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DATE: September 15, 2015

TO: Dr. Gary Rutherford, District Superintendent
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Desert Sands Unified School District

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

BY: Teresa Hyden Diana Asseier
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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.

We commend Desert Sands Unified School District for its continuing leadership and support of students. DSUSD is among the highest performing districts in Riverside County and is the top performing district among those with significant populations of unduplicated students. 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.

2014-15 Plan Implementation

In the Annual Update, the plan addresses what the district did concerning last year's actions and clearly states the district's next steps for a given action. The district provides evidence of success and thoughtful reflection of the 2014-15 implementation. One area that is required for next year is to clearly include assessments of the effectiveness of each specific action. 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 because they will have clear evidence that the action needs to be strengthened, modified, or discontinued.

Student Achievement

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 Desert Sands' 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).

In addition, the plan would be strengthened by **differentiating actions and outcomes for significant subgroups** who are underperforming or overrepresented in suspension and expulsion data. Most of the subgroup actions were for all subgroups. Consider strengthening actions by subgroup based on data and priorities. For example,

- The 2015-16 LCAP Goal 2 focuses on college and graduation goals. In the *Expected Annual Measurable Outcomes* section, the metrics focus only on all students, and do not include any subgroup targets. By including subgroup targets, the district will be able to show they are closing the achievement gap for all students. Of particular concern is the gap in success rate for students enrolled in A-G courses. While the White population performs above the state average, the remaining subgroups are significantly less successful and would benefit from differentiated growth targets and strategies.
- Goal 3 states, "All Students will develop and consistently demonstrate responsible, respectful and ethical behavior in a safe, clean and orderly learning environment." Outcomes for suspension rates are based on a comparison to the state average; however, when reviewing the subgroup data, suspension rates for African American students and Students with Disabilities are significantly higher than the White population and the state average and are disproportionate to their percent of population within the district.

In reviewing district data we noticed these achievement rates for your subgroups compared to your White population:

Metric	State Average	White	African American	Hispanic	English Learner	Low Income	Students w/ Disabilities
% of Desert Sands USD		20.4	1.7	72.2	24.8	68.4	9.4
<i>Goal 2</i>							
% UC A-G Enrollment		92	91.6	87.7	79.0	88.1	71.0
% UC A-G Completion	41.9	49.9	24.1	30.1	7.2	29	3.7
% EAP – ELA/Math	24.8 / 10.5	44.1 / 13.2	26.2 / 0.0	14.4 / 3.8	0.6 / 3.6	14.5 / 4.9	4.3 / 0.0
% CAHSEE – ELA/Math	83 / 85	93 / 92	83 / 83	83 / 86	42 / 56	81 / 84	38 / 46
<i>Goal 3</i>							
% Suspension/Expulsion	4.36 / .103	3.86 / 0.168	10.16 / 0.175	5.77 / 0.241	5.92 / 0.264	6.44 / 0.272	10.49 / 0.376
*Please note that while the CAHSEE is currently suspended, the data illustrate the persistent achievement gap.							

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.)

We commend Desert Sands for its work with English Learners. Desert Sands has **consistently** met its Annual Measurable Achievement Objectives (AMAO) targets for English Learners. Districts from throughout our county and state could benefit by learning from your success. 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.

Title III Annual Measurable Achievement Objectives (AMAO) Trends									
	AMAO 1			AMAO 2a (Less Than 5 Years Cohort)			AMAO 2b (5 Years or More Cohort)		
	DSUSD	Target	Met?	DSUSD	Target	Met?	DSUSD	Target	Met?
2014-2015	60.9%	60.5%	Yes	28.6%	24.2%	Yes	52.0%	50.9%	Yes
2013-2014	59.6%	59.0%	Yes	28.2%	22.8%	Yes	52.4%	49.0%	Yes
2012-2013	59.7%	57.5%	Yes	29.4%	21.4%	Yes	49.8%	47.0%	Yes

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.

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 and Concentration 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.

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. Having a high population of unduplicated students is not in and of itself a justification for districtwide and/or schoolwide use. In addition, when funding is allocated to schools for schoolwide use, 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 3A*, the description noted above is for the dollars received for the 2015-16 school year and should reference the actions that are being implemented for the 2015-16 LCAP year in addition to those implemented in the previous year. The Desert Sands’ *Section 3A* describes the dollars spent on the goals and actions and refers back to the *Section 2* actions for a description. Including specific examples or even general categories such as those noted in *Section 3B* would increase the transparency of these expenditures.

