STATE OF ARIZONA

Joint Legislative Budget Committee

STATE SENATE

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MINUTES OF THE MEETING

JOINT LEGISLATIVE BUDGET COMMITTEE

February 28, 2006

The Chairman called the meeting to order at 8:15 a.m., Tuesday, February 28, 2006, in Senate Appropriations Room 109. The following were present:

Members:	Representative Boone, Vice-Chairman	Senator Burns, Chairman
	Representative Biggs	Senator Cannell
	Representative Burton Cahill	Senator Garcia
	Representative Gorman	Senator Harper
	Representative Lopez	Senator Martin
	Representative Pearce	
	Representative Tully	
Absent:	Representative Huffman	Senator Arzberger
		Senator Bee
		Senator Waring

APPROVAL OF MINUTES

Senator Burns moved *that the Committee approve the minutes of December 20, 2005.* The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS - Consider Approval of Requested Transfer of Appropriations.

Mr. Lorenzo Martinez, JLBC Staff, explained that this item was in consideration of 2 Department of Correction (ADC) transfers. The first transfer would move $12 million from Personal Services and Employee Related Expenditures (ERE) line items to the Overtime Special Line Item. The department currently has $5.6 million available from security position vacancies and $6.6 million from health care position vacancies. The department reported that the need for additional overtime was the result of, primarily, the security position vacancies. In addition, the department recently changed its policy to no longer allow compensatory time and, instead, is paying cash overtime. This transfer would provide a total of $30.2 million for overtime; however, the department reported that it projects the need by the end of the fiscal year to be $37 million. The split between Personal Services and ERE is different than what the department had reported. The department recently reported that it believes it has $9 million available in Personal Services and $3 million available from ERE. Given that the department believes that these monies are available, the JLBC Staff recommends the amounts of $9 million in Personal Services and $3 million in ERE transferring to Overtime/Compensatory time totaling $12,000,000.

Mr. Martinez said the second transfer relates to moving $15.4 million from the Private Prison Per Diem Special Line Item (SLI) to the department's Other Operating Expenditures budget. These monies are available because the department was supposed to open some private beds in FY 2006 that it hasn't been able to accomplish and therefore the Private Prison Beds SLI has excess money. As a result of not opening these beds, the department continued to operate some provisional beds that were supposed to be eliminated. Provisional beds are temporary private beds. The JLBC Staff estimates the total need to fund these 2,064 provisional beds would be $36.2 million and therefore recommends a transfer of $15.4 million because the FY 2006 budget included $20.8 million to fund provisional beds. The department, however, believes that it requires $3 million more and requests a transfer of $18.4 million, because the department does not agree with the $20.8 million in the base.

Mr. Martinez pointed out that the ADC recently sent in a request for a third transfer that would be considered at a separate JLBC meeting. That transfer would move monies from the Private Beds SLI to the Other Operating budget to fund health care costs. However, at this time it is not clear if the Private Beds SLI has the capacity to support that transfer any more than the existing Operating Budget would have. Mr. Martinez clarified the first transfer requires Committee approval, whereas the second transfer would only require Committee review.

Representative Pearce expressed his support for the $18.4 million transfer. His concern is if this transfer does not happen, we will not have enough money to pay for the private beds.

Mr. Martinez replied that the Private Prison SLI does currently have the capacity to move the $18.4 million that is being requested. However, a difference in what JLBC Staff has calculated and the request of $3 million is because in FY 2006 budget, the allocation for provisional beds was $20.8 million. The JLBC Staff believes the total need to fully fund the provisional beds in FY 2006 is $36.2 million ($20.8 million plus $15.4 million). The department does not agree with the FY 2006 budget having the original $20.8 million. They believe that it is $3 million lower. In the FY 2006 report, there is a table that identifies the original amount.

Representative Pearce recalled the discussion and believed there was $20.8 million available. He is still concerned that if the money is not moved, the demands on the cost for the beds will not be satisfied. He does not believe there are public beds available to those that are in provisional beds.

Representative Pearce asked the agency where the difference came from for provisional beds and what it believed to be available.

Ms. Dora Schriro, Director, Arizona Department of Corrections, said there is a table that reports $20.8 million allocation, but there was $4.4 million that was transferred from All Other Operating Expenditures into ERE, which left that account short. It is that discrepancy that results in the difference in the request between the $15.4 million and the $18.4 million transfer.

Representative Pearce said he understands that there are no empty beds that can be filled at this time. He said moving the $18.4 million provisional bed money it is safer to make sure the money is available to pay for the out-of-state provisional beds.

Senator Burns asked when funds will run out for health care.

Ms. Schriro said health care monies will run out this week. In terms of what is happening in line items, technically there is money to operate the department until early May at which time funds will run out. That is the reason for the supplemental request.

Senator Burns asked if health care vacancies are being held to free up money or if the positions are going to be filled.

Ms. Schriro replied that they are making the best of a bad situation. The positions are not being held open purposely, but because they are vacant, they are being used to offset other personnel costs.

Mr. Richard Stavneak, Director, JLBC Staff, asked for clarification on the second transfer request where the department is proposing to move money out of the Private Prisons SLI, which has no extra money after today's transfer, and into health care.

