Santa Monica-Malibu School District – Council of PTAs
Study of Proposed School District Funding Measure

Presented May 19, 2026

Executive Summary

The SMMUSD faces a $12 million annual revenue loss due to the expected non-renewal of the City's Master Facilities Use Agreement (MFUA) in 2027. A citizen-originated parcel tax measure ($495/parcel) is proposed to replace this funding. This committee recommends PTA Council support for the measure as a critical precedent for stable District funding and preventing cuts to staff and programs.

Background and Scope

The MFUA, established in 2002, provides ~$12M annually from the City of Santa Monica to SMMUSD in exchange for community access to facilities. Due to the City of Santa Monica's projected $29.6M deficit and "fiscal distress", the City's Realignment Plan relies on the MFUA's termination to balance its budget by 2028. The proposed measure seeks to stabilize the District's general fund, which is 81% salaries and benefits, against this loss.

Methodology

The committee conducted an eight-week study involving primary document review, financial analysis of City and District budgets, interviews with members of the Financial Oversight Committee, and direct engagement with measure proponents and opponents, and City and District officials.

PTA Authorities
PTA Authorities are the foundational rationale that gives a PTA organization the basis to examine an issue of public impact, such as the proposed funding measure. They are critical because they:

Establish the Basis for Advocacy: The PTA Council acts under the authority of the California State PTA (CAPTA) and the National PTA. The study committee is specifically "bounded" by these authorities, which govern whether the Council can support the measure, making their analysis different from a general policy study.

Define PTA Priorities: They ensure PTA advocacy supports adoption of policies that: Assure high-quality, inclusive, and equitable public education for all children, safeguard the health, safety, and well-being of all children, and protect the rights of all children, youth, and families.

Guide the Funding Decision: Relevant authorities for the funding measure study focus on securing stable and sufficient financing for public education, establishing strong and broadly based tax structures at state and local levels, and ensuring fiscal responsibility. A measure must adhere to these authorities—including being fair, broad-based, equitable, and consistent with PTA general principles—in order to gain PTA support.

Arguments and Analysis

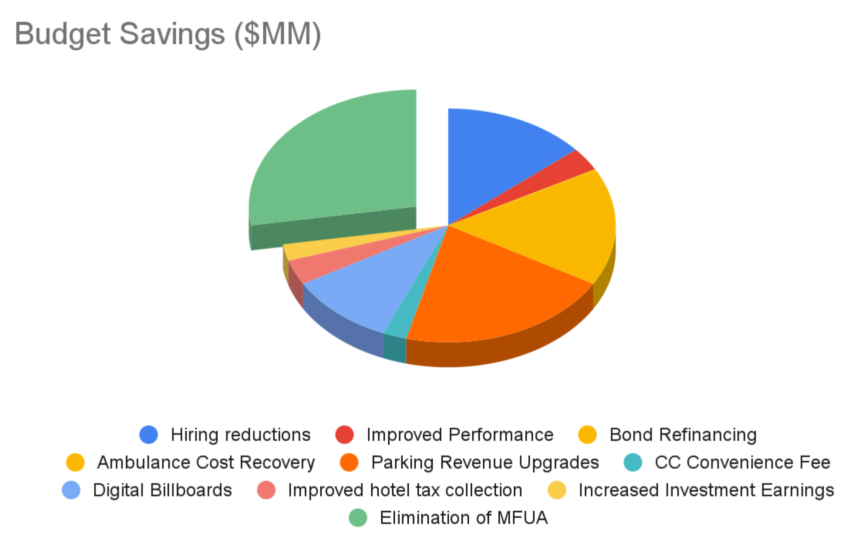
Proponents argue the MFUA is an unstable discretionary source and a parcel tax provides the predictability required for multi-year budgeting. They highlight that 80% of District costs are labor, meaning funding cuts directly impact classroom quality and property values.

Opponents claim the District has a "spending problem" rather than a revenue problem, citing falling enrollment and high construction bond debt. They argue the tax is regressive and lacks a sunset date.

