

ARIZONA HOUSE OF REPRESENTATIVES
Fifty-first Legislature – First Regular Session

COMMITTEE ON EDUCATION

Minutes of Meeting
Monday, January 28, 2013
House Hearing Room 3 -- 2:00 p.m.

Chairman Goodale called the meeting to order at 2:04 p.m. and attendance was noted by the secretary.

Members Present

Mr. Allen	Mr. Meyer	Mr. Pierce J
Mr. Boyer	Ms. Miranda	Mr. Coleman, Vice-Chairman
Mrs. Carter	Ms. Otondo	Ms. Goodale, Chairman

Members Absent

None

Committee Action

HB2060 – DP (6-1-2-0)	HB2403 – DP (9-0-0-0)
HB2071 – DP (9-0-0-0)	HB2427 – DP (9-0-0-0)
HB2168 – DISCUSSED & HELD	HB2458 – DPA (6-3-0-0)
HB2202 – DP (8-1-0-0)	

Mrs. Carter introduced Faith Oltrogge, who is shadowing her for the day as part of the People to People Ambassador's Program. This is her first step in the journey to learn about the state and federal governments.

PRESENTATION

Eileen Sigmund, Arizona Charter Schools Association, stated the Center for Student Achievement provides professional development and is making data transparent and easily accessible through a series of research reports. She related the purpose of charter schools, according to the statute, is to improve student achievement and provide parents a choice. Six years ago, she said she questioned how charter schools are improving student achievement. In 2009, when former Superintendent of Public Instruction, Tom Horne, was at the Arizona Department of Education (ADE), money was raised to obtain data on every student back to 2006. Currently, the Association is looking at the growth and proficiency of students based on one day of testing. More research is needed to look at other measures of student achievement, but since this is the kickoff of School Choice Week in Arizona, she is focusing on school choice. Arizona leads the nation in the highest number of charter schools (one in four) and the highest percentage

of students attending charter schools (14 percent of public students). In 1994, the charter school and open enrollment laws were passed. It was not possible to obtain data to examine open enrollment, which she hopes can be done in the future. A presentation will be made on the findings of school choice and charter schools, students choosing those schools and how those choices are paying off for students.

Dr. Ildiko Laczko-Kerr, Center for Student Achievement, reviewed the report, *Oh, the Places They'll Go – Arizona Public School Choice and Its Impact on Students* (Attachment 1), highlighting the following pages:

- Page 4 - Research statistics and major research questions the Center addresses
 - Whether the charter school population is remarkably different from a traditional school
 - What kind of charter schools students are attending
 - How charter schools are paying off in terms of student achievement and for how many students
- Page 5 - Charter school enrollment trends
- Page 7 - Percentage of student enrollment by school grade level configuration, 2012
- Page 9 - Distribution of student enrollment by school type and grade configuration, 2012
- Page 12 - Summary
 - Charter school enrollment patterns show that charter schools are meeting a need for parents as an option for the different non-traditional school district choices
 - Because of the large population of alternative schools, which serve adjudicated youth, pregnant or parenting teens, students who are significantly behind in credits, etc., it is unlikely that charter schools are “skimming” the highest-performing students from school district counterparts
 - Charter schools with combination grade configurations show particular promise as an effective educational strategy
 - Nearly one-third of all students enrolled in charter schools attend a school with an “A” rating, compared to one-quarter of students enrolled in district schools
 - Too many charter school students attend mid-or low-quality schools
- Page 13 - Research agenda for the future
 - What is the extent and impact of district open enrollment policies?
 - What are some better indicators of school quality; in particular, measures that reflect the wide array of school types, their curricular and programmatic diversity?
 - What data do parents and students use to make public school choices?
 - What is the impact of charter school closures on student enrollment and achievement?
 - What are some of the underlying reasons for the significant gap in Hispanic and White enrollment in district and charter schools?

She added that if the Members are interested in a specific topic, the Center will be glad to partner or support them in the discovery analysis of the data.

Ms. Sigmund pointed out that the information reviewed is available online at www.centerforstudentachievement.org.