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. 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 concern:

- *Declining Enrollment* – The district's projections indicate declining enrollment for the current and first subsequent fiscal year.

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, 37.40 percent for 2016-17 and 36.74 percent for 2017-18. The district has unassigned funds each year in the unrestricted ending General Fund balance that will cover a portion of the projected gap funding increase should it not materialize.

Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 71.40 percent for 2015-16, 69.95 percent for 2016-17 and 68.50 percent for 2017-18. The district's unduplicated pupil percentage included in the 2014-15 P2 certification by the California Department of Education is 72.87 percent.

Employee Negotiations – The district reports salary and benefit negotiations continue with the certificated bargaining unit for the 2014-15 and 2015-16 fiscal years. They further report that negotiations continue with the classified bargaining unit for the 2015-16 fiscal year only. Prior to entering into a written agreement, California Government Code (GC) Section 3547.5 requires a public school employer to publicly disclose the major provisions of a collective bargaining agreement, including but not limited to, the costs incurred in the current and subsequent fiscal years. The disclosure must include a written certification signed by the district superintendent and chief business official that the district can meet the costs incurred by the district during the term of the agreement. Therefore, please make available to the public and submit a disclosure to our office at least ten (10) working days prior to the date on which the governing board is to take action on a proposed agreement.

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 and Concentration (S&C) grant funding is included in the Local Control Funding Formula to increase and/or improve services to targeted student populations. It may be difficult

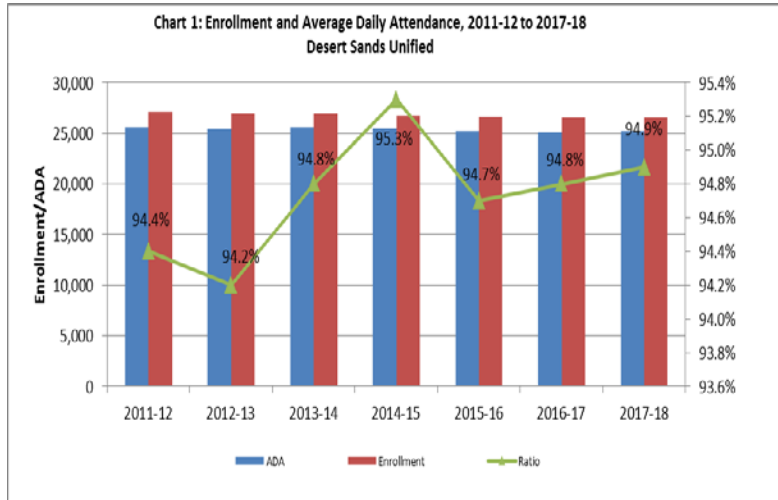
for the district to meet the Minimum Proportionality Percentage at full implementation if S&C grant dollars have not been expended in each fiscal year to serve the targeted students who generated the funding.

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

Desert Sands Unified School District

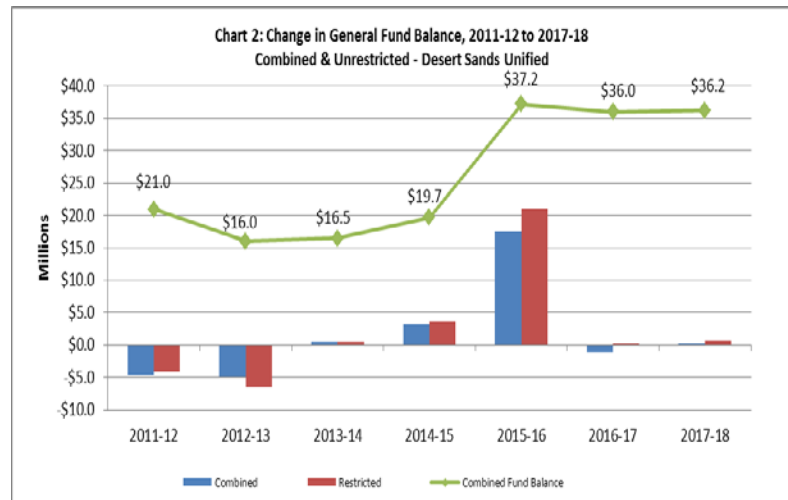
Enrollment and Average Daily Attendance (ADA)