Analysis: Enrollment drops do not yield proportional savings due to fixed labor and facility costs. The committee finds the MFUA is inherently unreliable as its renewal rests on shifting political priorities. A $12M loss is equivalent to ~72 teachers. Further, the City has stated that if it does renew the MFUA, it will have to cut City services to compensate for the associated costs of the contribution.

Considerations and Conclusion

While parcel taxes are regressive, California law restricts local districts to this primary supplemental funding mechanism. Santa Monica protects renters via a $35 pass-through cap. Research suggests property values are closely linked to school quality, potentially offsetting the increased tax cost for homeowners. The City and District must cooperate to ensure adequate planning and budget for keeping District premises open to the public after termination of the MFUA.



City of Santa Monica Realignment Plan: expected savings from cost cutting measures.

MULTI-YEAR PROJECTIONS
UNRESTRICTED GENERAL FUND

	A	B	C	D	E	F	G	H
		2025-26	2025-26	2025-26	2025-26	2025-26	2026-27	2027-28
	Description	ADOPTED BUDGET	FIRST INTERIM	SECOND INTERIM	FIRST vs SECOND INTERIM CHANGE	% CHANGE	PROJECTED BUDGET	PROJECTED BUDGET
8	Other Federal (MAA - Medi-Cal Administrative Activities)	-	-	-	-	0%	-	-
9	Lottery - Unrestricted	1,700,000	1,600,000	1,600,000	-	0.0%	1,600,000	1,600,000
10	Mandated Reimbursement Block Grant	410,000	410,000	410,000	-	0.0%	410,000	410,000
11	Other State Revenue	355,000	355,000	355,000	-	0.0%	355,000	355,000
12	Measure 'R' - Parcel Tax	14,301,621	14,301,621	14,301,621	-	0.0%	14,587,653	14,879,406
13	Measure 'Y' & 'GSH' - City of Santa Monica	18,000,000	18,000,000	18,000,000	-	0.0%	18,000,000	18,000,000
14	Measure 'GS' (Effective 3/1/2023) - City of Santa Monica	10,000,000	10,000,000	10,000,000	-	0.0%	10,000,000	10,000,000
15	Joint Use Agreement - City of Santa Monica	11,529,263	11,529,263	11,529,263	-	0.0%	11,759,848	11,995,045
16	Joint Use Agreement - City of Malibu	299,378	299,378	299,378	-	0.0%	299,378	299,379
17	Santa Monica Ed Foundation Donation	1,800,000	1,875,000	1,875,000	-	0.0%	1,800,000	1,800,000
18	Malibu Education Foundation	592,508	675,377	677,465	2,088	0.3%	592,508	592,508
19	Lease & Rental	2,750,000	2,750,000	2,750,000	-	0.0%	2,750,000	2,750,000
20	Interest Earned	1,250,000	1,250,000	1,250,000	-	0.0%	1,000,000	1,000,000
21	All Other Local Income (including Medi-Cal as of 2023-24)	1,209,000	1,209,000	1,209,000	-	0.0%	1,209,000	1,209,000
22	Local General Fund Contributions	(44,636,667)	(43,737,355)	(42,956,201)	781,154	-1.8%	(45,529,400)	(46,439,988)
23	**TOTAL REVENUE**	**151,191,585**	**152,548,766**	**153,332,008**	**783,242**	**0.5%**	**154,351,297**	**159,149,232**

SMMUSD 2026-27 budget: showing current level of contribution by City of Santa Monica to SMMUSD

Recommendations

The committee recommends the Council support the measure, with these recommendations:

- District and City collaborate on planning and funding ongoing maintenance and staffing of District facilities after expiration of the MFUA, to avoid unforeseen costs
- The District formalizes permanent community access to facilities
- And the City prioritize repeal of the parcel tax should alternative, permanent funding be identified in the future.