CONSIDERATION OF BILLS

HB2427 – schools; unification; consolidation; initial meetings – DO PASS

Chairman Goodale, sponsor, stated that this bill involves three school districts in her legislative district.

Vice-Chairman Coleman moved that HB2427 do pass.

Blanca Delgado, Majority Research Intern, explained that HB2427 allows a unified school district governing board to be constituted on formation of a unified district for the purpose of conducting operations for the following year and permits unified school boards in the process of consolidating to preliminarily file boundary information for new or existing taxing jurisdictions (Attachment 2).

Randie Stein, Vice President, Stone & Youngberg, in favor of HB2427, explained that Stone & Youngberg is an investment banking firm that works with several school districts in Arizona. It is almost impossible for a school district to go through the unification process and levy a tax rate in the first year of being a unified school district. This legislation makes technical changes so a school district can become organized as a unified school district in one fiscal year and have students and a budget in the following fiscal year. When a school district changes boundaries, it is necessary to notify the county and Department of Revenue (DOR) for the following fiscal year. The boundary change “pushes it to the limit” so school districts have sufficient time to unify in the spring effective for the following fiscal year, but not too late for the county or DOR to do what is necessary to make the boundary changes and change the taxing system composition of that jurisdiction.

Fred Rosenfeld, Attorney, Gust Rosenfeld LLC, testified in favor of HB2427. He stated he has been working with Ms. Stein to develop this unification recommendation and offered to answer any legal questions.

Whitney Crow, Superintendent, Mojave Valley Elementary School District, in favor of HB2427, said the superintendents of three school districts worked together for several years and recently realized, while trying to create efficiencies and joint programs, that unification is the next step. There are two sets of timelines: the requirements in statute for voting and distributing pamphlets, etc., and meeting the deadline for the DOR. This bill will allow the school districts to combine those two items and work with one set of deadlines to make unification happen. In response to a question, he related that the school district has 1,600 students; it is an elementary school, K-8, that is located south of Bullhead City. Bullhead Elementary School District is the elementary counterpart within the city limits; the third school district is Colorado River Union High School District.

Riley Frei, Superintendent, Colorado River Union High School District, in favor of HB2427, indicated that the three superintendents have worked well together. The climate has changed in Arizona causing the superintendents to do everything possible to create efficiencies. The governing boards are working together on this exciting opportunity. He added he was surprised to find impediments to unifying quickly. In response to a question, he stated that the school district consists of two high schools, one has 750 students and another has 1,500 students. The

other two superintendents have 10 schools combined that feed into the two high schools. There are many schools in the three school districts located in a very small geographic area.

Benje Hookstra, Superintendent, Bullhead Elementary School District, in favor of HB2427, related that the school district has about 3,300 students, four elementary and two junior high schools. He said he would appreciate the Members' consideration of this bill. The school districts worked together and determined unification is best for the children, so they would like to unify as fast as possible.

Tim Carter, Yavapai County School Superintendent, spoke in favor of HB2427. He said in 2011, he was a member of a Joint Legislative Study Committee on School District Unification and Consolidation and this legislation is a finding from that Committee. In Yavapai County, there are three school districts actively considering shared services and how to work together, which might ultimately lead to unification/consolidation; a study was done, which found that this could be a problem for them as well. If the boards approve a change in November, it will become effective the next July. During that intervening time, Yavapai County will have three distinct governing boards in control of their home district, and the new consolidated district would not have statutory authority to take action until July 1 of the next year. He has been suggesting for some time that as soon as the election is canvassed, the three boards join together to form a fourth board to work with the existing boards and have the statutory authority to do everything that needs to be done to operate the new consolidated school district.

Mr. Allen stated that this issue was worked on when he was in the Legislature in 2006 but nothing happened. He asked if there has been much consolidation since then or if this is rare. Chairman Goodale replied that her school district consolidated in 2000, after which the School Unification and Consolidation Commission, composed of community members, was formed to study unification and consolidation across the state. The issue went to the ballot several years ago, but failed. Some communities wished to consolidate, which was legally challenged so it was moot at that point. A few years ago, the Mingus Mountain Union High School District and Cottonwood Union School District considered unification, but eventually decided not to. This bill is the first official step toward moving forward.

