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California’s $3.44 Billion Local Lodging Tax Ledger (FY 2017–FY 2025): San Diego’s Crown Change, the 97.5% General-Fund Architecture, and How Stale State Controller Rate Records Bias Prop 218 Elasticity Estimates

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$3.44B (97.5% Gen.)	#1 San Diego ($330M)	24 / 74 Rate Errors	-4.55% → -2.53%
FY 2025 CA local TOT ($3.09B across 483 cities, 97.54% unearmarked General Fund + $354M across 57 counties)	Overtook LA ($323M, -3.8% YoY) & SF ($287M, -29.6% vs FY19) with only 2 mos. of Measure C in FY25	18 phantom stale-rate updates + 6 post-FY dates & 43 mid-year jumps inside SCO dataset w8wj-pebu	TWFE rate-hike bias drops 44%–58% (t=-1.98 → -1.04 n.s.) after forensic cleaning & calendar weighting

Abstract. Unlike Texas (Tax Code Ch. 351) and Florida (F.S. § 125.0104), which restrict municipal lodging taxes to tourism promotion and convention venues, California levies zero statewide lodging tax and allows 483 municipalities and 57 counties to route Proposition 218 voter-approved Transient Occupancy Taxes (TOT) directly into core municipal general funds. Auditing all 4,789 city- and county-year records across four official California State Controller’s Office (SCO) datasets (FY 2017–FY 2025, updated October 28, 2026) delivers four headline findings: (1) statewide local TOT reached $3.442 billion in FY 2025 ($3.087 billion cities, of which 97.54% or $3.012 billion flowed to unearmarked General Revenues; $354.1 million counties, up +49.2% since FY 2019—four times cities’ +12.3% pace); (2) California experienced a historic FY 2025 municipal crown change as San Diego ($329.83M, +6.08% YoY, +31.5% vs. FY19—with only two months of Measure C’s May 1, 2025 zone tiers in FY25) surpassed both Los Angeles ($323.15M, -3.75% YoY amid the January 2025 wildfires) and San Francisco ($287.35M, still -29.6% or -$121.0M below FY19); (3) a line-by-line audit of SCO’s rate file (w8wj-pebu) reveals that of 74 reported city TOT rate jumps between FY 2018 and FY 2024, 18 (24.3%) are phantom stale-rate corrections with effective dates years or decades earlier (e.g., Mammoth Lakes FY23 citing 2006; Palm Springs FY21 citing 2004; La Quinta FY24 citing 1992), 6 carry premature post-fiscal-year dates, and 43 (58.1%) took effect mid-fiscal year; and (4) correcting these administrative errors cuts naive two-way fixed-effects (TWFE) rate-drag estimates by 44%–58%—from a falsely significant -4.55% (SE = 2.29%, t = -1.98) on major cities to an insignificant -2.53% (SE = 2.44%, t = -1.04) across 346 clean cities (-1.69%, t = -0.62 ex-COVID) and -1.09 pp/pt in Year +1 event studies.

1. California’s 97.5% General-Fund Model and the FY 2025 Municipal Crown Change

California is the largest local lodging-tax economy in the United States, yet its statutory architecture is the polar opposite of sunbelt peers. Under California Revenue & Taxation Code § 7280 and Proposition 218 (Cal. Const. Art. XIII C), cities and counties levy locally enacted TOT rates (generally 8% to 15%, separate from Tourism Business Improvement District assessments) that require simple-majority voter approval for unrestricted General Taxes and a two-thirds supermajority for earmarked Special Taxes. Cross-reconciling the State Controller’s City Revenue dataset (rrtv-rsj9, updated October 28, 2026) and County Revenue dataset (emxv-k8xv) across FY 2017–FY 2025—verified to $0.00 million horizontal variance against the FY 2024 TOT Rate file (w8wj-pebu)—confirms that Proposition 218’s voting threshold overwhelmingly steers cities toward General Taxes: in FY 2025, $3.0116 billion (97.54%) of California’s $3.0875 billion in city TOT was booked as unrestricted General Revenues supporting police, fire, parks, and debt service, while only $75.88 million (2.46%) carried Functional earmarks (notably San Jose at 60.5%, Monterey at 16.0%, and Los Angeles at 7.1%).

