

ARIZONA HOUSE OF REPRESENTATIVES  
Fifty-sixth Legislature - First Regular Session

HOUSE EDUCATION COMMITTEE OF REFERENCE

Report of Interim Meeting  
Tuesday, January 17, 2023  
House Hearing Room 4 -- UPON RECESS OR ADJOURNMENT OF REGULAR  
EDUCATION COMMITTEE

Convened 2:58 P.M.

Recessed

Reconvened

Adjourned 4:44 P.M.

MINUTES RECEIVED  
CHIEF CLERK'S OFFICE

1-18-23

Members Present

Representative Pingerelli, Chairman  
Representative Marshall, Vice-Chairman  
Representative Cook  
Representative Diaz  
Representative Gutierrez  
Representative Harris  
Representative Pawlik  
Representative Pena  
Representative Schwiebert  
Representative Terech

Members Absent

Agenda

Original Agenda – Attachment 1

Request to Speak

Report – Attachment 2

Committee Attendance


Report – Attachment 3

Presentations

<u>Name</u>	<u>Organization</u>	<u>Attachments (Handouts)</u>
Lindsey Perry	Arizona Auditor General	4,6
Marc Owen	Arizona Auditor General's Office	
Paul Solding	Arizona Auditor General's Office	

Committee Action

<u>Bill</u>	<u>Action</u>	<u>Vote</u>	<u>Attachments</u>
	Arizona State Schools for Deaf and Blind Continued for 8 years	10-0-0-0	5

  
Stephanie Green, Committee Secretary  
January 18, 2023

(Original attachments on file in the Office of the Chief Clerk; video archives available at <http://www.azleg.gov>)

corrected

Convened 2:58pm  
adjourned 4:44pm

Interim agendas can be obtained via the Internet at <http://www.azleg.gov/Interim-Committees>

## ARIZONA HOUSE OF REPRESENTATIVES

### INTERIM MEETING NOTICE OPEN TO THE PUBLIC

#### HOUSE EDUCATION COMMITTEE OF REFERENCE

**Date:** Tuesday, January 17, 2023  
**Time:** Upon recess or adjournment of regular Education Committee  
**Place:** HHR 4

Members of the public may access a livestream of the meeting here:  
<https://www.azleg.gov/videooplayer/?clientID=6361162879&eventID=2023011062>

#### AGENDA

1. Call to Order
2. Opening Remarks
3. Sunset Review of the Arizona State Schools for the Deaf and Blind
  - Presentation by the Arizona Office of the Auditor General
  - Response by the Arizona State Schools for the Deaf and Blind
  - Public Testimony
  - Discussion and Recommendation
4. Review of the April 2022 Performance Audit of the Buckeye Elementary School District
  - Presentation by the Arizona Office of the Auditor General
  - Response by the Buckeye Elementary School District
  - Public Testimony
5. Adjournment

#### Members:

Representative Beverly Pingerelli, Chair  
Representative David Marshall, Vice Chair  
Representative David L Cook  
Representative Lupe Diaz  
Representative Nancy Gutierrez

Representative Liz Harris  
Representative Jennifer Pawlik  
Representative Michele Pena  
Representative Judy Schwiebert  
Representative Laura Terech

01/13/2023  
RA

People with disabilities may request reasonable accommodations such as interpreters, alternative formats, or assistance with physical accessibility. If you require accommodations, please contact the Chief Clerk's Office at (602) 926-3032 or through Arizona Relay Service 7-1-1.

# Information Registered on the Request to Speak System

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*House Education Committee of Reference (1/17/2023)*

## 3, Sunset Review of the Arizona State Schools for the Deaf and Blind

## 4, Review of the April 2022 Performance Audit of the Buckeye Elementary School District

### Support:

Ezra Grace, representing self

### Neutral:

Jessica Thomas, AZ STATE RETIREMENT SYSTEM

### Oppose:

Richard Hopkins, representing self

### All Comments:

Jessica Thomas, AZ STATE RETIREMENT SYSTEM: ASRS staff is available for questions if necessary

**ARIZONA STATE LEGISLATURE**  
 Fifty-sixth Legislature - First Regular Session

**COMMITTEE ATTENDANCE RECORD**  
*Committee of Reference*

COMMITTEE ON EDUCATION

CHAIRMAN: Beverly Pingerelli VICE-CHAIRMAN: David Marshall, Sr.