Appendix and references

APPENDIX I
Ballot title and summary

BALLOT TITLE AND SUMMARY
PREPARED BY THE CITY ATTORNEY

AN INITIATIVE MEASURE ESTABLISHING A PARCEL TAX COLLECTED BY THE CITY OF SANTA MONICA FOR FUNDING FOR THE SANTA MONICA-MALIBU UNIFIED SCHOOL DISTRICT

This initiative measure would add Chapter 2.74 to the Santa Monica Municipal Code and establish an annual parcel tax of $495 per parcel of taxable real property located within the City of Santa Monica ("City"). The amount of the parcel tax will be adjusted annually for inflation as provided in the measure.

If approved, the City would be required to provide all tax revenue from the measure to the Santa Monica-Malibu Unified School District ("SMMUSD") or any successor school district that serves public school students in the City. The measure identifies the Los Angeles County Assessor, or other lawful entity, as the Tax Collector. Failure to remit the parcel tax is subject to penalties, fees, and interest, and may result in a property lien.

The parcel tax revenue may be used for educational purposes, including, but not limited to, retention of teachers; assistance to disadvantaged students; art, music, science, and math education; access to early childhood education programs; maintenance of existing school facilities; and community access after school hours to school facilities. The parcel tax revenue may not be used for administrator salaries, land acquisition, or capital improvements, including the construction of new buildings.

The measure contains several exemptions for parcels owned by: (1) Senior citizens (age 65 or older) who reside in the property as a primary residence; (2) non-profit organizations with 501(c)(3) status; (3) an Affordable Housing Development Project, as defined in the measure, if certain requirements are met; and (4) religious organizations or schools that are exempt from property taxes. The measure directs the City's Finance Director to establish guidelines for processing exemptions.

The measure states that it would replace funding currently provided by the City to SMMUSD under a Master Facilities Use Agreement (the "MFUA"), which expires on June 30, 2027. Revenue collected by the parcel tax, if adopted, will not be credited against any City funds provided to SMMUSD under other existing agreements or prior measures.

The SMMUSD Board of Education is authorized to establish an oversight committee structure to oversee use of the parcel tax revenue. If SMMUSD does not establish oversight prior to the first July 1 following the effective date, the City must establish an oversight committee. SMMUSD must also obtain independent annual performance audits to evaluate expenditures.

The initiative authorizes the City's Finance Department to administer the parcel tax. The initiative authorizes residents to file a civil action to enforce the initiative. Successful challenges may result in costs of suit and attorneys' fees. The initiative is effective on the earliest possible legal date and may only be amended or repealed with approval by a majority of the voters. The parcel tax would be collected beginning on July 1 of the year after being approved by the voters. The initiative requires the City to defend the measure if challenged and to indemnify the proponents for reasonable attorneys' fees.

APPENDIX II

Below are the questions this committee posed to this City of Santa Monica, including responses submitted by City Manager Oliver Chi:

- On the budget question (Question 3), I wanted to emphasize that the City's role in this conversation is to provide accurate factual information about our fiscal situation and the structure of our existing agreements with the District. The City does not take a position on the proposed parcel tax itself, as that is appropriately a matter for the community and voters to decide, and our responses are written in that spirit.
- On the question regarding the original 3-year notice provision in the 2012 MFUA (Question 7), I would flag that the answer hinges on a joint April 2022 modification to the agreement between the City and the District. Of note, both entities mutually eliminated the notice requirement and established the June 30, 2027 termination date. That modification was a joint decision reaffirmed by governing bodies for the City and for SMMUSD, and it has been a known component of the agreement since 2022. The response also includes the operative contract language for the committee's reference.

Question 1: Within the payments made to the SMMUSD under the MFUA, what is the proportion that is rental/fee revenue from school facilities (i.e., pass-through revenue)

> ***Response To Question 1:*** *The City collects and passes through to SMMUSD approximately $195,000 annually in user fees for community use of the John Adams and Lincoln Middle Schools' Tracks & Fields, and Santa Monica High School's Track, Field, & Pool.*
>
> *To put that in perspective, of the approximately $12 million in annual MFUA payments the City makes to the District, roughly $195,000 – or less than 2% - represents pass-through fee revenue. The remaining approximately $11.8 million represents a direct General Fund contribution from the City to the District for the City's use of school facilities to support community programming.*

Question 2: If the city already had access to the school's facilities prior to the first MFUA, why was the MFUA premised on the District making the facilities available to the City? It could have just been presented as a regular donation.

