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DATE: September 15, 2015

TO: Dr. Michael Lin, District Superintendent
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Corona-Norco Unified School District

FROM: Kenneth M. Young, Riverside County Superintendent of Schools

BY: Teresa Hyden
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Subject: **2015-16 ADOPTED BUDGET and LCAP - APPROVAL**

The County Superintendent of Schools is required to review and approve the district's Local Control and Accountability Plan or the annual update to an existing Local Control and Accountability Plan prior to the approval of the district's Adopted Budget [Education Code Section 42127(d)(2)].

Adopted Local Control and Accountability Plan

In accordance with California Education Code (EC) Section 52070, our office has completed its review of the district's 2015-16 Local Control and Accountability Plan (LCAP) to determine whether it adheres to the guidelines adopted by the State Board of Education (SBE).

The district's adopted LCAP has been analyzed to determine whether:

- The plan adheres to the template adopted by the State Board of Education;
- The budget includes sufficient expenditures to implement the actions and strategies included in the plan, based on the projected costs included in the plan; and
- The plan adheres to the expenditure requirements for funds apportioned on the basis of the number and concentration of unduplicated pupils.

The district's adopted LCAP has been analyzed in the context of the guidance provided by the California County Superintendents Educational Services Association (CCSESA) and the California Department of Education (CDE). Based on our analysis, the district's Local Control and Accountability Plan for the 2015-16 fiscal year has been approved by the Riverside County Superintendent of Schools. Our goal is to further enhance the performance of students by offering suggestions for the implementation of the plan and the development of the *Annual Update* and the 2016-17 LCAP.

Student Achievement

The district’s *Section 2* has done an exemplary job in the *Identified Need* and *Expected Annual Measurable Outcomes* of differentiating by subgroup for various metrics (Cohort Graduation Rate, Cohort Dropout Rate, CAASPP, A-G Completion, AP Participation, Participation in AP Tests, Number of Students in CTE Classes, Chronic Absenteeism Rate). Data was collected appropriately and thoughtfully analyzed. Once baseline scores have been identified, consider setting differentiated improvement targets on the California Assessment of Student Performance and Progress (CAASPP) results for those significant subgroups who have consistently struggled based on Corona-Norco’s historic Standardized Testing and Reporting (STAR) data. Closing the achievement gap and ensuring all students are prepared for college and career is a priority under the Local Control Funding Formula (LCFF). The following observations were noted for consideration.

- Overall A-G completion rate has increased (48.2 percent to 49.1 percent) as well as African American subgroup (48.1 percent to 51.2 percent) but decreased slightly for Hispanic students (39.5 percent to 38.8 percent). English Learners (ELs) have increased significantly (1.4 percent to 5.4 percent) but still trail behind other subgroups.
- Advanced Placement (AP) participation (classes and assessments) has increased overall and for Hispanic, Reclassified Fluent English Proficient (RFEP), and low income students, but has decreased slightly for African American students. No data is reported for EL participation in AP classes or assessments.
- Corona-Norco has reduced chronic absenteeism for all subgroups. Corona-Norco maintains downward trending suspension and expulsion rates. The plan would be strengthened by differentiating suspension and expulsion rates for significant subgroups.

Corona-Norco’s LCAP Goals 1 and 2 include metrics for the EL progress toward English proficiency (AMAO 1), and English Learner reclassification rate. As an additional quantitative measure, consider distinguishing between cohorts for attaining English proficiency (AMAO 2 – Less Than 5 Years Cohort vs. 5 Years or More Cohort). Although the 2014-15 Title III accountability data was published after the LCAP was developed and approved by your local school board, we reviewed AMAO data according to the 2014-15 Title III Accountability Report as well as historic AMAO data. (See table below.) The data reveal flat performance by students in AMAO 2b, and the district has not met that target for two years.

| Title III Annual Measurable Achievement Objectives (AMAO) Trends | | | | | | | | | |
|--|--------|--------|------|---------------------------------------|--------|------|-------------------------------------|--------|------|
| | AMAO 1 | | | AMAO 2a (Less Than 5 Years Cohort) | | | AMAO 2b (5 Years or More Cohort) | | |
| | CNUSD | Target | Met? | CNUSD | Target | Met? | CNUSD | Target | Met? |
| 2014-2015 | 62.1% | 60.5% | Yes | 31.6% | 24.2% | Yes | 47.8% | 50.9% | No |
| 2013-2014 | 60.1% | 59.0% | Yes | 29.1% | 22.8% | Yes | 47.0% | 49.0% | No |
| 2012-2013 | 59.5% | 57.5% | Yes | 26.5% | 21.4% | Yes | 48.7% | 47.0% | Yes |

