

2014-15 Plan Implementation

In a review of the *Stakeholder Engagement* section, we noted the plan would be stronger if it included more specific data, actual meeting dates for all stakeholder input opportunities, and details of stakeholder involvement.

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 Palo Verde’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).

In reviewing the data from previous years, Palo Verde performs significantly lower than the state average. The plan is strengthened by differentiating outcomes for significant subgroups in terms of academic achievement. For example, while the plan addresses the need for growth for all students, including significant subgroups, the plan has specific outcomes for subgroups based on the data. For example, the Early Assessment Program (EAP) includes specific outcomes for the Hispanic and Low Income subgroups; California High School Exit Exam (CAHSEE) includes specific outcomes for English Learners and Students with Disabilities.

We recommend differentiating the actions for all subgroups who are underperforming academically or overrepresented in suspension and expulsion data in all areas where significant gaps exist. We also recommend setting aspirational and challenging targets for all outcomes and for all subgroups. In order to achieve these targets, we recommend identifying research-based actions that when implemented with fidelity will have a positive impact on students. For example,

- While the enrollment in and completion of A-G coursework is one of the major components of college and career readiness, the completion rate for this course sequence is significantly below the state average for all subgroups and of particular concern, as the target to increase is 3 percent.

In reviewing district data we noticed these achievement rates for your subgroups compared to the state average.

Metric	State Average	White	African American	Hispanic	English Learner	Low Income	Students w/ Disabilities
% of Palo Verde USD		22.7	7.5	66.3	11.6	72.6	10.1
Goal 3							
% UC A-G Completion	41.9	5.2	0.0	6.9	0.0	5.2	9.5
% EAP – ELA/Math	24.8 / 10.5	11.1 / 5.3	5.1 / 2.7	2.8 / 1.7		2.9 / 1.7	
% CAHSEE – ELA/Math	83 / 85	76 / 76	/ 58	62 / 71	0 / 25	69 / 74	21 / 14
Goal 3							
% Suspension	4.36	6.27	16.17	8.16	7.91	9.48	20.56
*Please note that while the CAHSEE is currently suspended, the data illustrate the persistent achievement gap.							

Goal A includes needs, metrics, and actions addressing the percentage of English Learners gaining one level of proficiency on the California English Language Development Test (CELDT) (AMAO 1) and addressing the reclassification rate. The target and metric are not aligned with the data and are unclear. As an additional quantitative measure, we recommend adding AMAO 2 and distinguishing between cohorts for progress toward attaining English proficiency (AMAO 2 – Less Than 5 Years Cohort vs. 5 Years or More Cohort). This measure has impact on the English Learner reclassification rate which is also measured in the LCAP.

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 significant gap in the performance of students in AMAO 1 and AMAO 2b.

Title III Annual Measurable Achievement Objectives (AMAO) Trends									
	AMAO 1			AMAO 2a (Less Than 5 Years Cohort)			AMAO 2b (5 Years or More Cohort)		
	PVUSD	Target	Met?	PVUSD	Target	Met?	PVUSD	Target	Met?
2014-2015	53.7%	60.5%	No	17.9%	24.2%	No	42.6%	50.9%	No
2013-2014	48.4%	59.0%	No	24.4%	22.8%	Yes	28.0%	49.0%	No
2012-2013	57.3%	57.5%	No	30.8%	21.4%	Yes	43.2%	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 **significantly** below the target. 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:

- *Operating Deficit* – Multi-year financial projections indicate a substantial General Fund operating deficit for the current and two subsequent fiscal years.
- *Declining Enrollment* – The district's projections indicate declining 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 yet to identify a contingency plan should gap funding increases not materialize. Please provide this contingency plan with the submission of the 2015-16 First Interim Report.

Unduplicated Pupil Percentage – The district reports an unduplicated pupil percentage of 72.91 percent for 2015-16, 72.57 percent for 2016-17 and 72.59 percent for 2017-18. The district's unduplicated pupil percentage included in the 2014-15 P2 certification by the California Department of Education is 73.57 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. Classified agreed to a \$300 health and welfare benefit cap increase (from \$12,850 to \$13,150) beginning July 1, 2015. Certificated agreed to a \$300 health and welfare benefit cap increase (from \$12,850 to \$13,150).