- Contract language includes "...a master agreement which will allow the City to use school facilities to meet certain recreational and other needs…"
- Contract language includes "it is the intent of the City and the District to maximize the exchange of value – community use of District facilities… and revenue flow to the District"
- The alternative could have been to simply establish a regular payment from City to District

Response To Question 2: *The MFUA was structured to establish a mutually-beneficial arrangement – the City would secure access to school facilities to operate community programs (including Playground Partnership and CREST programs at the elementary schools, and Youth Sports Leagues and Sports Camps at the middle schools), and in exchange, SMMUSD would receive a stable, multi-year stream of revenue. In addition to ensuring the MUFA is mutually beneficial to both the City and SMMUSD, this structure helps defend against an argument that the MUFA would be disallowed as being a prohibited "gift of public funds". Specifically, Article XVI, Section 6 of the California Constitution generally prohibits public agencies from gifting public funds, including to other public agencies, absent a legitimate public purpose supported by an exchange of value. A simple unrestricted payment from the City to the District would not have satisfied that requirement.*

This multi-year framework was a meaningful improvement when compared with the prior year-to-year approach, given that it provided the District with revenue predictability for budgeting purposes while preserving the distinct roles and responsibilities between the City and SMMUSD. The supplemental use agreements were then developed to govern the specific operational uses of each site. For additional historical detail, links to Council staff reports dating back to the 2005 original approval are included at the end of this response for your reference.

Question 3: Since the city's revitalization plan was created, how has the city's budget scenario changed? Is the city's budget in less distress than it was 6 months ago, and how is it trending for the next 6 months? We're looking for whether progress in this area, to lessen the budget distress, might make possible the renewal of the MFUA.

- If there is a structural deficit, vs. a surplus of one-time payments or losses, such as litigation settlements or declining tax revenue.

Response To Question 3: *Since adoption of the Realignment Plan in October 2025, the City has made substantial progress implementing the revenue measures and expenditure controls that were identified. In particular, we have moved more quickly than initially anticipated.*

The Realignment Plan's overarching fiscal strategy was specifically designed around three key components:

- *Instituting new internal expenditure controls*
- *Securing new programmatic revenues*
- *Accounting for the scheduled expiration of the MFUA with SMMUSD in 2027*

The MFUA's June 30, 2027 termination has been a known and mutually-agreed upon component of the City-SMMUSD relationship. That feature of the MFUA was established through the April 2022 First Modification to the agreement and jointly approved by the City and the District (see Question 7 for additional detail). With that expiration incorporated into our long-range projections, combined with continued prudent General Fund expenditure management and the progress on the Realignment Plan, the City's General Fund is now projected to be structurally balanced by the end of FY 2026-27.

The City does not currently project structural General Fund capacity that would allow continuation of MFUA-level contributions ($12 million annually) beyond 2027 without corresponding reductions in other City services. As an arithmetic matter, any continued City contribution at that scale would require either a new dedicated revenue source or offsetting expenditure reductions elsewhere in the General Fund. The City takes no position on whether such a revenue source should be established, and if so in what form – that is a question for the community and our voters.

Question 4: Scheduled maintenance and renovation are currently done at the City's expense. How much is this annually and will the City continue to pay for it (without the MFUA)?

Response To Question 4: *We're working to track down the City's annual scheduled maintenance and renovation expenditures at SMMUSD facilities under current MFUA arrangements, and will share that information as soon as we can compile the data. Of note, upon expiration of the MFUA on June 30, 2027, the City would not be contractually required to continue funding maintenance or renovation of SMMUSD facilities, and these costs would return to the District as the facility owner.*

It is important to note that this discussion concerns only the MFUA. The separate Measure YY / GS Master Facilities Use Agreement, through which the City provides the District with approximately $18.3 million annually in funding, was recently extended through June 30, 2038, and operates independently of the MFUA. Accordingly, the Measure YY / GS Master Facilities Use Agreement is not affected by the 2027 expiration of the MFUA.