The evidence of the most recent AMAO 2b data does not demonstrate the impact from previous actions that will ensure success for these students who are considered long-term English Learners. The district plan would be strengthened by including specific, research-based actions targeted to accelerate growth for students as reflected by these data. In addition, particularly for English Learners, the district should identify formative measures of progress and intervene immediately if actions are not producing expected results. Finally, the district should review historic data to determine which strategies were implemented

fully and produced the desired results so that these may be replicated to ensure success for all English Learners.

Corona-Norco has consistently met its targets for AMAO 1 and AMAO 2a. Consider identifying the significant and replicable factors for this success so that they may be implemented consistently across schools and shared with underperforming districts who are struggling to increase the English proficiency of similar students.

Monitoring Progress

In order to be responsive to those actions that are working or not working, consider developing a process to frequently assess the progress of each planned action and adjust as needed to ensure all goals are met. Identifying leading indicators for progress on goals that can be shared with stakeholders on a regular basis will increase the community commitment to the plan.

For example, *Section 1, Annual Update* includes the statement, "...a review of quantitative and qualitative data was performed and staff members brought information about the implementation of the...LCAP initiatives." We recommend that you develop a system to assess and measure progress in order to ensure all goals are met for all applicable subgroups and unduplicated pupils. If the LEA has developed a system to assess and measure progress, we suggest that you describe the process used to measure progress as a means to assess the "effectiveness of the specific actions" (per *Annual Update* instructions). The effectiveness of a specific action should be judged on the evidence collected. During the process of evaluating an action, the LCAP Committee will be able to determine next steps clearly and justify those next steps.

Additional Metrics to Consider

The purpose of the LCAP is to ensure that all students graduate from high school with the skills to be successful in both college and career. This work cannot wait until high school, nor can it be successful without more specific focus by grade level and by subgroup.

A focus group was convened by the Riverside County Office of Education in 2014-15 to review research on K – 12 college readiness indicators and identify those that would align with the LCAP and have greatest impact. As a result of the focus group research, we recommend that LEAs consider additional college readiness indicators for various grades including but not limited to:

- Score of Level 3 or Level 4, "Standard Met" or "Standard Exceeded," as indicated on the Smarter Balanced Summative Assessment in Reading and Mathematics at grades 3, 5, 8, and 11 by subgroup; (State Priority 4)
- Chronic absentee rates by grade level and subgroup at the following grades – Kindergarten, 1, 2; last grade of elementary (5 or 6); first grade of middle school (6 or 7); first grade of high school (9 or 10); (State Priority 5)
- Percent of students earning passing grades – C or better – in English and Mathematics at the exit grades from elementary (5 or 6) and middle school (8 or 9) by subgroup and gender; (State Priority 8)
- Suspension and expulsion rates by subgroup and gender for "disproportionality"; (State Priority 6)
- Percent of students failing two or more classes at grade 9 by subgroup and gender; (State Priority 8)

Describing Use of Supplemental Grant Funds and Proportionality

The purpose of the LCAP *Section 3* is to ensure that all unduplicated and underperforming students receive increased or improved services in proportion to the increased funding received to serve those identified students in order for them to graduate from high school with the skills to be successful in both college and career.

The district did an exemplary job of describing the increased or improved services in *Section 3*. This was reinforced by the executive summary at the beginning of the document.

In *Section 3A*, the justification for using funds districtwide and/or schoolwide should include a description of why this use of funds is most effective and why it is more effective than using the funds to target the students by subgroup in order to meet the district goals. While Corona-Norco is focusing its funding to support unduplicated students, funds will be targeted to schools for use. When funding is allocated to schools, a description of how the district will ensure that the schools are implementing actions and that those actions are effective in meeting the district's goals in the eight state priority areas is necessary.

In *Section 3B*, the district is asked to describe how services for the unduplicated students have increased or improved as compared to services provided to all students in proportion to the increase in funding received to serve those students. This is a cumulative process of increasing services until the district is fully funded.