The newly released FY 2025 filings document a watershed reordering atop California’s municipal hierarchy (Figure 1A and Table 1). In FY 2019, San Francisco led California by $66.5 million ($408.35M at 14.0%), ahead of Los Angeles ($341.86M at 14.0%), San Diego ($250.88M at 10.5%), and Anaheim ($161.95M at 15.0%). By FY 2025, San Diego climbed to #1 at $329.83 million (+6.08% YoY; +31.5% above FY 2019)—achieving the crown with ten months at its legacy 10.5% base rate and just two months (May–June 2025) under Measure C’s three-zone rates (11.75%–13.75%). Los Angeles slipped to #2 ($323.15M, -3.75% YoY; -5.5% vs. FY19), accompanied by FY 2025 contractions in neighboring Westside markets hit by the January 2025 Palisades and

Eaton fires (Santa Monica -3.86% to $63.32M; West Hollywood -6.43% to $31.94M). San Francisco remained #3 at $287.35 million (+1.53% YoY, still -$121.0M or -29.6% below FY 2019), while Anaheim surged +50.5% above FY 2019 to $243.76 million.

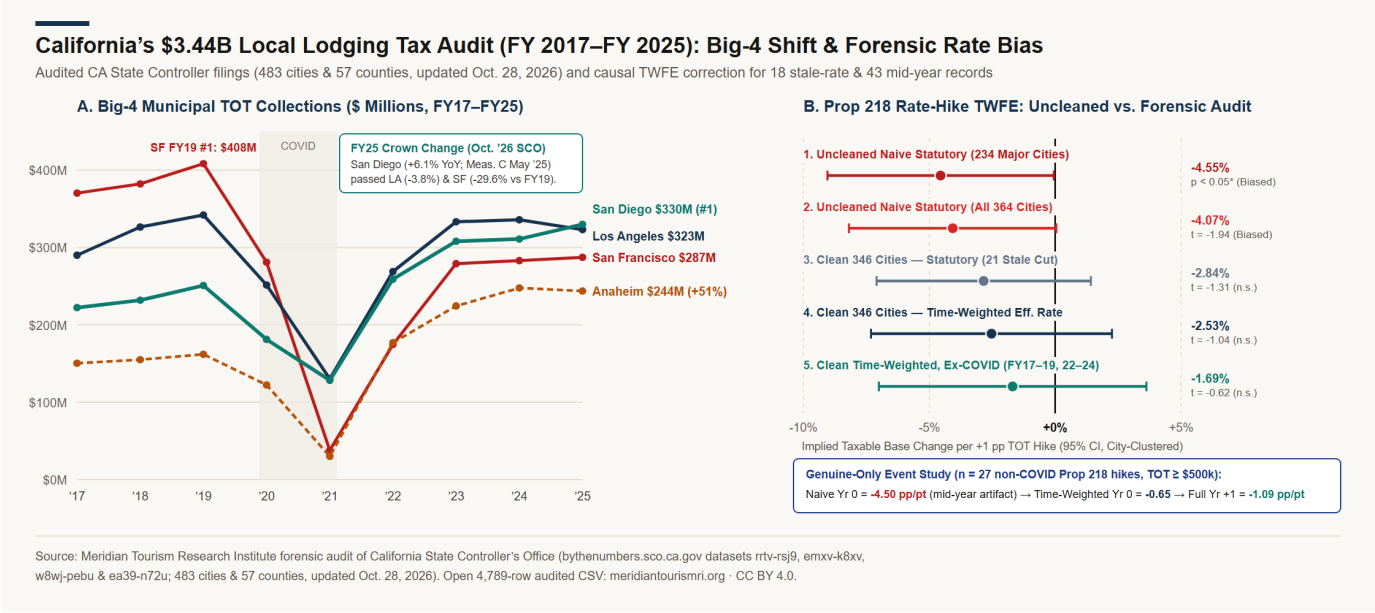

Figure 1. Left (A): Audited Big-4 California municipal TOT trajectories (FY 2017–FY 2025, CA SCO rrtv-rsj9), highlighting San Diego's FY 2025 overtaking of Los Angeles and San Francisco. Right (B): City-clustered TWFE estimates of implied taxable lodging base sensitivity per +1 percentage-point Prop 218 rate hike before and after removing 21 stale-rate/anomalous cities and applying exact calendar time-weighting.

