Los Angeles County
Office of Education

September 5, 2025

Ms. Jennifer Smith, Board President
Santa Monica-Malibu Unified School District
1717 4th Street
Santa Monica, CA 90401

Dear Ms. Smith:

The Los Angeles County Superintendent of Schools (County Superintendent) has received and completed a review of the Santa Monica-Malibu Unified School District's (District) Local Control and Accountability Plan (LCAP) and Adopted Budget for fiscal year 2025-26. Please be advised that during the formal LCAP review process, district staff made technical corrections to the district's adopted plan. Please post the updated 2025-26 LCAP on the district website.

LCAP APPROVAL

Pursuant to the provisions of Education Code (EC) §52070(d), the criteria for LCAP approval are as follows:

1. Adherence to the State Board of Education (SBE) Template
2. Sufficient Expenditures in Budget to Implement LCAP
3. Adherence to SBE Expenditure Regulations
4. Calculation and Implementation of Carryover

Based upon our review, the **District's LCAP meets all of the criteria and is approved.**

As a reminder, the Supplemental and Concentration (S&C) grant funding is included in the Local Control Funding Formula (LCFF) to increase and/or improve services to low-income, English learner and foster youth student populations. To properly serve these targeted student groups, it is expected that S&C grant funds, and any calculated carryover, be fully expended in each fiscal year.

BUDGET APPROVAL

The County Superintendent completed a review of the District's FY 2025-26 Adopted Budget[1]. **The District's budget is approved** with the following comments and concerns.

UNRESTRICTED GENERAL FUND DEFICIT SPENDING

The District projected operating deficits in 2025-26, 2026-27, and 2027-28 of the Unrestricted General Fund expenditures and other outgo. Below is the impact of the operating deficits over three years.

Unrestricted General Fund Projection
($ millions)

	2025-26	2026-27	2027-28
Beginning Fund Balance	$50.35	$40.71	$36.41
Projected Deficit Spending	($9.63)	($4.30)	($3.88)
Ending Fund Balance	$40.71	$36.41	$32.54
Reserve Amount	$40.71	$7.39	$7.65
Reserve Percentage	17.62%	3.32%	3.36%

The Unrestricted General Fund balance is projected to decline by approximately $17.81 million, or 35.38 percent over three years. We are concerned about the projected deficit spending trends and impact on the District's ability to maintain the minimum required reserve levels in future years. The District must monitor deficit spending causes and identify actions to prevent additional fund balance erosion.

ENROLLMENT/AVERAGE DAILY ATTENDANCE

The 2025-26 Adopted Budget Report reflected declining enrollment and funded three-year average daily attendance (Funded ADA) for 2025-26, 2026-27 and 2027-28. The estimated impact of the declining enrollment on the District's projected Funded ADA reflects a two-year loss of 326, or 3.87 percent decline. Below is the impact of declining enrollment and Funded ADA.

[1] Pursuant to EC Section 42127

Declining Enrollment and Funded ADA

	2025-26	2026-27	2027-28	2-Year Decline	Percent Decline
Enrollment	8,333	8,170	8,009	(324)	(3.89%)
Funded ADA	8,416	8,251	8,090	(326)	(3.87%)

While Basic Aide districts are primarily funded through local property taxes, the decline in enrollment and ADA may represent a loss of some revenue for the district in future years. We recommend the District carefully monitor enrollment and attendance trends and adjust financial projections for the current and subsequent fiscal years accordingly to reflect the resulting impact. Staffing needs and facilities planning should also be assessed and adjusted based on the projected rate of decline in enrollment.

LABOR CONTRACT NEGOTIATIONS

According to our review, FY 2025-26 certificated and classified labor negotiations remain unsettled. As a reminder, before the District's Board of Education acts on a proposed collective bargaining agreement, the District must meet the public disclosure requirements[2] . The document used for this analysis is included in Informational Bulletin No. 7026, dated July 28, 2025, and is titled "2025-26 Forms for Assembly Bill (AB) 1200: Public Disclosure of Proposed Collective Bargaining Agreements." This document can be found on the following website:

https://www.lacoe.edu/bulletins

2025-26 BUDGET REVISIONS AFTER STATE BUDGET ADOPTION

The Superintendent's review of the District's Adopted Budget is based on the assumptions and projections used in the development of the budget. We recognize that these assumptions and projections may change as a result of the 2025-26 State Enacted Budget and related trailer bill language. As a reminder, EC 42127(i)(4) states:

> "Not later than 45 days after the Governor signs the annual Budget Act, the school district shall make available for public review any revisions in revenues and expenditures that it has made to its budget to reflect the funding made available by that Budget Act"

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[2] Government Code Section 3547.5 and the California Code of Regulations Title V, Section 15449

The deadline for public inspection of applicable revisions ended on August 11, 2025. We ask that any revisions or adjustments be included in the 2025-26 First Interim Report due to our office by December 5, 2025.

SUBMISSION OF STUDIES, REPORTS, EVALUATIONS, AND/OR AUDITS

EC Sections 42127 and 42127.6 require districts to submit to the County Superintendent any studies, reports, evaluations, or audits that contain evidence that the district is showing fiscal distress. They also require the County Superintendent to incorporate that information into our analysis of budgets, interim reports, and the district's overall financial condition. We request the District to submit any such documents to this office that are commissioned by the District (e.g., reports completed by the Fiscal Crisis and Management Assistance Team), or by the State Superintendent of Public Instruction, and/or a State control agency, and an internal audit division as received by the District.

CONCLUSION

We wish to express our appreciation to the District's staff for their cooperation during our review of the District's LCAP and Adopted Budget for fiscal year 2025-26. If you have questions regarding your District's LCAP approval, please call Agustin Garcia, Coordinator III, LCAP/State & Federal Programs at (562) 922-6354. If you have questions regarding your District's budget approval, please call Demetra Moore, Business Services Consultant at (562) 401-5497.

Sincerely,

Debra Duardo

Debra Duardo, M.S.W., Ed.D.
Superintendent

DD/DM:lm

cc: Antonio Shelton, Ed.D., Superintendent
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