We recommend in *Section 3B* that the district broadly describe the services identified in the previous year(s) LCAP, and then describe those services being added in the current LCAP year, which is 2015-16. This demonstrates that the district is maintaining and building its support for unduplicated students proportionally each year and increases the transparency of the plan for the stakeholders. Corona-Norco has done this in the executive summary at the beginning of the LCAP; however, for those stakeholders who will be looking in the plan for this information, it may be beneficial to include in *Section 3B*. This will be important as, by 2020-21, this section will need to demonstrate that the district has increased or improved services to reflect 100 percent of its supplemental and concentration funds at full implementation.

Adopted Budget

In accordance with California Education Code (EC) Section 42127, our office has completed its review of the district's 2015-16 Adopted Budget to determine whether it complies with the criteria and standards adopted by the State Board of Education (SBE) and whether it allows the district to meet its financial obligations for the 2015-16 fiscal year, as well as satisfy its multi-year financial commitments.

The district's adopted budget has been analyzed in the context of guidance provided by our office, based on the Governor's 2015-16 May Budget Revision. Based on our analysis of the information submitted, we approve the district's budget, but note the following concerns:

- *Operating Deficit* – Multi-year financial projections indicate a substantial General Fund operating deficit for the two subsequent fiscal years.
- *Flat Enrollment* – The district's projections indicate flat enrollment for the two subsequent fiscal years.

The following pages provide further details on the district's 2015-16 Adopted Budget. In addition to this analysis, current law as enacted through AB 2756 (Chapter 52, Statutes of 2004) also requires the County Superintendent to review and consider any studies, reports, evaluations, or audits that may contain evidence a district is showing fiscal distress. Our office did not receive any such reports for the district.

LCFF Gap Funding – For purposes of determining the potential gap funding increase, the district has estimated 53.08 percent for the 2015-16 fiscal year, 15.00 percent for 2016-17 and 18.24 percent for 2017-18. The district is utilizing lower projected LCFF gap percentages as their contingency plan should gap funding increases not materialize.

Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 47.77 percent for 2015-16 through 2017-18. The district's unduplicated pupil percentage included in the 2014-15 P2 certification by the California Department of Education is 47.73 percent.

Employee Negotiations – The district reports salary and benefit negotiations are complete with both the certificated and classified bargaining units for the 2015-16 fiscal year. The certificated agreement increased salaries by 3.05 percent effective July 1, 2015. The agreement provided for a \$650 health and welfare benefit cap increase for eligible full-time unit members enrolled in district health plans in the 2015-16 fiscal year. The agreement also provided for Grade Span Adjustment Average (GSAA) stipends dependent on grade level caseload averages and a one-time stipend of \$2,000 for bargaining unit members who have completed National Board Certification. Beginning in the 2015-16 fiscal year, the agreement increased salary schedules by the additional net funding provided from the Local Control Funding Formula (LCFF) base inclusive of K-3 CSR and 9-12 CTE, exclusive of supplemental funding except the first additional one percent will be allocated toward step and column.

The classified agreement increased salaries by 3.30 percent effective July 1, 2015. The agreement provided for a \$300 health and welfare benefit cap increase for eligible full-time unit members enrolled in district health plans in the 2015-16 fiscal year. The agreement also provided for a \$500 increase to each retirement longevity tier with an addition of a fourth tier. Beginning in the 2015-16 fiscal year, the agreement increased salary schedules by the additional net funding provided from the Local Control Funding Formula (LCFF) base inclusive of K-3 CSR and 9-12 CTE, except the first additional one percent will be allocated toward step and column.

The district's adopted budget was developed prior to adoption of the 2015-16 Adopted State Budget. Actual state budget data should be reviewed and incorporated into the district operating budget and multi-year projections during the First Interim Reporting process.