Table 1. Top 10 California municipalities and statewide totals by audited FY 2025 TOT collections (CA SCO rrtv-rsj9 & emxv-k8xv, updated Oct. 28, 2026). *San Diego shifted from 10.5% to Measure C's 11.75%–13.75% tiers on May 1, 2025 (2 months of FY25).

California Municipality	FY 2019 ($M)	FY 2024 ($M)	FY 2025 ($M)	FY25 YoY	FY19→25	FY24 Rate	Func. Earmark
1. San Diego (Meas. C May '25)	$250.88M	$310.93M	$329.83M	+6.08%	+31.5%	10.5%*	0.0%
2. Los Angeles	$341.86M	$335.75M	$323.15M	-3.75%	-5.5%	14.0%	7.1%
3. San Francisco	$408.35M	$283.02M	$287.35M	+1.53%	-29.6%	14.0%	0.0%
4. Anaheim	$161.95M	$247.58M	$243.76M	-1.55%	+50.5%	15.0%	0.0%
5. Santa Monica	$60.76M	$65.86M	$63.32M	-3.86%	+4.2%	15.0%	0.0%
6. Palm Springs	$36.48M	$51.17M	$51.06M	-0.21%	+40.0%	13.5%	0.0%
7. Beverly Hills	$50.08M	$47.98M	$48.69M	+1.47%	-2.8%	14.0%	0.0%
8. San Jose	$51.54M	$39.78M	$43.63M	+9.68%	-15.3%	10.0%	60.5%
9. Long Beach	$28.76M	$39.49M	$43.40M	+9.91%	+50.9%	13.0%	0.0%
10. Mammoth Lakes	$26.21M	$34.82M	$38.51M	+10.58%	+46.9%	13.0%	0.0%
All 483 CA Cities Subtotal	$2,748.78M	$3,019.23M	$3,087.47M	+2.26%	+12.3%	—	2.46%
All 57 CA Counties (Unincorp.)	$237.33M	$345.88M	$354.14M	+2.39%	+49.2%	—	0.0%

2. Unincorporated County Leisure Boom (+49.2%): Four Times the Urban Pace

Mirroring the non-urban leisure rotation we documented across Oregon's coastal and mountain regions (WP 2026-36), unincorporated California counties expanded four times faster than incorporated cities over FY 2019–FY 2025—surging +49.2% from $237.33 million to $354.14 million (+$116.8M) versus +12.3% across all 483 cities. Strikingly, county TOT scarcely dipped during the pandemic ($236.53M in FY 2021 vs. $237.33M in FY 2019, -0.3%) while city TOT collapsed -52.7% ($2.75B to $1.30B). Growth is heavily concentrated in unincorporated vacation-rental, wine-country, alpine, and desert-gateway basins: Monterey County ($40.15M, +40.3% vs. FY19), Sonoma County ($30.84M, +37.8%), Placer County / North Lake Tahoe ($28.66M, +31.9%), Mariposa County / Yosemite ($24.33M, +61.5%), Santa Barbara County ($22.18M, +25.0% YoY and +114.9% vs. FY19), San Luis Obispo County ($15.96M, +36.8%), and San Bernardino County / Joshua Tree–Big Bear ($14.59M, +157.6% vs. FY19).