DATE	01/17/23	/23	/23	/23	/23
CONVENED	2:58 pm	m	m	m	m
RECESSED	L				
RECONVENED					
ADJOURNED	4:44 pm				
<b>MEMBERS</b>					
Cook	✓				
Diaz	✓				
Gutierrez	✓				
Harris	✓				
Pawlik	✓				
Peña	✓				
Schwiebert	✓				
Terech	✓				
Marshall, Vice-Chairman	✓				
Pingerelli, Chairman	✓				

✓ Present      --- Absent      exc Excused

# Arizona State Schools for the Deaf and the Blind

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Presenters: Lindsey Perry and Marc Owen

Date: January 17, 2023



Madam Chair, Members of the Committee:

My name is Lindsey Perry, and I am the Auditor General. Before my colleague Marc Owen provides information on the Arizona State Schools for the Deaf and the Blind, I'd like to present information about my Office and the sunset review process for the benefit of the committee members.

## Who we are

- Legislative agency
- Overseen by the Joint Legislative Audit Committee (JLAC)
  - Approves audit schedule
  - Appoints Auditor General



My Office is a legislative agency that is overseen by the Joint Legislative Audit Committee, or JLAC. This is a bipartisan committee composed of 5 senators and 5 representatives.

JLAC's duties include approving our audit schedule and appointing an Auditor General who serves a 5-year term.

## Who we are

- Independent, nonpartisan audit function to provide unbiased, objective information
- Similar functions to federal GAO



The Auditor General's Office was established as an independent, nonpartisan audit function to provide unbiased and objective information about government agencies to legislators and the public. For context, most states have an agency with a similar function to ours—a legislative oversight agency that reviews the finances and/or performance of executive branch agencies. If you are familiar with the federal Government Accountability Office, or GAO, the agency that works for the U.S. Congress, their work would be considered a federal equivalent to the work we do on a state level. Our ultimate goal is to improve the quality and accountability of government.



## Sunset review process

- Established by Legislature
- Systematic agency and program review
- Generally every 8 years prior to termination date



Although my Office has audit responsibility for State agencies, counties, universities, community college districts, and school districts, today's Committee of Reference hearing is related to the sunset reviews of State agencies and programs. The **Legislature** established the sunset review process in 1978 to provide a systematic evaluation of State agencies and programs to determine if the merits of the agency or program justify its continuation rather than termination. Statute requires most agencies to undergo a sunset review at least once every 8 years.

## Sunset reviews assigned by JLAC

- Reviews conducted by
  - Auditor General
  - Committee of Reference
- 2-year audit cycle approved by JLAC
  - Audits generally due by October 1



My Office does not have sufficient resources to conduct all sunset reviews; therefore, JLAC determines which agencies we will review and which agencies will conduct self-reviews for the Committees of Reference. In 2020, JLAC approved the 2-year audit cycle for audits due in 2022 and 2023. Audits are generally due by October 1 of the year preceding the agency's termination date.

## Sunset reviews we conduct

- Include 1 or more performance audits
- Sunset factor analysis, including:
  - Agency objective and purpose
  - Extent the agency serves the entire State
  - Harm to public if terminated



My Office's sunset reviews always include one or more **performance audits** that focus on whether an agency is performing key statutory objectives effectively, efficiently, and/or in compliance with requirements.

In addition to the performance audit, we also research and report answers to 12 statutory sunset factor questions to help the Committee of Reference determine the need for continuation or termination of an agency. These include questions about the agency's objective and purpose, the extent to which it serves the interests of the entire State, and whether terminating the agency would significantly harm the public's health, safety, or welfare.

## Committee of Reference hearing

- Committee of Reference must hold hearings to
  - Determine if statutory requirements are necessary and being met
  - Recommend continuation, including time frame, or termination
- Prepare and introduce legislation related to recommendations for termination/continuation



Regardless of whether my Office or the agency conducts a sunset review, statute requires a Committee of Reference such as yourselves to hold a hearing to determine the extent to which the agency's statutory requirements are necessary and are being met and consider whether to continue the agency, and if so, for how long. Statute also requires each Committee of Reference to oversee the preparation of any proposed legislation to implement the that Committee of Reference's recommendations and is responsible for introducing such legislation.