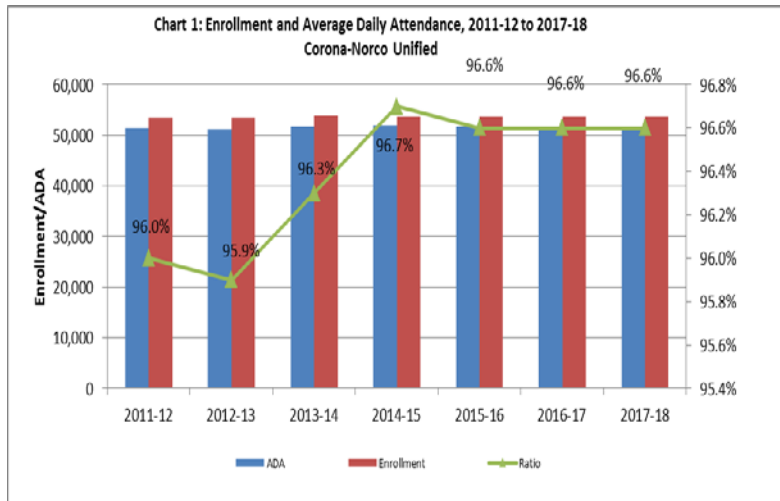
During our review of the district's Local Control and Accountability Plan, we noted the following:

- Supplemental grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. It may be difficult for the district to meet the Minimum Proportionality Percentage at full implementation if S&C grant dollars have not been expended in each fiscal year to serve the targeted students who generated the funding.

Our office commends the district for its efforts thus far to preserve its fiscal solvency and maintain a quality education program for its students. If we can be of further assistance, please do not hesitate to contact our office.

2015-16 Adopted Budget Report

Corona-Norco Unified School District



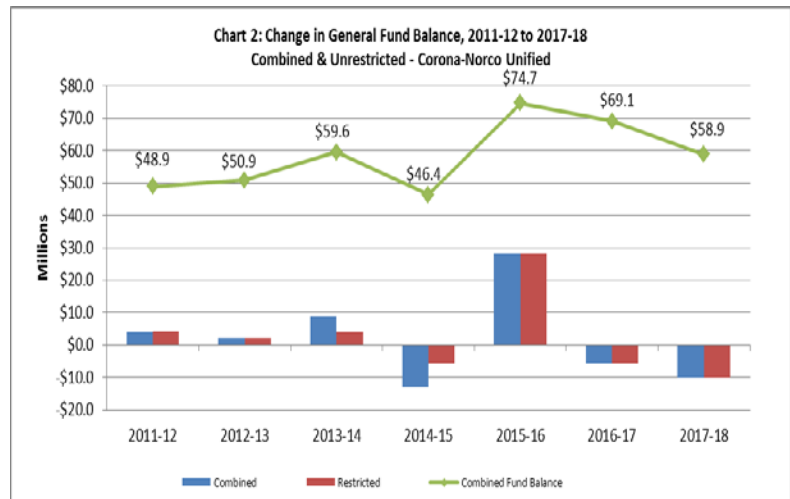
Enrollment and Average Daily Attendance (ADA)

The district's projected ADA to enrollment ratio (capture rate) for 2015-16 is 96.6 percent, which is higher than the historical average ratio for the three prior fiscal years. The district estimates 51,827 ADA for the current fiscal year, or a 0.1 percent increase from the 2014-15 P-2 ADA. For 2016-17 and 2017-18, the district projects ADA to remain flat. These projections appear reasonable based on the district's

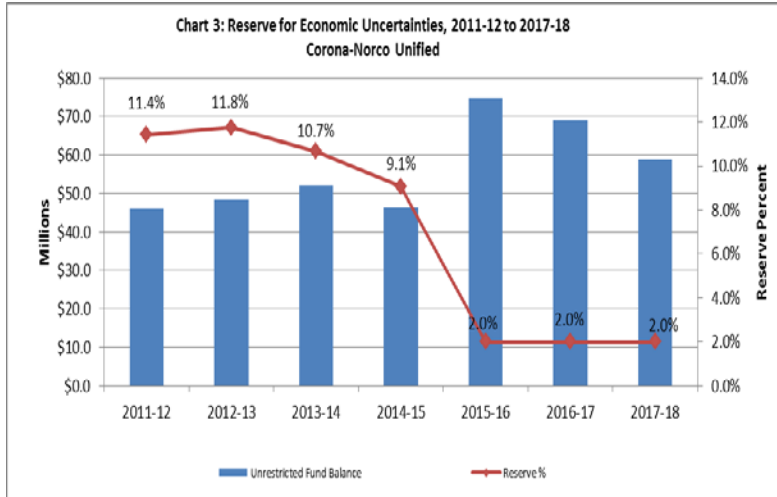
recent enrollment and ADA trends, as summarized in Chart 1.

