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**DATE:** September 15, 2015

**TO:** Dr. Christine J. Anderson, District Superintendent  
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Palm Springs Unified School District

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

**BY:** Teresa Hyden Chief Business Official (951) 826-6790  
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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. However, following are concerns and 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 14-15 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 to help the district determine the next steps. 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 modified or determine next steps. We recommend that Palm Springs include effectiveness statements which are reasonable, specific, transparent, and include metrics.

### **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 Palm Springs' 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 outcomes and actions for significant subgroups** who are underperforming or overrepresented in suspension and expulsion data. This has been done in Goal 1 for some outcomes, with differentiated improvement targets for English Learners and African American students. However, most of the subgroup outcomes were for all subgroups. Consider differentiating outcomes by subgroup based on data and priorities. Then identify research-based actions that when implemented with fidelity will have a positive impact on students. For example,

- LCAP Goal 1 that focuses on college and career readiness does not differentiate the targets in the *Expected Annual Measurable Outcome* section for A-G completion or for the Early Assessment Program (EAP). While the enrollment in A-G coursework is high, the completion rate for this course sequence is significantly below the state average for all subgroups and of particular concern for English Learners and Students with Disabilities. The EAMO for A-G completion is *Meet Riverside County A-G rate or increase 1% from the previous year*. Consider differentiating and accelerating the target for those underperforming subgroups in order to close the achievement gap.

College readiness as measured by EAP is 14.1 percent in English Language Arts (ELA) and 2.6 percent in Math for the districtwide average. Overall, the district and each subgroup performs significantly below the state average in Math and with significant subgroups at 0 percent. In most subgroups, performance in ELA is also significantly below the state average. The plan EAMO 1.6 states, *Increase percentage of students not scoring at "conditional" and college ready on the EAP exam*. Based on the gap data identified in the chart below, consider first, identifying a growth target by which to measure success, and second, differentiating the target for those subgroups based upon the size of the gap. Then identify research-based actions that when implemented with fidelity will have a positive impact on students.

- LCAP Goal 2 that focuses on student engagement includes a metric in the *Expected Annual Measurable Outcome* section to decrease the dropout rate by 1 percent. The district dropout rate is below the state average at 9 percent. However, the rate for English Learners is 23.6 percent. English Learner students would benefit from a differentiated target.
- LCAP Goal 3 that focuses on providing students with a clean, healthy, physically and emotionally safe learning environment; the plan states there is a disproportional rate of suspensions and

expulsions in the African American subgroup. The *Identified Need* section lists the data for all students concerning suspensions and expulsions, but does not list any data for African American students. In the *Expected Annual Measurable Outcome* section, the district metric focuses on decreasing the suspension and expulsion rate by 1 percent for all subgroups.

Metric	State Average	White	African American	Hispanic	English Learner	Low Income	Students w/ Disabilities
% of Palm Springs USD		13.5	5.3	75.6	33.5	88.2	8.1
<i>Goal 1</i>							
% UC A-G Enrollment		87.0	85.5	89.6	85.2	89.8	63.9
% UC A-G Completion	41.9	36.9	21.9	27.6	4.4	28.3	3.2
% EAP – ELA/Math	24.8 / 10.5	22.6 / 3.5	16.2 / 0.0	10.9 / 1.6	0.0 / 0.0	11.4 / 2.0	0.0 /
% CAHSEE – ELA/Math	83 / 85	88 / 88	64 / 66	74 / 74	32 / 41	74 / 74	18 / 21
<i>Goal 3</i>							
% Suspension	4.36	6.58	12.59	5.42	4.91	6.40	11.89
% Expulsion	.103	.276	.715	.313	.190	.190	.398
*Please note that while the CAHSEE is currently suspended, the data illustrate the persistent achievement gap.							

LCAP Goal 1 includes metrics for the progress of English Learners toward achieving English proficiency and indicates that English Learners will increase by 1.5 percent or meet the state target. The education code language under 52060(a)(4) states,

- (D) The percentage of **English learner pupils who make progress toward English proficiency** as measured by the California English Language Development Test (CELDT) or any subsequent assessment of English proficiency, as certified by the state board.
- (E) The English learner reclassification rate.

“Progress toward English proficiency” is measured via the Title III Accountability Report by AMAO 1, which is the measure of annual progress. AMAO 2a and 2b are the indicators that measure achieving proficiency in English, which assists in identifying students for reclassification. For the 2016-17 LCAP, goals and EAMOs in the plan must include targets for AMAO 1. In order to ensure that pupils are ready for reclassification, we recommend that the plan include AMAO 2a and 2b in the measurable outcomes.