## Following up

- Follow-up requirements
  - Time frame: 6 and 18 months or beyond



Finally, after we issue a sunset review or related performance audit, JLAC requires us to follow up on the agency's efforts to implement our recommendations at 6 and 18 months after the report is published, and we often conduct additional followups to ensure the agency is making adequate progress toward implementing the recommendations.

Madam Chair, Members of the Committee:

That concludes my presentation, and I am available to answer any questions.  
(answer questions)

Thank you. Now my colleague Marc Owen will provide information on the Arizona State Schools for the Deaf and the Blind.

# Arizona State Schools for the Deaf and the Blind (ASDB)

## Performance audit and sunset review



Madam Chair, Members of the Committee:

My name is Marc Owen, and I'm with the Arizona Auditor General. Today I'll present key information from our performance audit and sunset review of the Arizona State Schools for the Deaf and the Blind, which I'll refer to as ASDB in my presentation.

## ASDB educates students with hearing and vision impairments

- ASDB campuses in Phoenix and Tucson
  - Classroom education and support services for students
  - Tucson campus includes residential program
- Itinerant Services Program
  - Educational and support services for students throughout State
- Early Learning Program
  - Home-based services and preschool for children birth to age 5



ASDB is statutorily responsible for educating students with hearing and vision impairments across the State.

Consistent with this responsibility, ASDB has campuses in both Phoenix and Tucson that provide classroom instruction and support services for its students, such as physical, occupational, and speech therapy. The Tucson campus also includes a residential program for students who live on campus.

ASDB's itinerant services program also provides sensory impaired students throughout the State with educational and support services, including specialized equipment and materials; virtual instruction; and other related services. The Itinerant Services Program serves sensory impaired students who are enrolled in participating schools, which include public school districts and charter schools.

Finally, ASDB's early learning program provides home-based services to sensory impaired infants and toddlers from birth to age 3, and preschool students, age 3 to 5, enrolled at ASDB's Tucson campus and in preschool programs in the Phoenix area.

## ASDB programs served more than 2,100 students in 2021-2022

Programs	2021-22 School Year
Campus-based K-12 Programs	353
Early Learning Program	645
Itinerant Services Program	1,118
<b>Total</b>	<b>2,116</b>



As seen on the slide, for the 2021-2022 school year, ASDB's 3 programs served more than 21-hundred students in the State through its campus-based, early learning, and itinerant services programs.



## ASDB's process for meeting objective and purpose

- Maintaining accreditation of its campus schools
  - Accredited since 1986
  - Holds highest accreditation standard, as of June 2022
- Developed and implemented policies and procedures for maintaining teacher certification
- Complied with State requirements for employee travel expenditures



As part of our review, we identified some areas where ASDB has taken steps to help ensure it is meeting its statutory objective and purpose.

For example, ASDB has been accredited since 1986, and as of June 2022, held the highest accreditation standard available from its nonprofit accrediting organization.

Additionally, ASDB has developed and implemented policies and procedures that require its teachers to meet State requirements for teacher certification.

We also reviewed a sample of travel-related transactions and found that ASDB complied with State requirements for employee travel expenditures.

## Problems identified

- ASDB has millions of dollars in capital improvement needs
  - Vacant and underused buildings on Tucson campus
  - Antiquated buildings and equipment that present health and safety concerns, such as mold damage and asbestos in roofs



However, we also identified some findings and recommendations for improvement.

First, ASDB has identified millions of dollars in capital improvement needs for its campuses, including campus buildings that are vacant, underutilized, or that present health and safety concerns, such as malfunctioning fire alarm panels, damaged sewer lines causing constant backups throughout campus, and mold damage and asbestos in roofs.

## Problems identified

- ASDB had not developed comprehensive capital plan, impacting its ability to address capital needs in timely or cost-effective manner
- Estimated it spent approximately \$645,000 to maintain vacant/underutilized buildings in Tucson for FY2021
- ASDB planned to begin comprehensive planning efforts by November 2022



Additionally, contrary to best practices, ASDB had not yet developed a comprehensive multi-year capital plan to address these needs.

Without such a plan, ASDB cannot effectively and strategically plan and budget for, prioritize, and address its capital improvement needs in a timely or cost-effective manner, which could in turn impact its ability to best serve students' educational needs.