3. Forensic Audit of SCO Dataset w8wj-pebu: 18 Phantom Rate Jumps and 43 Mid-Year Traps

Municipal bond analysts, city consultants, and academic researchers routinely download the State Controller's Transient Occupancy Tax by City dataset (w8wj-pebu) to test whether Proposition 218 rate increases depress hotel demand by backing out implied taxable sales (TOT ÷ statutory rate). Inspecting every single reported year-over-year tax-rate increase between FY 2018 and FY 2024 (74 total jumps) exposes two severe administrative measurement hazards embedded inside the raw public file:

Hazard 1 — Phantom Stale-Rate Corrections (18 of 74 jumps, 24.3%) & Premature Post-FY Dates (6 jumps, 8.1%): Nearly one-third of all reported rate jumps in w8wj-pebu did not occur in the fiscal year listed. Eighteen entries reflect city finance clerks belatedly updating long-outdated rate fields—such as Mammoth Lakes jumping from 10.0% to 13.0% in FY 2023 while reporting an effective date of October 1, 2006 (a 17-year lag on $37.22M in TOT); Palm Springs flipping from 11.5% to 13.5% in FY 2021 citing January 1, 2004 (after an erroneous 2020 drop from 13.5% to 11.5%); La Quinta shifting from 10.0% (standard rate) to 11.0% (group-hotel rate) in FY 2024 citing January 1, 1992; and El Segundo jumping 8.0% to 12.0% in FY 2020 citing April 12, 2016 (Table 2). Six additional cities entered rate hikes whose effective dates fell after fiscal-year close (e.g., Santa Cruz FY 2022 citing Jan. 1, 2023; Indian Wells FY 2019 citing Jan. 1, 2020), alongside 5 erroneous rate drops. Dividing an unchanged revenue stream by a suddenly updated statutory rate manufactures a massive fake -10% to -33% collapse in implied room sales.

Hazard 2 — Mid-Fiscal-Year Effective Dates (43 of 74 jumps, 58.1%): Because California municipal general elections take place in November, 39 of the 74 reported hikes took effect on January 1—splitting California's July 1–June 30 fiscal year exactly 50/50 between the old and new rates (and others took effect March 1 or April 1, such as Santa Monica's March 1, 2023 increase to 15%). Dividing a blended 12-month collection by the year-end statutory rate automatically creates a mechanical -4% to -10% artificial Year-0 dip.

Table 2. Selected administrative rate anomalies verified in California State Controller dataset w8wj-pebu (FY 2018–FY 2024; full 4,789-row audit-flagged panel archived openly under CC BY 4.0).

Municipality (SCO w8wj-pebu)	Audit Hazard Class	Reported Jump	SCO Effective Date	Prior TOT	Curr. TOT	Mechanical Bias if Uncleaned
Mammoth Lakes (FY23)	Phantom Stale Update (17 yr)	10.0% → 13.0%	2006-10-01	$33.64M	$37.22M	Fake -14.9% implied base drop
Palm Springs (FY21)	Phantom Stale Update (17 yr)	11.5% → 13.5%	2004-01-01	$25.82M	$35.09M	Artificial -14.8% rate denominator
La Quinta (FY24)	Tier Switch / Stale (32 yr)	10.0% → 11.0%	1992-01-01	$16.69M	$15.68M	10% std. vs 11% group-hotel switch
El Segundo (FY20)	Phantom Stale Update (4 yr)	8.0% → 12.0%	2016-04-12	$14.60M	$8.28M	Fake -33.3% denominator shock
Santa Cruz (FY22)	Premature Post-FY Listing	11.0% → 12.0%	2023-01-01	$9.12M	$12.07M	0% of FY22 actually at 12.0%
Indian Wells (FY19)	Premature Post-FY Listing	11.2% → 12.2%	2020-01-01	$7.94M	$8.84M	0% of FY19 actually at 12.2%
Pacific Grove / Manteca (FY20/23)	Phantom Stale Update (3–5 yr)	10→12% / 9→12%	2017-12 / 2018-11	$6.8M / $4.7M	$5.3M / $7.4M	Fake -16.7% to -25.0% base error
39 Jan. 1 Mid-FY Hikes (e.g. Sonoma)	Mid-Year Transition Trap	+1.0 to +3.0 pp	Jan. 1 (50% FY)	Varies	Varies	50% blended rate mis-divided