Martin Shultz, former Chairman, School Unification and Consolidation Commission, recommended that the Committee pass HB2427. He gave credit to the superintendents, school boards and the technical advice of Ms. Stein and Mr. Rosenfeld who worked through the complications. He indicated that he would like to discuss the "bigger picture."

Chairman Goodale stated that is not on the agenda, but it could be placed on a future agenda, to which Mr. Shultz agreed.

Vice-Chairman Coleman announced the names of those who signed up in support of HB2427 but did not speak:

Charles Essigs, Director of Government Relations, Arizona Association of School Business Officials

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Barry Aarons, Lobbyist, Arizona Association of County School Superintendents

Jen Sweeney, Deputy Director, Arizona Association of Counties

Kelly McManus, Government Affairs Director, Stand for Children

Sabrina Vazquez, Legislative Liaison, Arizona School Administrators
Geoffrey Esposito, Governmental Relations Analyst, Arizona School Boards Association
Jennifer Loreda, Arizona Education Association

Vice-Chairman Coleman announced the names of those who signed up as neutral on HB2427 but did not speak:

Doreen Zannis, representing self

Question was called on the motion that HB2427 do pass. The motion carried by a roll call vote of 9-0-0-0 (Attachment 3).

HB2202 – school districts; leases – DO PASS

Vice-Chairman Coleman moved that HB2202 do pass.

Brooke White, Majority Research Analyst, explained that HB2202 extends the time period school boards are able to enter into lease agreements from five to ten years and allows certain school districts to call for an override election to exceed the capital outlay revenue limit (CORL) during periods of expending lease proceeds on capital outlay (Attachment 4).

Representative Bob Robson, sponsor, stated this legislation is the result of discussions between him, Senator John McComish, Representative Jeff Dial and the Kyrene Unified School District.

Jeremy Calles, Chief Financial Officer, Kyrene School District, in favor of HB2202, stated that over the last several years, the school district has been dealing with insufficient supplies, limited resources and increasing needs at state and local levels. This bill attempts to lessen restrictions on school plant funds so school districts can access the funds and use them for the intended purposes.

Vice-Chairman Coleman announced the names of those who signed up in support of HB2202 but did not speak:

Charles Essigs, Director of Government Relations, Arizona Association of School Business Officials

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Doreen Zannis, representing self

Marcus Dell'Artino, representing self

Tim Carter, Yavapai County School Superintendent

Barry Aarons, Lobbyist, Arizona Association of County School Superintendents

Meghaen Duger, Education Finance Reform Group

Sabrina Vazquez, Legislative Liaison, Arizona School Administrators

Geoffrey Esposito, Governmental Relations Analyst, Arizona School Boards Association

Jennifer Loreda, Arizona Education Association

Question was called on the motion that HB2202 do pass. The motion carried by a roll call vote of 8-1-0-0 (Attachment 5).

HB2060 – school district governing boards; censure – DO PASS

Vice-Chairman Coleman moved that HB2060 do pass.

Blanca Delgado, Majority Research Intern, explained that HB2060 provides school district governing boards the opportunity to censure board members for conduct that the board deems is detrimental to the board, including excessive absences (Attachment 6).

Chris Thomas, General Counsel/Director, Legal and Policy Services, Arizona School Boards Association (ASBA), in favor of HB2060, testified that he trains school board members throughout the state about legal responsibilities and keeping within school board authority. This bill gives school boards the authority to censure a board member for violation of policies, not attending meetings or being disruptive at board meetings. It is an extreme step a board may choose to take that he does not expect to happen often, but there are instances where it makes sense. When board members act out, do not follow policies or are disruptive, it reflects poorly on the school district. School boards across the state support this idea and are asking for the same authority the Legislature has to deal with these kinds of situations.

Chairman Goodale asked if each board will define *censure* or whether the ASBA will develop a policy. Mr. Thomas replied that training will be provided and, hopefully, incidents will rarely occur. He expressed the hope that school boards will define censure on their own in order to retain local control; however, the ASBA will have a model for the boards to consider adopting.