ASDB also must spend money to maintain vacant and underutilized buildings— monies that potentially could otherwise be spent to better ensure students' educational needs are being met. In fiscal year 2021, ASDB estimated that it spent approximately \$645,000 to maintain vacant and underutilized buildings on its Tucson campus.

As part of its strategic planning efforts, ASDB developed a goal to create a multi-year and multi-phase capital plan that would better address its capital needs, and reported it planned to begin the first phase of these capital planning efforts in November 2022.

## Key recommendations

- Develop and implement a comprehensive capital plan that addresses its capital needs
- Develop and implement capital planning policies and procedures



To address these issues, we recommended that ASDB:

Develop and implement a comprehensive, multi-year capital plan and projected capital budget that assesses, identifies, documents, and prioritizes its capital needs.

And that ASDB develop and implement capital planning policies and procedures.

## Other problems identified

- ASDB may be collecting more revenue than necessary to administer Itinerant Services Program

### Year-end fund balances

2020 (actual)	2021 (actual)	2022 (estimate)
\$3,028,428	\$4,417,370	\$9,463,817



Additionally, we found that ASDB may be collecting more revenue than needed to administer the Itinerant Services Program, which is partially funded by fees it charges to the schools that participate in the Program.

For example, as shown in the table on this slide, the year-end balance for the fund that ASDB uses to administer the Program has tripled since fiscal year 2020. In part, this increase is attributable to ASDB not establishing a process to ensure its Program fees are based on Program costs, which has also resulted in some schools paying higher Program fees than others.

## Additional problems identified

- Did not use collaborative or consistent approach to evaluate survey data, which could limit improvements to transition services
- Transition services intended to help students develop skills for activities after leaving ASDB, such as job and independent living skills



Further, ASDB annually conducts surveys of former students who attended its on-campus schools at least 1 year after these students exit high school. This survey is used to assess the former students' level of engagement in areas such as higher education and employment.

However, we found that ASDB did not use a collaborative or standardized approach to evaluate survey information from former students, which could hinder ASDB's ability to improve the transition services it provides to students on both the Phoenix and Tucson campuses. Instead, the campuses independently analyzed survey data to make improvements only to their respective transition services. Transition services are intended to help students prepare for activities after they leave ASDB, such as programs to help students develop job and independent living skills.

## Key recommendations

- Develop policies and procedures for:
  - Periodically reviewing Itinerant Services Program fees
  - Analyzing former students' survey data agency-wide



To address these issues, we recommended that ASDB develop and implement policies and procedures to periodically review the appropriateness of its Itinerant Services Program fees, including analyzing the costs of its processes and the services it provides.

We also recommended that ASDB develop and implement policies and procedures for analyzing former students' surveys agency-wide to help improve ASDB's transition services.

## Other recommendations

- Improve policies and procedures for:
  - Conflict-of-interest
  - Complaint handling



Finally, we made recommendations for improving ASDB's conflict-of-interest and complaint handling policies and procedures. For example, for the conflict-of-interest area, we recommended requiring all employees and Board members to complete conflict-of-interest disclosure forms upon hire or appointment, reminding employees and Board members annually to update their form when their circumstances change, storing all conflict-of-interest disclosures in a special file available for public inspection, establishing a process to review and remediate disclosed conflicts, and providing training on these requirements.

For complaint handling, we recommended that ASDB develop and implement policies and procedures for tracking all complaints, establishing time frames for investigating and resolving complaints, and making complaint-handling information readily available on its website.



# **Arizona State Schools for the Deaf and the Blind**

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Presenters: Lindsey Perry and Marc Owen

Date: January 17, 2023



ASDB agreed with our findings and indicated it would implement all our recommendations. We plan to begin the initial followup on ASDB's efforts to implement our recommendations in March.

Madam Chair, Members of the Committee, that concludes my presentation. I am available to answer questions.

