shall exclude such subventions.

(d) "Local government" means any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state.

(e)(1) "Change in the cost of living" for the state, a school district, or a community college district means the percentage change in California per capita personal income from the preceding year.

(2) "Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing

body.

(f) “Change in population” of any entity of government, other than the state, a school district, or a community college district, shall be determined by a method prescribed by the Legislature.

“Change in population” of a school district or a community college district shall be the percentage change in the average daily attendance of the school district or community college district from the preceding fiscal year, as determined by a method prescribed by the Legislature.

“Change in population” of the state shall be determined by adding (1) the percentage change in the state's population multiplied by the percentage of the state's budget in the prior fiscal year that is expended for other than educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges, and (2) the percentage change in the total statewide average daily attendance in kindergarten and grades one to 12, inclusive, and the community colleges, multiplied by the percentage of the state's budget in the prior fiscal year that is expended for educational purposes for kindergarten and grades one to 12, inclusive, and the community colleges.

Any determination of population pursuant to this subdivision, other than that measured by average daily attendance, shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor department.

(g) “Debt service” means appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979, or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for that purpose.

(h) The “appropriations limit” of each entity of government for each fiscal year is that amount which total annual appropriations subject to limitation may not exceed under [Sections 1 and 3](#). However, the “appropriations limit” of each entity of government for fiscal year 1978-79 is the total of the appropriations subject to limitation of the entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, are deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in [Section 5](#), “appropriations subject to limitation” do not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

CREDIT(S)

(Adopted Nov. 6, 1979. Amended by S.C.A.1 ([Prop. 111](#)), [approved June 5, 1990](#), operative July 1, 1990.)

## HISTORICAL NOTES

### 2013 Main Volume

Amendment of § 8 by Initiative Measure (Prop. 71) was rejected by the electors at the primary election held June 7, 1988.

The 1990 amendment by Prop. 111 substituted “means” for “shall mean”, and deleted “of this Article” following “Section 6” throughout the section; deleted subd. (e); inserted subd. (e) defining “change in the cost of living”; rewrote subd. (f); in subd. (h), substituted “is” for “shall be” in two places, inserted a reference to § 3, and substituted “are” for “shall be” in the last sentence; in subd. (i), substituted “do” for “shall”; and made nonsubstantive changes throughout. Prior to amendment subds. (e) and (f) read:

“(e) ‘Cost of living’ shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government; provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

“(f) ‘Population’ of any entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature;”.

## RESEARCH REFERENCES

### Encyclopedias

[Cal. Jur. 3d Municipalities § 557](#), Spending Limitations.

[Cal. Jur. 3d Schools § 115](#), Spending Limitations.

[Cal. Jur. 3d State of California § 95](#), Establishing or Changing Appropriations Limit.

[Cal. Jur. 3d State of California § 96](#), “Appropriations Subject to Limitation”.

### Treatises and Practice Aids

[Miller and Starr California Real Estate § 30B:6](#), Tax Increment Financing.

[16 NO. 4 Miller & Starr, California Real Estate Newsalert 38](#), Subdivisions.

9 Witkin, California Summary 10th Taxation § 117, (S 117) in General.

9 Witkin, California Summary 10th Taxation § 118, (S 118) Scope Of Limitation.

9 Witkin, California Summary 10th Taxation § 140, Proposition 13 is Not Applicable.

## NOTES OF DECISIONS

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### 1. Appropriations subject to limitation

Fact that a municipal redevelopment corporation has no taxing power established that tax increment payments used to retire redevelopment bonds are not “proceeds of taxes levied by or for” the redevelopment agency, so that such payments were not “appropriations subject to limitations” for purposes of Gann Initiative [Const. Art. 13B] which provides for limitation of growth of appropriations of state and local governments. [Bell Community Redevelopment Agency v. Woosley](#) (App. 2 Dist. 1985) 214 Cal.Rptr. 788, 169 Cal.App.3d 24. [Municipal Corporations](#) 🔑 870


### 2. Proceeds of taxes


City was not required, under government spending limitation provision of state Constitution, to conduct annual financial audit of revenues received from building permit and plan review fees imposed on developers to assess whether it had any surplus fees that would constitute proceeds of taxes. [Barratt American Inc. v. City of Rancho Cucamonga](#) (2005) 37 Cal.Rptr.3d 149, 37 Cal.4th 685, 124 P.3d 719, on remand 2006 WL 574330, unpublished. [Municipal Corporations](#) 🔑 885