Although the 2014-15 Title III accountability data was published after the LCAP was 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 a gap in the performance of students in AMAO 1 and AMAO 2b. In fact, Palm Springs has not met AMAO 2b (5 Years or More) for the past 3 years. This is significant in that 33.5 percent of the district population are English Learners.

The district actions/services for English Learners as noted in the LCAP include:

- *EL Targeted Support for long term English Learners in the form of community liaisons providing student and parent outreach to provide information about programs, support services, course access, etc.*
- *Support with assessments for ELL students as well as communication with parents regarding student progress.*
- *Implement dual immersion kindergarten program at targeted school sites.*
- *Bilingual Site Support.*

Title III Annual Measurable Achievement Objectives (AMAO) Trends									
	AMAO 1			AMAO 2a (Less Than 5 Years Cohort)			AMAO 2b (5 Years or More Cohort)		
	PSUSD	Target	Met?	PSUSD	Target	Met?	PSUSD	Target	Met?
2014-2015	58.5%	60.5%	No	27.1%	24.2%	Yes	48.1%	50.9%	No
2013-2014	59.6%	59.0%	Yes	27.3%	22.8%	Yes	46.6%	49.0%	No
2012-2013	56.0%	57.5%	No	25.2%	21.4%	Yes	43.4%	47.0%	No

The evidence of the most recent data does not demonstrate the impact from previous actions that will ensure success for these students. In two of three measures, the district performs below the target, and AMAO 1 and AMAO 2a have remained relatively flat over the last three years, while the target continues to increase. 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.

**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.

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 concerns:

- *Flat Enrollment* – The district's projections indicate flat enrollment for the current and 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, 37.40 percent for 2016-17 and 36.70 percent for

2017-18. The district has assigned 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 89.00 percent for 2015-16, 88.81 percent for 2016-17 and 88.62 percent for 2017-18. The district’s unduplicated pupil percentage included in the 2014-15 P2 certification by the California Department of Education is 89.18 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 provided for a 5.0 percent increase to salary schedules effective July 1, 2015. Additionally, a 0.5 percent increase will be applied to the salary schedules retroactively to July 1, 2015.

The classified agreement provided for a 3.5 percent increase to the classified salary schedule effective July 1, 2015. In addition, unit members shall receive a 3.0 percent off schedule bonus in fiscal year 2015-16, payable no later than October 31, 2015. The agreement also provided for a \$500 health and welfare benefit cap increase effective July 1, 2015.

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:

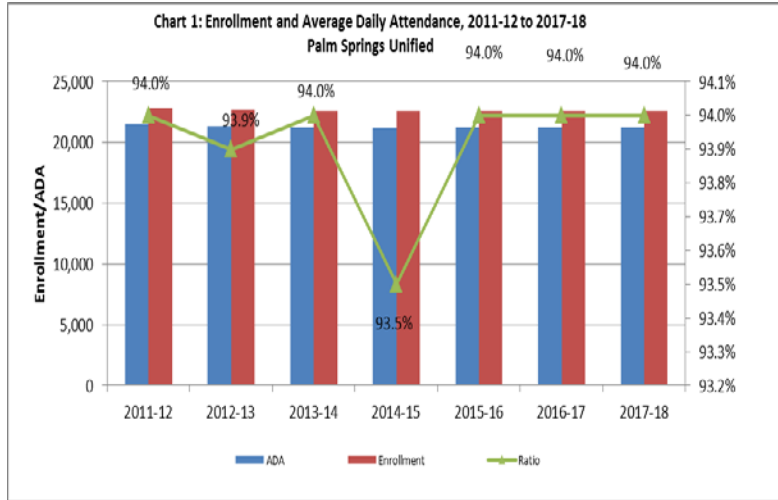
- *Section 3B* did not correspond with the district’s Local Control Funding Formula Minimum Proportionality calculation. It was our recommendation that *Section 3B* be modified to 24.69 percent. The district implemented the recommendation.
- The district’s LCAP included *Section 4: Expenditure Summary* which is not part of the template adopted by the State Board of Education. We recommend that the section be removed from the district's posted LCAP and that it be disclosed to your board. In like manner, that section will not be included on the County’s posting of the district's LCAP.
- 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