Vice-Chairman Coleman announced the names of those who signed up in support of HB2060 but did not speak:

Charles Essigs, Director of Government Relations, Arizona Association of School Business Officials

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Tim Carter, Yavapai County School Superintendent

Sabrina Vazquez, Legislative Liaison, Arizona School Administrators

Geoffrey Esposito, Governmental Relations Analyst, Arizona School Boards Association

Vice-Chairman Coleman announced the names of those who signed up as neutral on HB2060 but did not speak:

Doreen Zannis, representing self

Question was called on the motion that HB2060 do pass. The motion carried by a roll call vote of 6-1-2-0 (Attachment 7).

HB2071 – ADE; operations – DO PASS

Vice-Chairman Coleman moved that HB2071 do pass.

Virginia Carico, Majority Assistant Research Analyst, explained that HB2071 authorizes the Arizona Department of Education (ADE) to charge a convenience fee to be assessed on a per transaction basis for any transactions conducted using a credit or debit card or other means of electronic payment as long as another payment is available that is not subject to the convenience fee (Attachment 8).

Vice-Chairman Coleman, sponsor, stated that this bill contains three parts:

- Makes a technical correction on page 3 to reference the appropriate Code of Federal Regulations section
- Changes *general educational development (GED)* to *AN EQUIVALENT TEST ADOPTED BY THE STATE BOARD OF EDUCATION*
- Adds language to allow teachers paying for a teaching certificate to use debit or credit cards and to allow ADE to charge a nominal fee but not to produce a profit; it is estimated to cost about \$60,000 statewide.

Vice-Chairman Coleman related that when he went to renew his teaching certificate a few years ago, he did not have a personal check and had to obtain a money order. He would gladly pay an additional nominal fee to use a debit or credit card.

Chris Kotterman, Deputy Director Government Relations, Arizona Department of Education (ADE), in favor of HB2071, stated that this issue was repeatedly discussed with the Attorney General, and ADE finally decided to ask the Legislature for the authority to impose this fee, which is already done by other state agencies. ADE conducts about 52,000 transactions per year for certification of 70,000 teachers statewide and will not be able to absorb the fee because the entire balance of the Certification Fund is used almost every year to operate the Certification Unit. This bill states when ADE completes procurement and moves to an online certification system, the transaction fee can be assessed to pay for the cost of providing the service. ADE is currently reviewing procurements and the statewide rate the Treasurer has negotiated is a maximum transaction fee of about \$1.50.

Vice-Chairman Coleman announced the names of those who signed up in support of HB2071 but did not speak:

Stacey Morley, Director, Policy Development & Government Relations, Arizona Department of Education

Doreen Zannis, representing self

Sabrina Vazquez, Legislative Liaison, Arizona School Administrators

Vince Yanez, Executive Director, State Board of Education

Jennifer Loreda, Arizona Education Association

Vice-Chairman Coleman announced the names of those who signed up as neutral on HB2071 but did not speak:

Geoffrey Esposito, Governmental Relations Analyst, Arizona School Boards Association

Question was called on the motion that HB2071 do pass. The motion carried by a roll call vote of 9-0-0-0 (Attachment 9).

HB2403 – teacher employment contracts; electronic signatures – DO PASS

Vice-Chairman Coleman moved that HB2403 do pass.

Virginia Carico, Majority Assistant Research Analyst, explained that HB2403 allows school boards to transmit and receive teacher employment contracts in an electronic format and to accept electronic signatures from certified employees on the contracts (Attachment 10).

Mrs. Carter, sponsor, stated this is another efficiency bill to move schools into the 21st century by giving teachers the ability to sign teacher contracts electronically, as is done with other legal documents.

Jennifer Loreda, Arizona Education Association (AEA), spoke in favor of HB2403. She said school districts are already providing the contracts electronically; this bill allows teachers to return signed contracts electronically. Sometimes teachers go home for summer vacation, so she would like to work on a Floor amendment so contracts can be issued within the last 15 days of the contract year, giving teachers the ability to respond via school district equipment. In some school districts, it is not possible to use the email system without physically being at the school.