Question 5: Does the city have data about the cost/benefit ratio and impact of local parcel tax measures (R) on local housing prices? Tax proponents assume that parcel taxes result in community benefits such as excellent schools, which increase housing valuations, but we are looking for quantitative data, if any.

Response To Question 5: *The City does not maintain or commission research on the relationship between local parcel tax measures and housing valuations in Santa Monica, and we are not aware of a Santa Monica-specific study on this question.*

We recognize this is a substantive area where residents have questions, and we want to be as helpful as we can within the limits of what the City can authoritatively speak to. The general relationship between local public finance (including school-related parcel taxes, school bonds, and school quality more broadly) and residential property values is a long-standing area of academic economics research. The literature generally examines two competing effects – the capitalization of the tax burden itself (which would tend to reduce home values), and the capitalization of any associated public service improvements (which would tend to increase home values).

Findings vary considerably across communities, time periods, and methodologies, and results in one market do not necessarily translate cleanly to another. Santa Monica's housing market is shaped by a wide range of factors (coastal location, regional economic conditions, Statewide tax policy, rental regulations, broader Westside dynamics, etc.) that make isolating the marginal effect of any single local tax measure difficult to assess.

For committee members interested in pursuing this question further, the relevant academic and policy literature is largely housed within university research centers and policy institutes focused on California school finance, property taxation, and land use economics. Organizations such as the Public Policy Institute of California (PPIC) and the Lincoln Institute of Land Policy, along with education policy research programs at several California universities, publish accessible work in this area. The City is also happy to serve as a resource where we can as you and the committee continues its review.

Question 6: The City collects fees and provides it to the District annually for some schools, but not others. How will this work going forward?

- "**Collection of Fees.** The City will be responsible for collecting required staffing fees, permit fees, and field lighting fees for permitted use of the fields. Such collected fees will be submitted to the District at the conclusion of fiscal year." (Joint Use Supplemental Use Agreement JAMS School)
- **"Collection of Play Field Permit Fees** The collection of permit fees will be done by the City according to the fee schedule adopted by City Council. Revenue collected will be retained by the City to help offset operating costs." (Joint Use Supplemental Use Agreement Playground)

Response To Question 6: *The current arrangement between the City and SMMUSD reflects the structure of the underlying supplemental use agreements. At sites where the City facilitates general community use of District facilities for activities like youth sports (most notably the JAMS, Lincoln, and Samohi fields and pool), user fees are collected by the City, which are then passed through to the District.*

At sites where City fee collection is tied to City-operated programs that incur direct City operating costs (such as the elementary playground sites under the Playground Partnership program), the City retains the revenue to offset those program costs.

Moving forward, while the specific post-2027 framework has not yet been negotiated, here at the City, we would anticipate continuing to collect and pass through user fees for community use of the JAMS, Lincoln, and Samohi facilities (i.e., the approximately $195,000 in annual pass-through revenue referenced in Question 1). With that being said, the structure of the supplemental agreements governing the post-MFUA period will need to be developed collaboratively between the City and SMMUSD in the months ahead, and we would of course welcome input from the PTA Council and other community stakeholders as that work proceeds.

Question 7: According to the original MFUA (July 2012), a nonrenewal by either party requires a 3-year advance written notice otherwise the contract automatically extends to provide those 3 years. When did the City provide notice of nonrenewal?