Ms. Schriro replied that the preference is to do it at the earliest possible opportunity. The department relies on AHCCCS to review and process payments on health care bills that are delivered outside the agency. The department is out of the funds and at a point where AHCCCS and the providers need to be advised there is no money.

Representative Pearce asked how the $5 million move for overtime will impact filling vacancies.

Ms. Schriro reiterated that they are having difficulties filling positions, so they anticipate continuing to redirect the vacancy savings to partially offset other personnel costs. Included in the letter of Friday, February 24, is the request for an additional transfer from the Private Prison SLI to cover the health care, pending the belief that the supplemental will be received favorably and will arrive in sufficient time to replenish the Private Prison SLI so the end of year bills can be honored. This is the one area that still has sufficient funds to cover other immediate costs in health care.

Mr. Stavneak stated that he disagrees that if $15 million is needed immediately, the Private Prison SLI is not the only source of money. It could be taken out of the Private Prison SLI or the Personal Services for June.

Representative Pearce said that the opening of private beds has been slower than anticipated, and in some cases, ignoring the statute of not opening private beds. This is an area that we keeping looking at, there are a lot of other places to go, not just private beds. He would not support moving private money out of the Private Prison SLI.

Ms. Schriro replied that she disagrees that the department is disregarding direction from the Committee. There was a request for proposal (RFP) issued for the building of private beds. They made an evaluation of the RFP's and determined that none of the proposals were cost effective. Per statute, the Committee and the bidders were advised that the department would not proceed for that reason.

Ms. Schriro also stated that it is clear the department is short on money and it was known since the beginning of this fiscal year. Since the passage of this year's budget, in the department's view, this is the one place where money can be taken and not be delinquent on bills. There is a terrific need for an infusion in the form of a supplemental. She agreed with Senator Cannell that were the matter to be resolved, some of these conversations might not be necessary. Whichever source it comes from, there must be some adjustments from the remaining money to enable the department to continue to pay bills on time.

Representative Lopez asked where the other places are to take money and how would it impact the operation.

Mr. Stavneak said he was responding to the point that the only source of money is private prisons. He agrees the department has a problem. The department is spending at a rate that would exceed the appropriation by the end of the year. If you have to suddenly infuse money into the health care system, 1 option is to take it from private prisons, another is to take it from June's Personal Services money, in that, it would probably require some supplemental funding if they are going to continue to spend at the same rate. To suggest that private prisons are the only source because there are no contractual obligations, there are people in those beds right now. There are contractual obligations; there are Correctional Officers that have been hired and expect to be paid for June. There are a number of obligations, but there is not just a single option in terms of the money.

Representative Lopez stated that if it is taken from June Personal Services, it still needs to be made up at some point.

Mr. Stavneak agreed with Representative Lopez. He added that there is surplus Private Prison SLI money right now for today's transfer and beyond this point there is no additional surplus money. Anything will be backfilled at this point.

Representative Lopez said the supplemental would go into replacing the fund pulled out of the private prisons. The agency has an issue and they are looking for ways to deal with it.

Senator Burns stated this discussion is something we would need to worry about at the next meeting rather that dealing with it at this meeting.

<u>Representative Boone moved</u> *that the Committee approve the General Fund transfer of $9 million from Personal Services and $3 million from Employee Related Expenditures to the Overtime/Compensatory Time SLI. The Committee also favorably review the General Fund transfer of $18.4 million from Private Prison Per Diem SLI to All Other Operating Expenditures to fund 2,064 provisional beds.* The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Initial Telecommunications Contractor and Carrier Cost Rate Structure.

Ms. Shelli Carol, JLBC Staff, said this item is a request from the Arizona Department of Administration (ADOA) for Committee review of the initial telecommunications contractor and carrier cost rate structure. The state privatized telecommunications in FY 2005. Statute requires a review of these rates. The contract is currently more expensive than original estimates showed, so this structure would cost $10 million more from the General Fund and $4.3 million from other appropriated funds spread among the agencies.

Representative Boone asked if the $10 million General Fund over 2005 was an ongoing expense to the General Fund.

Ms. Carol replied that not all of the $10 million is an ongoing expense, $3.6 million is a one-time expense to pay off the 5-year lease and $0.9 million is the reserve proposed to reconcile any discrepancies in ADOA estimates, part of which might become an ongoing expense.

Mr. Bill Bell, Director, Arizona Department of Administration, said that ADOA is on schedule with implementing the project. The transition is almost complete and expects to have it completed in April. The rates presented are reasonable and are part of the contract.

Senator Burns asked what decision process was used in the decision to use a 5-year lease-purchase since there was no legislative input into the decision.

Mr. Mike Totherow, Telecommunications Program Office Director, said the decision to use the financing was a contract option from the beginning. The contracts were showing expenses that were above what the agencies could afford in FY 2006. The Telecommunications Programs Office worked with the Executive Branch's financial offices and realized that the best option was to use financing to survive FY 2006. The agreement was to reduce the cost in the first year by $2.6 million through a restricted seat which is basically a zero cost seat to multiple agencies. There was also $3.6 million that financed the equipment portion and project costs. This is a 5-year lease effectively deferring costs from FY 2006 for the agencies. There were contract amendments made to make sure the new technology was at a price advantage to moving forward to the new platform. This looks like the best feasible mechanism to engage and stay within the forecasted costs of the contract.