Debt Payments – The district currently makes debt payments from the Special Reserve Fund for Capital Outlay (Fund 40). The multi-year financial projections indicate the General Fund will no longer transfer funds in the current and two subsequent fiscal years to Fund 40. The balance and funds from redevelopment in the Special Reserve Fund will be inadequate for scheduled debt service payments starting in fiscal year 2016-17. In the multi-year financial projections submitted at First interim, the district must include the debt service payment in the General Fund or interfund transfers to Fund 40 in the General Fund due to the relative size of the district's long term debt.

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 13.74 percent. The district implemented the recommendation.
- 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

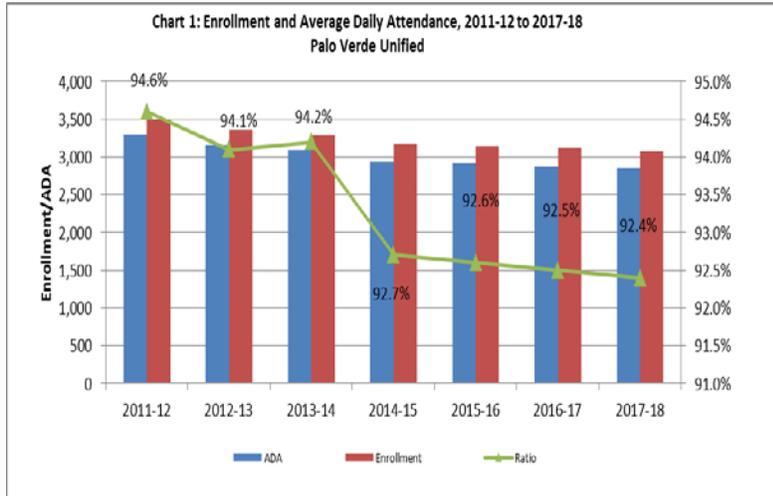
for the district to meet the Minimum Proportionality Percentage at full implementation if S&C grant dollars have not been expended in each fiscal year to serve the targeted students who generated the funding.

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

Palo Verde Unified School District

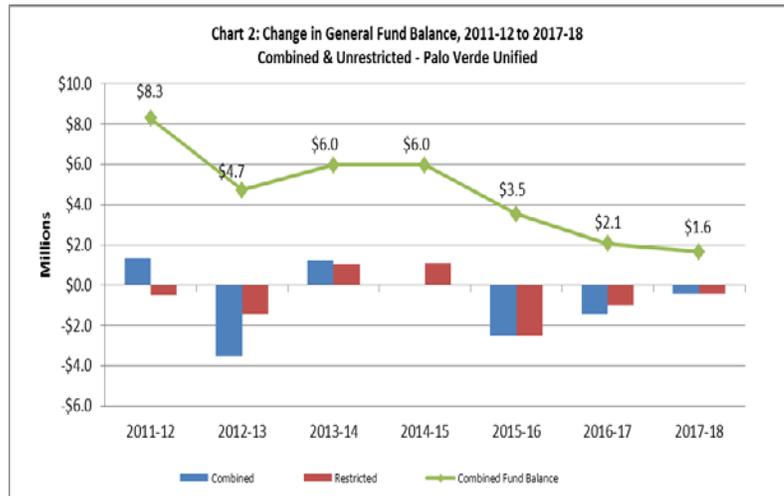
Enrollment and Average Daily Attendance (ADA)