Response To Question 7: *The 3-year notice provision referenced in this question, which was originally set forth in the July 1, 2012 MFUA (Contract #9589 (CCS)), was mutually superseded by both the City and SMMUSD in April 2022 through a First Modification to the agreement. Through that joint action, both agencies agreed to the following:*

1. *Eliminate the notice requirements entirely*

2. *Provide for termination of the MFUA on June 30, 2027 without further action from either party*

The operative language in the First Modification states:

- *Section 1 of the Master Facilities Use Agreement entitled "Term" shall be deleted in its entirety and replaced with the following paragraph:*
    - *Term. This Agreement begins on July 1, 2012 and terminates on June 30, 2027, unless terminated earlier as set forth in this Agreement.*

Because this modification was a joint act of both governing bodies, no separate notice of nonrenewal was required from either party. The June 30, 2027 termination date has been a known and mutually-agreed upon component of the City-SMMUSD facilities relationship since April 2022.

LINKS TO COUNCIL STAFF REPORTS RELATED TO MFUAs

- **4/12/2005** – Authorization to Execute Master Facilities Use Agreement and Related Supplemental Use Agreements
    - SR-301-001-01 (8)
- **April 7, 2009** – Extension of the Master Facilities Use Agreement and Related Supplemental Agreements with the Santa Monica-Malibu Unified School District
    - SR-040709-8b
- **May 22, 2012** – Master Facilities Use Agreement and Related Supplemental Agreements with the Santa Monica-Malibu Unified School District
    - SR-052212-8b
- **April 10, 2018** – Master Facility Use Agreements with the Santa Monica-Malibu Unified School District - City of Santa Monica, California
- **January 27, 2026** – Authorization of Modification to the Measure YY/GS Master Facilities Use Agreement with the Santa Monica-Malibu Unified School District - City of Santa Monica, California
- Other - Measure R / Senior Exemption
    - On February 5, 2008, the voters of Santa Monica and Malibu approved by 73.03% the Measure R parcel tax, which combines and replaces the previous Measures Y and S parcel taxes, contains a CPI-U adjustment, and allows those senior citizens who meet the following criteria to be exempted from the tax:
        - Senior property owners must be at least 65 years of age by June 30th for the year the exemption application is submitted
        - Seniors must own and reside on their property as their primary residence

APPENDIX III

Below are the questions submitted to the District by the study committee. The District was not able to provide answers to all questions in time. Responses provided by Chief Communications Officer Brandyi Phillips are given here:

Question: It appears that some revenue from the City under the MFUA is attached to a school site generally, and other revenue amounts are for specific facilities or features of a given unit. Is there a governing rationale for this?

Answer: The funding for the primary MFUA is completely distributed to the General Fund. There is no designation in MFUA for specific facilities or a given unit. There are some reimbursable amounts for Playground Partnership Custodial and Sports Facility Attendants along with some custodial/grounds materials that are billed to the city in addition to the primary MFUA amount.

It is important to note that the origin of the City funding was not tied to any form of facility use. As the agreement was developed and signed, the City Attorney created a requirement that there had to be some exchange to cover a concern about a gift of public funds from the City to the District thus the MFUA was created. This requirement has always been arguable.

Question: The proposed measure itself does not guarantee that the facilities will remain open to the community should the measure pass. What assurance does the public have that school fields/facilities will remain open for community uses?

Answer: Prior to the City funding and the development of the MFUA, district athletic facilities were available for use by the community. The MFUA solidified this arrangement. The intent is that the facilities will remain available to the community in a similar fashion as they are currently. While there are some details to be discussed with the City if the parcel tax is successful and the MFUA is allowed to terminate, the facilities will be available; everyone expects through the same conditions.

The following questions were posed to the District, but were not answered in time:

Question: What is the actual annual revenue generated to the District from the City (based on field/court rental fees or other revenue) under the MFUA. List the past five years please

> Is this revenue included in the MFUA amount or is it in addition to the MFUA?
> Is the payment from the City to the District broken down by school, or more like lump-sum? Or, have the payment mechanism changed over time from lump-sum to fee-attached?

Question: What are the District costs associated with non-school hours access to the District facilities by the community?

Question: How many hours per week are school facilities available to the community? Please specify if there are different hours of availability for specific campuses or individual facilities.