Fund Balance

The district's Adopted Budget indicates a positive ending balance for all funds in the 2015-16 fiscal year. However, for the General Fund, the district anticipates expenditures will exceed revenues by \$5.7 million in 2016-17 and \$10.2 million in 2017-18. Chart 2 shows the district's deficit spending historical trends and projections.



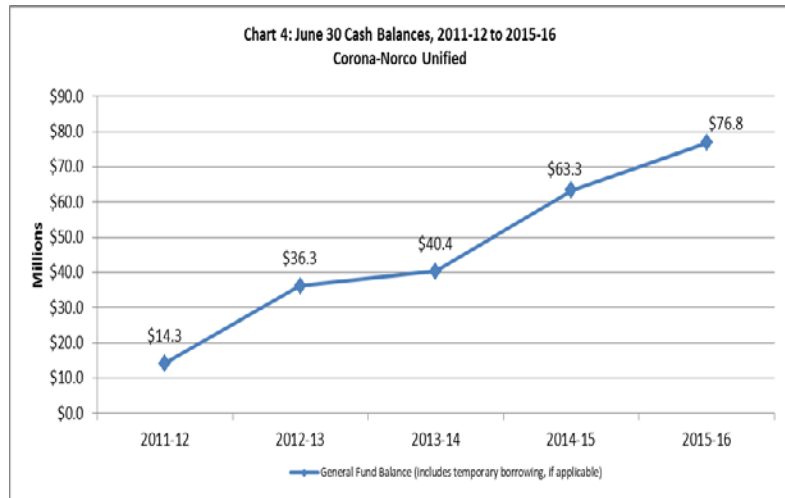
Reserve for Economic Uncertainties



The minimum state-required reserve for a district of Corona-Norco Unified's size is 2.0 percent. Chart 3 displays a summary of the district's actual and projected unrestricted General Fund balance and reserves. The district projects to meet the minimum reserve requirement in the current and two subsequent fiscal years.

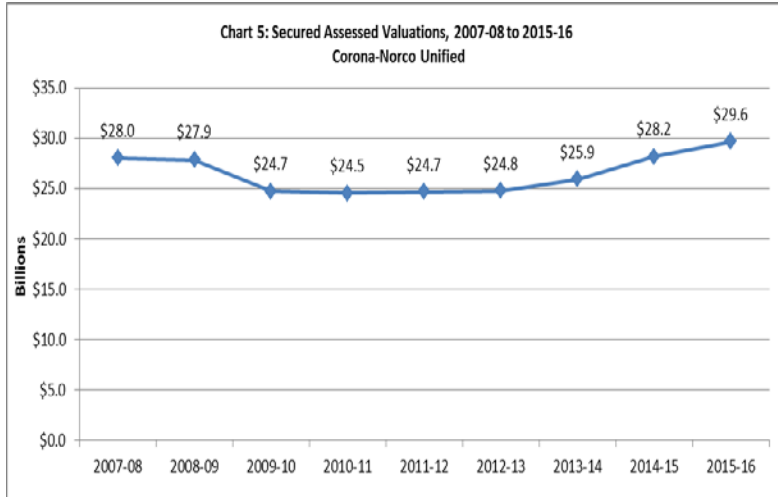
Cash Management

Chart 4 provides a historical summary of the district's June 30th General Fund cash balance. Based on the budget's cash flow analysis, the district projects a positive General Fund cash balance of \$76.8 million as of June 30, 2016. This balance does not include any temporary borrowings, and the district's internal cash resources appear sufficient to address cash flow needs in the current year. Our office recommends the district continue to closely monitor cash in all funds to ensure sufficient resources are available.



In addition, our office strongly advises districts to consult with legal counsel and independent auditors prior to using *Cafeteria Special Revenue Fund (Fund 13)* and *Building Fund (Fund 21)* for temporary interfund borrowing purposes to remedy cash shortfalls.

Assessed Valuations



The Riverside County Assessor's Office has estimated secured assessed valuations will increase by 5.78 percent countywide in 2015-16. Chart 5 displays a historical summary of the district's secured property tax assessed valuations.