### Palm Springs Unified School District

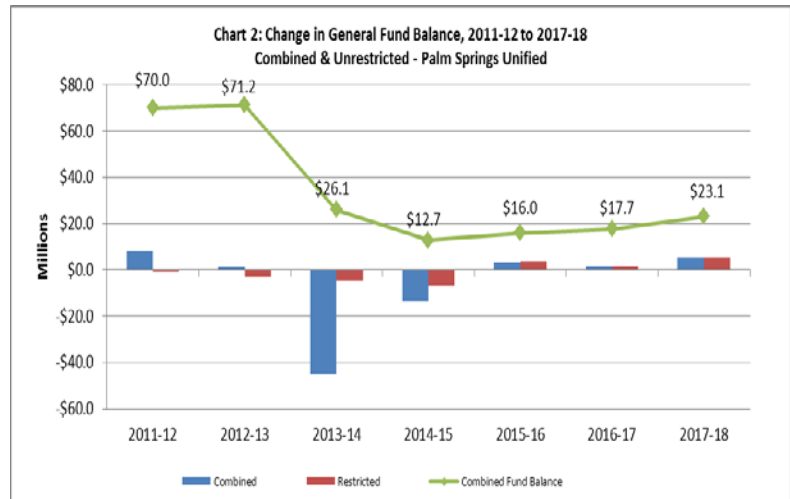
#### Enrollment and Average Daily Attendance (ADA)



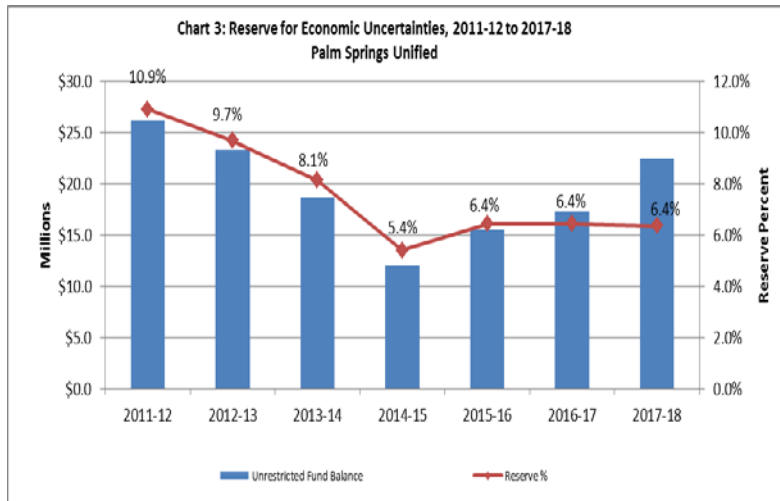
The district's projected ADA to enrollment ratio (capture rate) for 2015-16 is 94.0 percent, which is within the historical average ratio for the three prior fiscal years. The district estimates 21,251 ADA for the current fiscal year, or a 0.1 percent increase from the 2014-15 P-2 ADA. These projections 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. Chart 2 shows the district's deficit spending historical trends and projections.



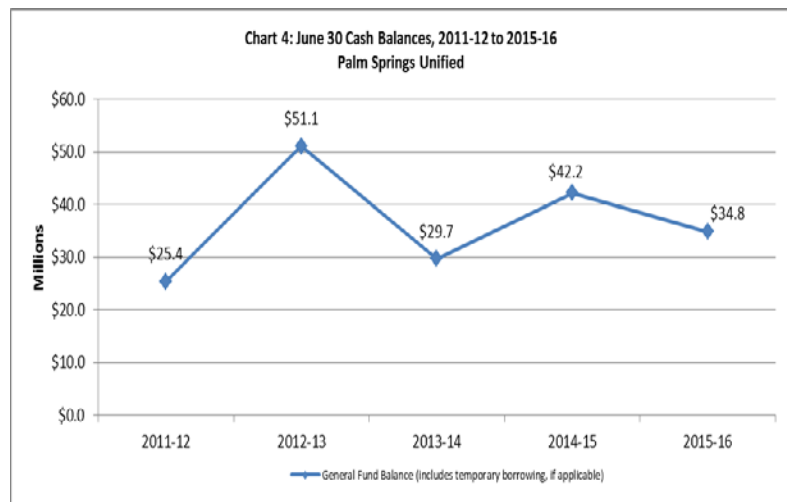
## Reserve for Economic Uncertainties



The minimum state-required reserve for a district of Palm Springs 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

The district currently has a \$20.0 million temporary loan from the Special Reserve for Capital Outlay Projects with repayment projected for June 2016. Chart 4 provides a historical summary of the district's June 30<sup>th</sup> General Fund cash balance. Based on the budget's cash flow analysis, the district projects a positive General Fund cash balance of \$34.8 million as of June 30, 2016. This balance includes resetting up the \$20.0 million temporary loan from the Special Reserve Fund for Capital Outlay Projects, and appears sufficient to cover July 2016 expenditures (estimated at \$17.2 million based on July 2015 disbursements). 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.





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## 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.