Mr. Allen asked if there will be a problem if the budget is late in being finalized, which delays teacher contracts. Ms. Loreda replied that the AEA was worried when the contract dates were removed in statute in 2009, but so far, school districts have been issuing contracts in a timely manner in order to retain teachers. If it is past that deadline, perhaps consideration can be given to sending the contract to the person's personal email.

Mrs. Carter remarked that she is willing to work with stakeholders to address those concerns.

Vice-Chairman Coleman announced the names of those who signed up in support of HB2403 but did not speak:

Charles Essigs, Director of Government Relations, Arizona Association of School Business Officials

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association

Doreen Zannis, representing self

Tim Carter, Yavapai County School Superintendent

Sabrina Vazquez, Legislative Liaison, Arizona School Administrators

Meghaen Duger, Education Finance Reform Group

Geoffrey Esposito, Governmental Relations Analyst, Arizona School Boards Association

Leeann Wieser, President, Arizona Federation of Teachers

Question was called on the motion that HB2403 do pass. The motion carried by a roll call vote of 9-0-0-0 (Attachment 11).

HB2168 – school age; increase; parental permission – DISCUSSED & HELD

Vice-Chairman Coleman moved that HB2168 do pass.

Virginia Carico, Majority Assistant Research Analyst, explained that HB2168 increases the school dropout age from 16 to 18 and the age extension of a child who is employed and has parental consent to drop out from age 14 to 16 (Attachment 12). It allows anyone who is at least age 18 and has not successfully completed graduation requirements to drop out if a notarized consent form is submitted by the parent to the principal or head teacher of the school. It contains session law that phases in the dropout age over two years and requires parents to submit a

notarized consent form when allowing their child to drop out. The bill will be in full effect by the 2016-2017 school year.

Representative Jeff Dial, sponsor, explained that he was looking into how to increase the graduation rate in Arizona and was surprised to find that parents do not have the right to make the decision in this matter. This bill gives parents the power to determine whether their children attend school. Most states in the western U.S. have the higher age of 18. Parents should have this right and be able to discuss the matter with their child. If a child currently drops out, the parents are not notified; the child could be damaging property for which the parents would be liable, without having a say in whether the child should be attending school.

Ms. Miranda asked about students who are ready to move on to college. Representative Dial responded that if the child meets high school requirements, this bill will not apply; students can take college classes. He thought that was addressed in the bill, but he would be happy to change the language.

Mr. Pierce said he applauds the effort to make sure parents are involved, but asked to be shown language in the bill allowing for parental empowerment as opposed to moving the drop-out age from 16 to 18, which may keep students in school who do not want to be there. Representative Dial referred to language on page 3, line 4, stating that *only if the person signs and submits to the principal or head teacher of the school where the person was last enrolled a notarized consent form that is provided by the school*. The language is also in session law on page 4, lines 41 through 44, and page 5, lines 1 and 2. He added that if language can be drafted to empower parents more, he will be glad to address it on the Floor or in Committee.

Mr. Meyer stated that the bill empowers parents to remove their child from school and asked what happens if a student continues not to show up. Representative Dial indicated that schools currently notify parents after at least 10 consecutive days so it would be up to the parent, student and school to resolve the issue.

Mr. Meyer commented that children who do not want to be in school are sometimes disruptive to the classroom environment. He questioned how forcing the child to remain in school will impact other students. Representative Dial said the goal is to empower parents. He is hoping the schools would take the proper administrative action so the child would no longer be in the classroom, but placed in proper programs where the child is not disturbing other students.

Mr. Meyer asked about the school's obligation under this bill if the student is expelled and whether there is evidence this bill will improve academic performance. He submitted this is another burden on schools that lack funding to deal with all of the students. Representative Dial answered that by empowering the parents, if a student is expelled, he assumes the school will notify the parents.

Mr. Meyer remarked that in the Scottsdale School District, as soon as a student has an unexcused absence, the parents are notified, and even if the student is not doing well academically, tutoring and parent conferences with the teacher take place. Much time and resources are expended before a child has an expulsion hearing, but there is a point where everything possible has been done and it is time for the child to move on.