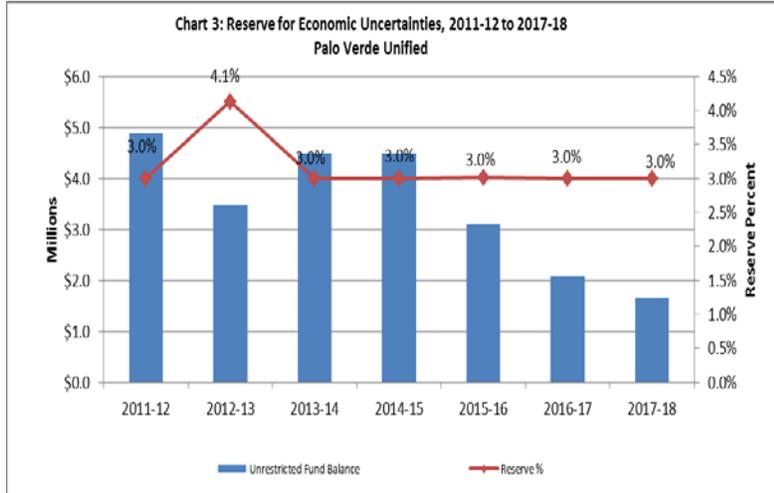
The district's projected ADA to enrollment ratio (capture rate) for 2015-16 is 92.6 percent, which is lower than the historical average ratio for the three prior fiscal years. The district estimates 2,911 ADA for the current fiscal year, or a 1.1 percent decrease from the 2014-15 P-2 ADA. For 2016-17 and 2017-18, the district projects a 1.0 percent decrease in each year. 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 \$2.5 million in 2015-16, \$1.5 million in 2016-17, and \$0.4 million in 2017-18. Chart 2 shows the district's deficit spending historical trends and projections.



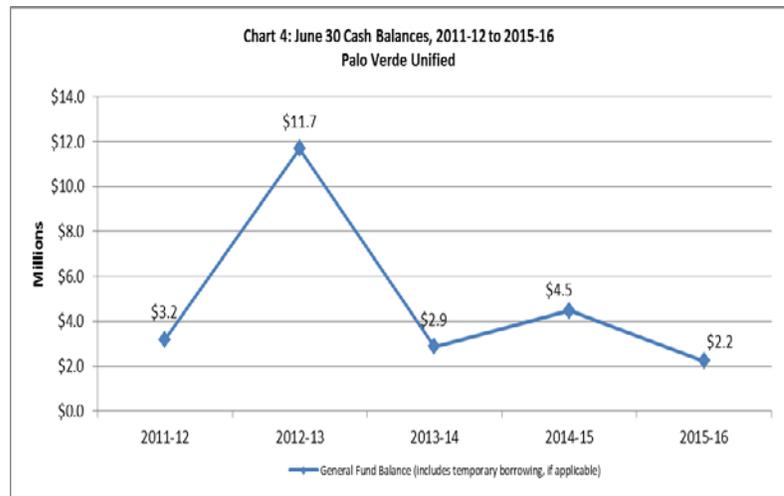
Reserve for Economic Uncertainties



The minimum state-required reserve for a district of Palo Verde 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.

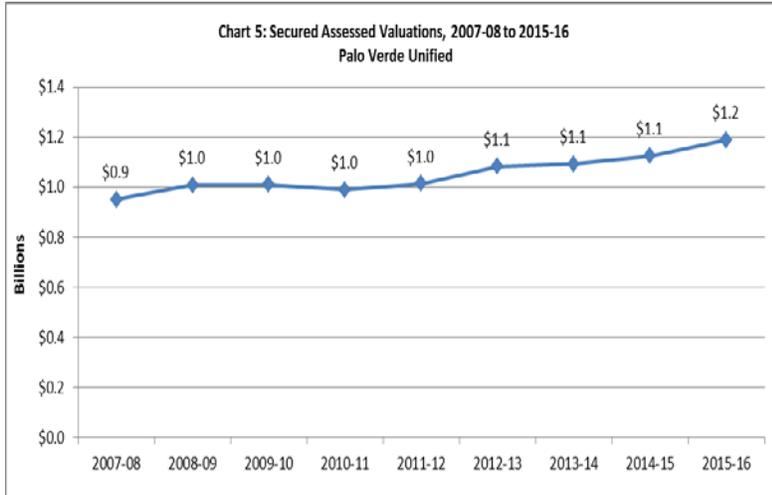
Cash Management

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 \$2.2 million as of June 30, 2016. This balance does not include any temporary borrowings, but does not appear sufficient to cover July 2016 expenditures (estimated at \$2.8 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.

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.