4. Econometric Proof: Cleaning Administrative Artifacts Cuts Estimated Rate Drag by Half

Figure 1B demonstrates how severely raw State Controller rate errors distort causal inference. Estimating a standard two-way fixed-effects (TWFE) model of log implied taxable lodging sales on the TOT rate (with city fixed effects, fiscal-year fixed effects, and city-clustered standard errors across FY 2017–FY 2024) on the uncleaned SCO file produces a seemingly large, statistically significant rate drag of -4.55% per +1 percentage-point hike across 234 major cities (FY19 TOT >= $1M; SE = 2.29%, t = -1.98, p < 0.05) and -4.07% across all 364 balanced cities (SE = 2.10%, t = -1.94).

That apparent statistical significance is largely an administrative mirage. Simply removing the 21 cities with stale-rate corrections or erroneous drops immediately shrinks the 346-city statutory estimate from -4.07% to -2.84% (SE = 2.17%, t = -1.31). Applying exact calendar pro-rata effective rates for mid-year effective dates trims the coefficient further to -2.53% (SE = 2.44%, t = -1.04; N = 2,768 city-years)—dropping to -2.46% (t = -1.04) when transition Year 0 is excluded, -1.69% (SE = 2.71%, t = -0.62; N = 2,106) when COVID years FY 2020–2021 are omitted, and an insignificant -2.93% (SE = 2.87%, t = -1.02) on major cities ex-Year 0. A non-parametric event study across the 27 clean non-COVID genuine Prop 218 hikes (TOT >= $500k) relative to never-hiking California peer medians confirms the mechanism: naive statutory division produces an artificial -4.50 pp/pt Year 0 median dip, which vanishes to -0.65 pp/pt under time-weighted rates and settles at a modest -1.09 pp/pt cumulative Year +1 effect—implying net municipal TOT collections still rise sharply after every voter-approved 1–2 point increase.

Policy & Data Governance Takeaway. First, the California State Controller's Local Government Fiscal Affairs Division should add an automated submission check flagging whenever a city reports a new TOT rate paired with an effective date older than 24 months (or later than fiscal-year close), eliminating stale-rate jumps like Mammoth Lakes and Palm Springs. Second, municipal finance officers and bond advisors analyzing California Prop 218 revenue capacity should time-weight mid-year January 1 rate transitions and benchmark urban convention hubs (Los Angeles, San Francisco) separately from expanding coastal and unincorporated leisure markets.

References and Open Replication Archive

1. California State Controller's Office (SCO), Local Government Financial Data (bythenumbers.sco.ca.gov): City Revenues (rrtv-rsj9, FY17–FY25, updated Oct. 28, 2026), County Revenues (emxv-k8xv, FY17–FY25), City Transient Occupancy Tax Rates (w8wj-pebu, FY17–FY24), and County TOT Rates (ea39-n72u, FY17–FY24); accessed Nov. 24, 2026.

2. California Revenue & Taxation Code § 7280 (local TOT authority) and California Constitution Art. XIII C (Proposition 218 voter-approval thresholds for General vs. Special local taxes).

3. City of San Diego Office of the City Treasurer, Measure C Transient Occupancy Tax Zone Rates (11.75%, 12.75%, and 13.75%, effective May 1, 2025, sandiego.gov); City of La Quinta Municipal Code Ch. 3.24 (10% standard / 11% group hotel TOT).

4. Meridian Tourism Research Institute Working Papers WP 2026-33 (Texas Ch. 351 Audit, DOI: 10.5281/zenodo.24488490), WP 2026-34 (Florida § 125.0104 Audit, DOI: 10.5281/zenodo.24492663), and WP 2026-36 (Oregon 22-Year TLT Audit, DOI: 10.5281/zenodo.24512144).

5. Open Replication Dataset (CC BY 4.0): Meridian Tourism Research Institute, 4,789-Row Audited California City & County TOT Panel with Forensic Rate Flags (FY 2017–FY 2025, CSV), https://meridiantourismri.org/assets/data/ca_sco_city_county_tot_panel_fy2017_fy2025.csv.