Mr. Allen noted that he does not see expulsion addressed in the bill. Mr. Meyer agreed but said if a child is expelled at the age of 16, the student is still required under this bill to find another place to attend school. Even if the student is not expelled, the question is how other students in any school district are affected.

Mr. Boyer asked if it is possible under this bill for a parent to withdraw a student from school who is under the age of 16-and-a-half. Representative Dial said he asked Ms. White to draft language for a Floor amendment to keep the provision stating that if a student is under age 14, employed and has parental permission, the student can drop out. He added if there is a problem with students being expelled, he would be glad to add language stating that if a student is expelled from two schools, the student can drop out.

Vice-Chairman Coleman commented that this bill requires students who, by age 16, do not want to be in school remain in school, which is a concern. Representative Dial responded that he does not believe the bill makes students attend school for another two years; parents can sign the form and let the student drop out, but he believes the bill encourages a conversation between the student and parents. He would be glad to work on the issue.

Mrs. Carter stated graduation dropout rates are one of the metrics businesses consider in deciding whether or not to locate in Arizona. Arizona has been at a disadvantage by allowing students to opt out of education earlier because the students are then deemed “dropouts.” To compare Arizona dropout rates with other states is like comparing apples to oranges, especially states in the southwestern region. As a faculty member at Arizona State University, she said one of the most often education policies students bring to her, to improve education in Arizona, is changing the compulsory attendance age to 18. She commended Representative Dial on the phase-in period contained in session law where parents are allowed to engage in a conversation with the student about whether or not to drop out of school, which adds an additional check and balance in a very important decision.

Representative Dial stated that from his research, it appeared that agricultural states where students need to help with the crops, etc., are doing this; however, in looking at the 21st century economy where information workers are needed, one of the Governor’s documents stated by the year 2016 over two-thirds or 60 percent of students will need some kind of post-secondary degree. Arizona needs students to graduate from high school and attend a private trade school or university. Many students will find they do not have the skills to obtain high-wage jobs.

Mr. Pierce pointed out that if a parent does not sign the form to allow the student to drop out and the student does not attend school, the parents are currently subject to a class 3 misdemeanor until the student is 16; this bill increases that to age 18 when students could be skipping school and may be difficult to control.

In response to a query from Ms. Miranda, Representative Dial stated he did not request a fiscal note on the bill, which is not as important as the intent of the bill, which is to keep students in school. Ms. Miranda asked if other states showed higher graduation rates and a positive fiscal impact. Representative Dial answered that is difficult to tell, but he believes there would be.

Chairman Goodale noted that Representative Dial indicated several times that he is willing to work on Members’ concerns. She suggested that the bill be tabled to provide time to work on

issues. She added she is concerned about a class 3 misdemeanor to punish the parents. Representative Dial agreed to her suggestion.

Vice-Chairman Coleman withdrew the motion that HB2168 do pass.

HB2458 – empowerment scholarship accounts; fraud prevention. – DO PASS AMENDED

Vice-Chairman Coleman moved that HB2458 do pass.

Brooke White, Majority Research Analyst, explained that HB2458 outlines specific policies that the Arizona Department of Education (ADE) can adopt in order to administer Empowerment Scholarship Accounts (ESAs) and monitor fraudulent activity (Attachment 13). The bill also defines fraudulent use of an ESA and removes the parent's ability to appeal an ADE decision to remove a parent or student from ESA eligibility. Lastly, it allows ESA monies to be used for insurance or surety bond payments.

Vice-Chairman Coleman moved that the Boyer six-line amendment to HB2458 dated 1/25/13 (Attachment 14) be adopted.

Ms. White explained that the Boyer six-line amendment to HB2458 dated 1/25/13 reinserts language allowing parents to appeal ADE's decision to remove ESA eligibility and removes the section that details specific policies ADE can adopt to help monitor fraudulent activity (Attachment 14).

Question was called on the motion that the Boyer six-line amendment to HB2458 dated 1/25/13 (Attachment 14) be adopted. The motion carried.