**ARIZONA HOUSE OF REPRESENTATIVES**  
**Fifty-sixth Legislature - First Regular Session**

**ROLL CALL VOTE**

COMMITTEE ON Committee of Reference  
Education

BILL NO. Arizona State Schools for Deaf and Blind

DATE January 17, 2023

MOTION: Continued for 8 years

	PASS	AYE	NAY	PRESENT	ABSENT
Cook		✓			
Diaz		✓			
Gutierrez		✓			
Harris		✓			
Pawlik		✓			
Peña		✓			
Schwiebert		✓			
Terech		✓			
Marshall, Vice-Chairman		✓			
Pingerelli, Chairman		✓			
		10	0	0	0

*Stephanie Green*  
 COMMITTEE SECRETARY

APPROVED:

*Beverly Pingerelli*  
 BEVERLY PINGERELLI, Chairman  
 DAVID MARSHALL, SR., Vice-Chairman

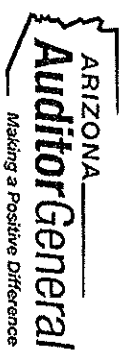
ATTACHMENT 5

# **Buckeye Elementary School District Report 2 of 2**

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Presenters: Lindsey Perry and Paul Soldinger

Date: January 17, 2023



## School district performance audits

- School districts randomly selected, subject to Joint Legislative Audit Committee review
- Systematic review of school districts' spending on instructional and noninstructional areas, and to determine the percentage of every dollar spent in the classroom
- Conduct follow-up work at frequent intervals

## **Audit reports 1 & 2**

- In Report 1 of 2, District spent 54% more per pupil on executive administration
- Report 2 focused on the superintendent's salary and benefits package over 5-1/2 years

## Problems Identified

- 2 of 3 employment agreements covering 5-1/2 years were not transparent
- District paid superintendent \$1.7M of “additional compensation” bringing total compensation to nearly \$3.3M
- District erroneously overpaid more than \$570,000 of this “additional compensation”

## **ASRS allows employees to purchase retirement credits**

- Superintendent purchased 11 years of retirement credits through the Arizona State Retirement System
- Board approved 3 employment agreements which authorized “additional compensation” to Superintendent to purchase these 11 credits
- Elected a pretax method and amounts were deducted directly from paycheck

# 2 of 3 employment agreements lacked critical information

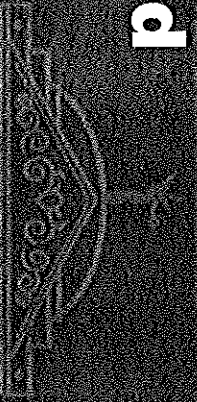
Dollar amount of "additional compensation"

Limit of "additional compensation"

Agreement #1	Agreement #2	Agreement #3
✓	⊘	⊘
✓	⊘	⊘



# 2 of 3 employment agreements lacked critical information



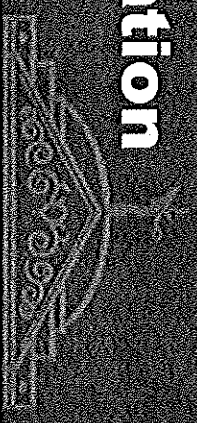
	Agreement #1	Agreement #2	Agreement #3
Dollar amount of "additional compensation"	✓	⊘	⊘
Limit of "additional compensation"	✓	⊘	⊘
Number of service purchase agreements or years	✓	⊘	⊘

# 2 of 3 employment agreements lacked critical information



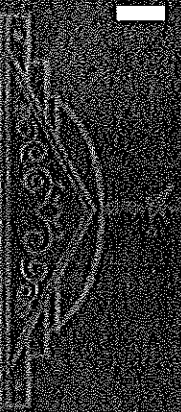
	Agreement #1	Agreement #2	Agreement #3
Dollar amount of "additional compensation"	✓	⊘	⊘
Limit of "additional compensation"	✓	⊘	⊘
Number of service purchase agreements or years	✓	⊘	⊘
Number of retirement service years authorized to purchase per agreement year	✓	⊘	⊘

# Superintendents' average total compensation for first 3 years



Fiscal years	Average Base salary, performance pay, & benefit payments	"Additional compensation" of ASRS-related payments
2014-2016	172,813	-

# Employment agreement 1 with "additional compensation"



Fiscal years	Average Base salary, performance pay, & benefit payments	"Additional compensation" of ASRS-related payments
2014-2016	172,813	-
2017	257,934	95,726
2018	243,260	95,726

# Employment agreements 2 & 3 substantially increased "additional compensation"

Fiscal years	Average Base salary, performance pay, & benefit payments	"Additional compensation" of ASRS-related payments
2014-2016	172,813	-
2017	257,934	95,726
2018	243,260	95,726
2019	275,234	464,112
2020	275,540	404,417
2021	306,843	358,076
Half of 2022	202,718	91,254