Under this article, “proceeds of taxes” include regulatory licenses, user charges and user fees to extent that such proceeds exceed costs reasonably born by government entity in providing service or regulatory activity. [Trend Homes, Inc. v. Central Unified School Dist.](#) (App. 5 Dist. 1990) 269 Cal.Rptr. 349, 220 Cal.App.3d 102. [Licenses](#) 🔑 1; [Municipal Corporations](#) 🔑 863; [Taxation](#) 🔑 2001

Municipal water district's water rates were not presumptively “proceeds of taxes” under this chapter limiting government's authority to expend proceeds of taxes (Gann Initiative); only excessive charges constitute “proceeds of taxes.” [Oildale Mutual Wat. Co. v. North of the River Mun. Wat. Dist.](#) (App. 5 Dist. 1989) 264 Cal.Rptr. 544, 215 Cal.App.3d 1628. [Water Law](#) 🔑 2150

Franchise fees paid to county for grants of right of way were not “proceeds of taxes” under this article and were not required to be included as funds subject to appropriations limit. [Santa Barbara County Taxpayer Assn. v.](#)

[Board of Supervisors \(App. 2 Dist. 1989\) 257 Cal.Rptr. 615, 209 Cal.App.3d 940](#), review denied. [Counties](#)  162

Transit fees that city collected from all developers of new office space within city were not “proceeds of taxes,” for purpose of limitations on collection of such proceeds, where fees were directly tied to increased use of city transit system that developments were likely to occasion and were not regulatory licenses, user fees or charges. [Russ Bldg. Partnership v. City and County of San Francisco \(App. 1 Dist. 1987\) 246 Cal.Rptr. 21, 199 Cal.App.3d 1496](#), review granted and opinion superseded [236 Cal.Rptr. 403, 735 P.2d 444](#), modified [237 Cal.Rptr. 456, 737 P.2d 359](#), appeal dismissed [108 S.Ct. 253, 484 U.S. 909, 98 L.Ed.2d 211](#), affirmed in part, reversed in part, partial publication ordered [244 Cal.Rptr. 682, 44 Cal.3d 839, 750 P.2d 324](#), appeal dismissed [109 S.Ct. 209, 488 U.S. 881, 102 L.Ed.2d 201](#). [Municipal Corporations](#)  957(3)

It was not intended by use of “not restricted to” language in defining “proceeds of taxes” to include proceeds derived from special assessments in “proceeds of taxes” as used in Const. Art. 13B. [Placer County v. Corin \(App. 3 Dist. 1980\) 170 Cal.Rptr. 232, 113 Cal.App.3d 443](#). [Counties](#)  195



Without voter approval, a district may not use proceeds from a refunding general obligation bond to provide supplemental funding for unfinished projects, even if the projects were previously approved by the electorate, or for any other purpose except to pay off the designated outstanding bonds. [Op.Atty.Gen. 06-1102 \(January 9, 2009\)](#), [2009 WL 69241](#).

Neither “interest” paid by employers pursuant to [Un.Ins.C. §§ 1112, 1129](#) nor “penalties” paid by employers pursuant to [Un.Ins.C. §§ 1113, 1142](#) constitute the “proceeds of taxes” within the meaning of this section. [64 Op.Atty.Gen. 482, 6-24-81](#).

### 3. Appropriations limit

Under § 3, when an emergency occurs, the appropriation limit for a governmental entity in that fiscal year may be exceeded for that year by only the amount needed to pay for the emergency, but the limits that would otherwise have been placed on its appropriations for the subsequent three years must be reduced to recoup the entire additional spending occasioned by the emergency. [65 Op.Atty.Gen. 151, 3-2-82](#).

### 4. Levying entity

Where one governmental entity “levies taxes by or for” another entity, entity for whom taxes are levied must have the taxing power, levying officers exercise that power as ex officio officers of that entity, and taxes collected are those of the “levied for” entity. [Bell Community Redevelopment Agency v. Woosley \(App. 2 Dist. 1985\) 214 Cal.Rptr. 788, 169 Cal.App.3d 24](#). [Taxation](#)  2413; [Taxation](#)  3240

West's Ann. Cal. Const. Art. 13B, § 8, CA CONST Art. 13B, § 8

Current with all 2014 Reg.Sess. laws, Res. Ch. 1 of 2013-2014 2nd Ex.Sess., and all propositions on 2014 ballots

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