Vice-Chairman Coleman moved that the Meyer five-line amendment to HB2458 dated 1/25/13 (Attachment 15) be adopted.

Ms. White explained that the Meyer five-line amendment to HB2458 repeals the ESA statute (Attachment 15).

Mr. Meyer stated that he has questions about the underlying bill prior to discussing the Meyer five-line amendment (Attachment 15).

Mr. Boyer, sponsor, stated that the goal of HB2458 is to protect children and Arizona taxpayers by directing the ADE to create fraud abuse and prevention programs similar to those in place in other programs, such as food stamps and Medicaid.

Jonathan Butcher, Education Director, Goldwater Institute, spoke in favor of HB2458. He said ESAs are the most innovative solution to education in the U.S. At least six states are considering adopting these accounts and 300 families and children currently use these accounts. Recently, ADE released a survey of satisfaction to families using the accounts and the scores were 4.2 out of 5. The way the accounts function is that ADE takes 90 percent of a pupil's funds from the school funding formula and places it into a private account operated by parents with a check card or an automatic teller machine (ATM) card. The account can be used for private school tuition, tutoring, college classes, etc. This bill gives ADE further discretion on auditing procedures for

use of the funds and outlines specific policy recommendations ADE may adopt in overseeing the accounts. He hopes fraud and abuse will never become rampant, but before it does become an issue, now that 200,000 children are eligible in Arizona for these accounts, this bill puts in place procedures so ADE will be prepared for what lies ahead.

Sydney Hay, American Federation for Children; A Plus Arizona, spoke in favor of HB2458. She said she believes this bill is necessary to ensure ESA dollars are accounted for and spent to provide education for children. She expressed opposition to Ms. Otondo's amendment (Attachment 16), which requires private schools to administer the state test, so their curriculum will have to conform to that test, when private schools generally administer norm-reference standardized tests. She said she looks forward to working with stakeholders and legislators to develop what constitutes appropriate academic accountability.

Vice-Chairman Coleman announced the names of those who signed up in support of HB2458 but did not speak:

Janice Palmer, Governmental Relations Analyst, Arizona School Boards Association
Melissa Keckler, Political Coordinator, American Federation for Children
Sabrina Vazquez, Legislative Liaison, Arizona School Administrators
Geoffrey Esposito, Governmental Relations Analyst, Arizona School Boards Association
Deb Gullett, A Plus Arizona
Jennifer Loreda, Arizona Education Association

Vice-Chairman Coleman announced the names of those who signed up as neutral on HB2458 but did not speak:

Doreen Zannis, representing self
Anjali Abraham, Public Policy Director, American Civil Liberties Union of Arizona

Stacey Morley, Director, Policy Development & Government Relations, Arizona Department of Education (ADE), in response to questions posed, stated that ADE staff currently reviews ESA receipts, and expenditure statements are submitted quarterly to ADE before funds are released the next quarter. If ADE requires additional information, the next allotment is not released unless the information is received. There have been instances, some of which were misunderstandings, in which the expenditure was disallowed. The funds are allocated on a card that cannot be used in certain places and ADE has the ability to look at the credit card statements and compare those with the expenditure statements submitted to ADE. ADE is working with the Attorney General's Office to pursue a few cases further so monies are refunded to the state. She related as the program expands, ADE will have to do more random checks and in-depth audits. Currently, ADE is taking applications and, even though the expansion was enacted last year, it will not take effect until the next fiscal year in order for ADE to include the estimate in ADE's budget.

Mr. Meyer asked for a breakdown of what the monies are spent on, noting that it can be placed into a 529 Plan for college tuition later. Ms. Morley answered that only one parent chose to place money into a 529 Plan, but the majority (90 percent) use the funds for tuition for private schools. If there is remaining money after tuition is paid, some parents use the money for tutors. Parents who homeschool use the money to purchase textbooks and curriculum. The first group of approved ESAs was the disabled population, so it is also used for certain therapies that would normally be provided through a school district for disabled students.