# Superintendent's average total compensation for first 3 years

Fiscal years	Average Base salary, performance pay, & benefit payments	"Additional compensation" of ASRS-related payments
2014-2016	172,813	-

# “Additional compensation” about as much as all other compensation

Fiscal years	Average Base salary, performance pay, & benefit payments	“Additional compensation” of ASRS-related payments
2014-2016	172,813	-
2017	257,934	95,726
2018	243,260	95,726
2019	275,234	464,112
2020	275,540	404,417
2021	306,843	358,076
Half of 2022	202,718	91,254
<b>Totals</b>	<b>\$ 1,561,529</b>	<b>\$ 1,509,311</b>

## **Unused leave was calculated at base salary**

- **Employment agreement 1**
- Only included base salary. No definition of the “per diem rate of pay.”
- \$19,534 paid to superintendent in fiscal year 2017 for unused leave



**Unused leave was calculated at new ‘per diem rate of pay’**

• **Employment agreements 2 & 3**

Fiscal year	Unused leave compensation amounts
2018/19	\$ 91,650
2019/20	80,738
2020/21	128,256
Partial 2021/22	72,112
<b>Totals</b>	<b>\$ 372,756</b>

## “Additional compensation” may have been gift of public monies

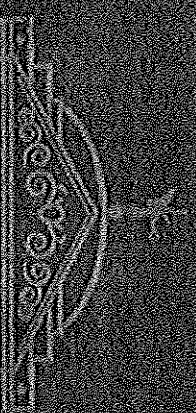
- \$1.7 million of “additional compensation” in total compensation of almost \$3.3 million may have been a gift of public monies

5-1/2 fiscal years	Base salary, performance pay, & benefit payments	“Additional compensation” of ASRS-related payments	“Additional compensation” part of unused leave payments	Total compensation payments
Totals	\$ 1,561,529	\$ 1,509,311	\$ 203,665	\$ 3,274,505

## **We made 5 recommendations to the District**

1. Work with legal counsel and the Arizona Attorney General's Office to determine whether a gift of public monies was made
2. Work with legal counsel to immediately recover all overpayments that were paid to the superintendent beyond employment agreement terms

# **We made 5 recommendations to the District**



1. Work with legal counsel and the Arizona Attorney General's Office to determine whether a gift of public monies was made
2. Work with legal counsel to immediately recover all overpayments that were paid to the superintendent beyond employment agreement terms

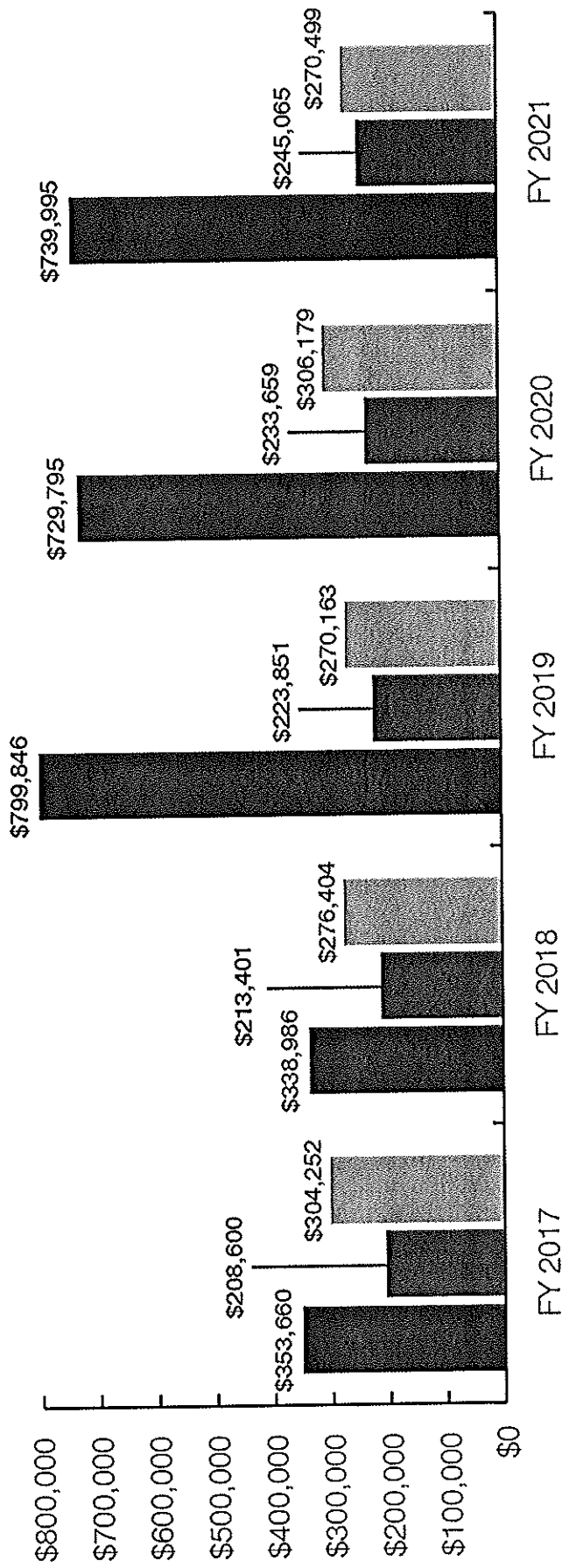
## **We made 5 recommendations to the District**