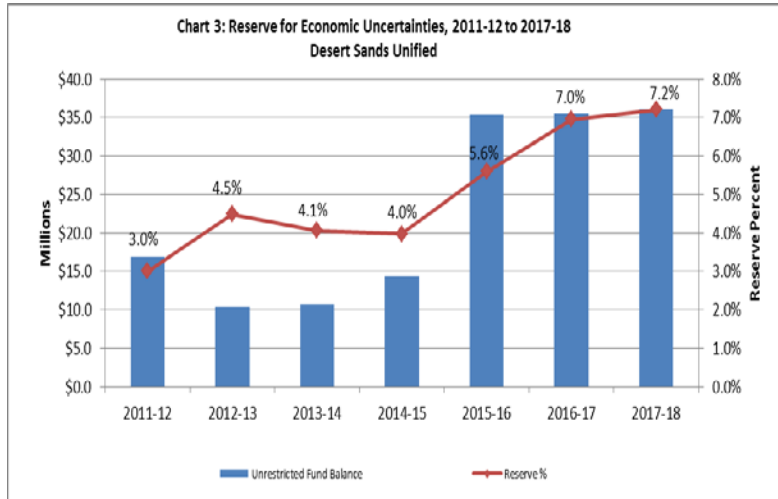
The district's projected ADA to enrollment ratio (capture rate) for 2015-16 is 94.7 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 25,212 ADA for the current year, or a 0.4 percent decrease from the 2014-15 P-2 ADA. For 2016-17, the district projects a 0.2 percent decrease, and a 0.3 percent increase in 2017-18. 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 \$1.2 million in fiscal year 2016-17. Chart 2 shows the district's deficit spending historical trends and projections.



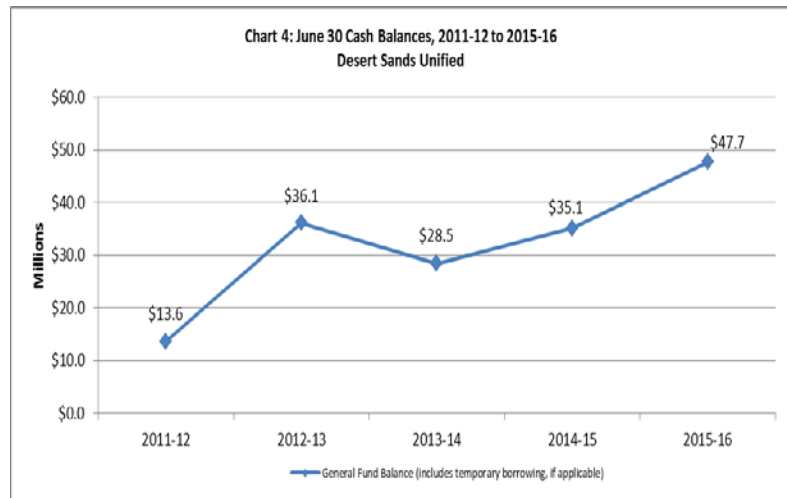
Reserve for Economic Uncertainties



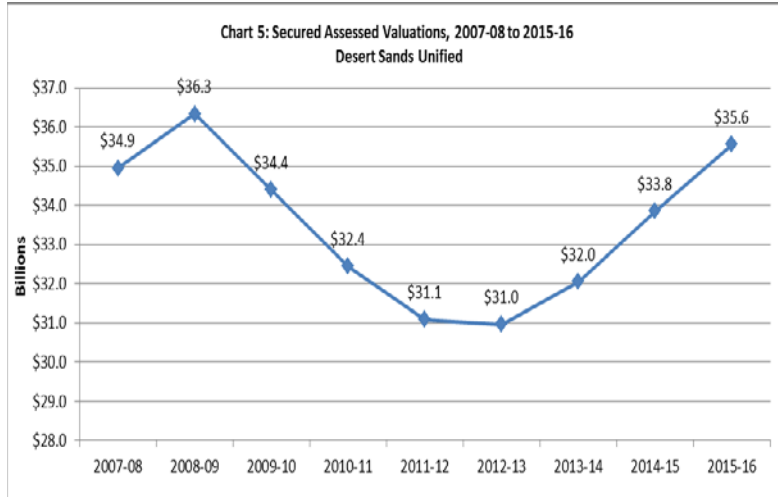
The minimum state-required reserve for a district of Desert Sands Unified's size is 3.0 percent. Chart 3 displays a summary of the district's actual and projected unrestricted General Fund balance and reserves. The district projects to meet the minimum reserve requirement in the current and two subsequent 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 \$47.7 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.