In response to questions, Ms. Morley advised that the program probably will not cover the entire cost of tuition for private schools for students in the new expansion, but students who receive higher funding due to disabilities can afford to pay annual tuition. She said she does not know the number of private schools in the state; in fact, there is a statutory prohibition on ADE governing private schools, unless they are participating in programs at ADE, which some do. More private schools may open because there will be a larger market due to the ability of parents to pay the tuition.

Mr. Meyer noted that the Committee spent the last two weeks learning about the Partnership for Assessment of Readiness for College and Careers (PARCC) assessment and Common Core Standards, which the business community wants, but there is no accountability for the money that goes to private schools. Ms. Morley responded that ADE currently does not have measures of academic accountability in place, but there is a mandate that if someone takes the money and signs a contract to renew every year, the money must be used to provide an education for their children in specific areas. This is just another option for school choice.

In response to further questions, Ms. Morley related that three people monitor the program at ADE. She said she does not believe 200,000 students will be added to the program; that is the number of students who may be eligible. When applicants apply, ADE makes sure the student attended a public school the previous year and all of the necessary information is present. A letter is sent to the parent stating the amount ADE estimates the award will be. ADE will not pay above that amount and some parents made the choice to keep their student in the public school system. She anticipated that will often be the case when parents find out that a traditional school student receives approximately \$4,000 per year versus a disabled student who may receive \$16,000 per year.

Mr. Boyer remarked that 200,000 students is the potential eligibility. Currently, 302 students are in the program. There is no idea how many eligible students will participate in the program. As more students are added, staff will be increased, but until then, there is no reason to staff for 200,000 students.

Mr. Meyer pointed out it was estimated that \$1.4 million was given out for the 302 students, but for the 2013 school year, the amount is estimated to be \$5.2 million.

Aiden Fleming, Legislative Liaison, Arizona Department of Education (ADE), neutral on HB2458, said in the first year of the program, ADE gave out \$1.4 million, but many children applied and were accepted into the program who received lower amounts, and parents of children who were severely disabled were applying who received higher amounts. A child in kindergarten can receive \$1,600 and a child with a disability can garner as much as \$28,000. Mr. Meyer asked if the increase is in special needs students applying to the program, to which Mr. Fleming agreed. He said the \$5.2 million is the current estimate for the end of 2013; the program has only gone through two quarters and ADE is on target in distributing the money.

Mr. Boyer stated that the entire purpose of the program is to provide maximum flexibility for education approaches and curriculum for parents, which he does not want the Members to lose sight of.

Question was called on the motion that the Meyer five-line amendment to HB2458 dated 1/25/13 (Attachment 15) be adopted. The motion failed.

Vice-Chairman Coleman moved that the Otondo 15-line amendment to HB2458 dated 1/25/13 (Attachment 16) be adopted.

Ms. White explained that the Otondo 15-line amendment to HB2458 requires ESA students to take the PARCC examination and have the scores incorporated into the course grade (Attachment 16). A student who fails to display mastery of competency or fails to comply with the requirement will lose ESA eligibility.

Ms. Otondo commented the state is putting a lot of time and effort into focusing on Common Core Standards and, if state funds are provided to ESAs, there should be some accountability for what is basically a voucher system. She added she is willing to strike the provision requiring PARCC scores to be incorporated into the course grade.

Mrs. Carter said she is working on this issue and plans to bring forth a solution to testing and academic achievement concerns related to ESA accounts.

Chairman Goodale recommended that Ms. Otondo work with Mrs. Carter on her concerns.

Ms. Otondo stated that she believes this bill is a great step toward addressing problems with fraud, but as a teacher and supporter of public education, she would like to see private institutions and charter schools abide by the same regulations as traditional public schools.

Question was called on the motion that the Otondo 15-line amendment to HB2458 dated 1/25/13 (Attachment 16) be adopted. The motion failed.

Vice-Chairman Coleman moved that HB2458 as amended do pass. The motion carried by a roll call vote of 6-3-0-0 (Attachment 17).

Without objection, the meeting adjourned at 4:08 p.m.

Linda Taylor, Committee Secretary
February 4, 2013

(Original minutes, attachments and audio on file in the Chief Clerk's Office; video archives available at <http://www.azleg.gov>)