3. Evaluate superintendent compensation amounts before entering into employment agreements
  - Document public purpose
  - Ensure the value received aligns with amounts paid

## **We made 5 recommendations to the District**

4. Ensure superintendent employment agreements clearly document all compensation amounts
5. Work with the IRS, Social Security Administration, the Arizona Department of Revenue, and the ASRS to recover other overpayments

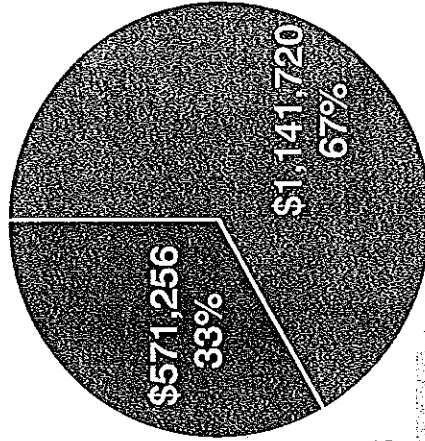
# Superintendent's compensation was about 100 percent more than State's 3 largest school districts



■ Buckeye ESD (about 5,200 students in FY 2019) ■ Buckeye peer districts (averaged about 5,400-5,700 students in FY 2019)

■ 3 largest districts (averaged about 42,600-59,600 students in FY 2019)

**District erroneously overpaid an estimated \$571,256 of the \$1.7 million "additional compensation"**



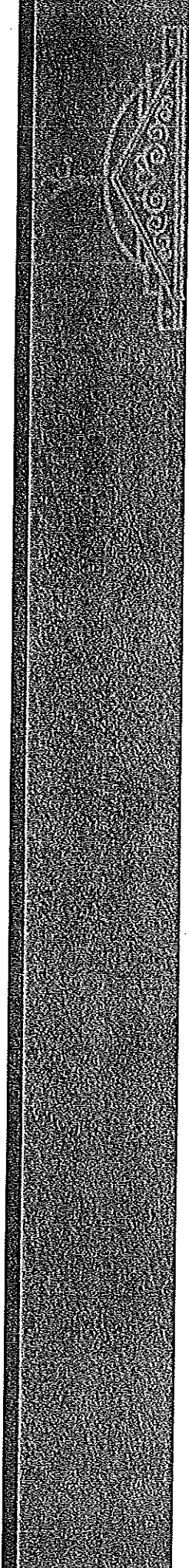
Total:  
**\$1,712,976**

- Payments made in accordance with employment agreements terms
- Overpayments



## **Attorney General filed a civil complaint based on our findings**

- Civil complaint filed on December 28, 2022:
- District may have violated gift clause (2 counts) relating to:
  1. \$1,712,976 “additional compensation” for retirement credits and unused leave
  2. \$571,256 erroneous overpayments
- The Attorney General is seeking remedies to recover gifted public monies from the District and the Superintendent



# **Buckeye Elementary School District Report 2 of 2**

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Presenter: Paul Soldinger

Date: January 17, 2023