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Controller Kenneth Mejia Estimates That Revenues Will Be on Budget, but Overspending Will Still Exceed Revenues: Annual Revenue Forecast Report

Controller Notes Resilience of City's Economy in the Face of Wildfires, Tariffs, Geopolitical Turmoil, and Federal Immigration Enforcement

LOS ANGELES – City Controller Kenneth Mejia's office published its annual [Revenue Forecast Report](#), which covers updated revenue estimates for the remainder of the current fiscal year, FY26 (ending June 30, 2026), and projections for the upcoming fiscal year, FY27 (July 1, 2026 - June 30, 2027).

General Fund **revenues** are estimated to be **on budget** for the current fiscal year's end and are estimated to **increase slightly (1%) next fiscal year. However, spending is estimated to be over budget by \$200 million.**

Read the report:
[revforecast2027.lacontroller.app](#)

On being financially prepared for the rest of the current fiscal year and into the future, Controller Kenneth Mejia said, "Although revenues are expected to remain flat with the budget throughout the current fiscal year and go slightly up next fiscal year, the City must enact better controls and accountability measures on overspending and massive liability payouts. Currently, the City is projected to spend over budget by \$200 million. Revenue growth must be equal to or even outpace expenditures in order to avoid short-term fixes, such as layoffs, furloughs, hiring freezes, cutting positions from understaffed departments, and tapping the Reserve Fund. These temporary solutions have had a detrimental impact to city services and resources.

"We appreciate the work the Mayor's Office and Charter Reform Commission are doing to formally adopt two-year budgets and a capital infrastructure program as official City policy. We look forward to building on this collaboration as we get the City on the right fiscal path so it can provide the services and resources Angelenos deserve."

Below are highlights from the report:

CURRENT FISCAL YEAR (FISCAL YEAR 2026) ESTIMATE

Despite wildfires, tariffs, geopolitical turmoil, and aggressive federal immigration enforcement, the City's economy proved resilient with FY2026 General Fund revenue

estimated to come in at or slightly below budget (approximately \$25 million short of the adopted budget) by year-end.

The primary sources of revenue shortfalls include less transient occupancy taxes (TOT) due to less traveling and stays in the City due to various reasons including heightened immigration enforcement concerns and broader political tensions, zero special parking revenue transfer surpluses due to outstanding liabilities to cover, and less grant receipts due to the current federal administration's funding priorities.

The primary sources of revenue growth include a boost in utility users taxes due to increased energy prices and demand, increase in business taxes due to increased tax collection efforts, and a one-time receipt of \$22.0 million in wildfire backfill funding from the State of California to offset property tax losses resulting from wildfire impacts. In addition, the City used more Special Funds to fund positions instead of the General Fund due to budgetary challenges. Lastly, the revenue growth included \$86.6 million in departmental receipts of collections from prior year billings and a \$29 million transfer from the Budget Stabilization Fund also with this fiscal year's budget.

- **Budget vs Estimated Actual Highlights:**
 - Notable revenues **above** budget
 - Utility users tax above by \$48 million or 7%
 - Business tax above by \$27 million or 3%
 - One-time receipt (CA wildfire backfill funding) of \$22 million
 - Notable revenues essentially **flat**
 - Sales tax above by \$15 million or 2%
 - Departmental receipts below by \$36 million or -2%
 - Documentary transfer tax above by \$2 million or 1%
 - Notable revenues **below** budget
 - Special parking revenue transfer below by \$37 million or -100%
 - Grant receipts below by \$29 million or -62%
 - Property tax - ex CRA increment below by \$23 million or -13%
 - Transit occupancy tax (TOT) below by \$18 million or -6%

FISCAL YEAR 2027 FORECAST

Although conditions can change over the next 16 months amid major events like the World Cup, broader macroeconomic headwinds, geopolitical turmoil, and ongoing uncertainty around the impact of federal tariff and immigration policies, the Office estimates that General Fund revenues will **increase slightly** by **\$107 million or 1%** for Fiscal Year 2027.

- **FY2027 Forecast vs FY2026 Estimated Actual Highlights**
 - Projected FY27 revenues **above** FY26 estimates
 - Transit occupancy tax (TOT) by \$11 million or 4%
 - Property Tax by \$91 million or 3%

- Departmental receipts by \$45 million or 3%
 - Projected FY27 revenues essentially **flat** compared to FY26 estimates
 - Business tax above by \$21 million or 2%
 - Utility users tax above by \$12 million or 2%
 - Documentary transfer tax above by \$4 million or 2%
 - Sales tax above by \$8 million or 1%
 - Projected FY27 revenues **below** FY26 estimates
 - Grant receipts below by \$5 million or -27%
 - Franchise income tax below by \$30 million -21%
 - No one-time funding (CA wildfire backfill funding) from FY26 of \$22 million
 - No budget stabilization fund transfer from FY26 of \$29 million
- **Transient Occupancy Tax (TOT) Volatility:**
 - **Modest TOT growth** projected of **\$11 million or 3.5%** over the FY2025-26 estimates
 - Outlook for the City's visitor economy (and therefore TOT) **hinges on whether today's elevated uncertainty begins to ease** in the first half of the fiscal year
 - 3.5% growth assumption aligns with a **baseline view that the Los Angeles visitor economy will benefit** from the ramp-up of **major global events**, particularly the 2026 FIFA World Cup and the 2027 Super Bowl. **However, these one-time gains can be partially offset by broader travel demand softness.**
 - **Recent reporting has highlighted declines in California tourism** from key international markets, including Canada and Mexico. These declines are tied to heightened immigration enforcement concerns, broader political tensions, and tariffs and exchange-rate pressures
 - TOT outlook also includes a meaningful policy-driven upside scenario: If voters approve a **ballot measure to increase the TOT rate**, and it is implemented as contemplated, the measure is estimated to generate **approximately \$22 million to \$44 million more annually.**

The Controller's Office continues to advocate for a long-term, strategic approach to achieving fiscal sustainability including:

- Two-year budget
- A real capital infrastructure program
- Honest and transparent budgeting that includes:
 - Tackling and honestly addressing the structural deficit
 - Having more realistic revenue projections
 - Accurately budgeting for liability payouts and increased costs
- Revenue generation by growing the City's tax base, not just increasing sales taxes (e.g., vacancy tax)
- Accountability for overspending and liability claims
- Performance based budgeting
- Participatory budgeting
- Empowering department heads with their budget