Representative Tully asked if anyone was informed in the Legislature about the contract option.

Mr. Totherow stated that the Executive Governance Committee has representation from the Legislature, JLBC sits on that committee so they can see the activities that were taken on at the time. This was a contractual option from the beginning. As it was entered, it was made sure that the cost of the contract was below the overall cost of the rate structure approved.

Representative Gorman asked what would be proposed if the $10 million was not extended.

Mr. Totherow said if there were no monies available to move the contract forward, there would need to be restructuring or renegotiation with the contract in order to make the contract affordable for the agencies. That would mean reducing either security, service levels, or the new technologies such that there would not be a fulfillment of legislative intent to provide for the converged voice video and data network statewide.

Representative Boone asked if this was a 5- or 7-year term.

Mr. Totherow replied that during the renegotiation of the contract in FY 2006, the first 2-year option on the contract was extended. When the contract was solicited for statewide telecommunication outsourcing, the lowest cost to the state was chosen. The original contract was for 5 years with two 2-year extension possibilities. In the renegotiation, the first option was engaged.

Representative Boone asked what the total contract amount is at this time.

Mr. Totherow said the total contract amount for 5 years is $179 million. The last 2 years is $15 million each.

Representative Boone asked if there are any carrying charges or if the only part of the lease is the $3.6 million or if was all a lease-purchase arrangement or a portion of the $179 million.

Mr. Totherow said the carrying charges are under the contract as is a leasing option. Those technologies that are purchased with lease-options would have 5-year terms associated with it. Currently as it stands, this program will generate $30 million to $35 million in savings over the lifecycle. The dollars are planned to be used and are embedded in the current seat rate structure as an investment pool to replace the technology out in the agencies. The available cash will be used as much as possible and not engaging commitments to the state that carries beyond the 7 years. Representative Boone asked if there was an opportunity for the state to save any of the interest that might be in the contracts now if they were paid differently.

Mr. Totherow said the $3.6 million is the only leasing finance vehicle that was taken in FY 2006. To explain the lease-option that was in FY 2006, the contractor provided a cost structure that the rate structure was set around $55 per seat, it was restructured by taking out capital and project costs. That represented $3.578 million to be paid July 1.

Senator Martin said the savings on this program pays off once the full state system is implemented. The worst thing to do is have agencies pull out because that is where the costs come in. We need to make sure agencies stay on the 5-year plan for the real savings.

Representative Boone moved that the Committee defer its review until the Legislature finalizes its budget decisions and amend statute to require an annual rate structure report from ADOA to facilitate the budgeting process. The motion carried.

EXECUTIVE SESSION

Senator Burns moved that the Committee go into Executive Session. The motion carried.

At 9:00 a.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Burns moved that the Committee reconvene into open session. The motion carried.

At 9:30 a.m. the Committee reconvened into open session.

Representative Boone moved that the Committee approve the recommended settlement proposal by the Attorney General's Office in the case of Sharpe/Burman/Turnage v. State of Arizona, et al. The motion carried.

Chairman Burns recessed the meeting until 3:30 p.m. THE MEETING RECESSED AT 9:30 a.m.

THE MEETING RECONVENED AT 4:03 P.M. All members were present except for Representative Huffman, Representative Lopez, and Senator Bee

DEPARTMENT OF ECONOMIC SECURITY – Review of Options for Case Management Privatization in Child Protective Services.

Mr. Eric Jorgensen, JLBC Staff, said this item is a review of a report by the Department of Economic Security (DES) related to options for privatization portions of the case management duties in Child Protective Services (CPS). This report was submitted pursuant to a footnote in the General Appropriation Act last year.

Representative Biggs asked what would happen if the Committee gives a favorable to the second option with its provisions.

Mr. Jorgensen replied that DES would be asked formally by the Committee to pursue the options identified in the report taking the next step for privatization.

Representative Biggs asked what would happen if DES did not provide the report.

Mr. Jorgensen replied that there is no punitive measure associated with not providing the report.

Representative Biggs asked the agency how likely it would be for the Committee to receive the report within 4 months.

Mr. David Berns, Director, Department of Economic Security, said that the agency would do its best to get the report done in that time. The workgroup will be established by the end of March and the workgroup will answer the questions.

Representative Pearce said a letter was sent to the agency asking for results on the differences between DES and the Attorney General on reporting the number of children that are awaiting home placement. A response to the letter was due on December 31, 2005. He has not seen the response and asked when the response will be received.

Mr. Berns replied that he did not recall the specific request, but he will check into the response.

Representative Biggs said according to the McCullough report, there seems to be an intrinsic opposition within DES to privatization. He asked what will likely been seen as a product of this public/private work group, a report that is more inclined to place hurdles or an honest good-faith report.

Mr. Berns said they would look at the areas where there is the most agreement and try to work forward with those. There was a lot of agreement on privatization of areas in the adoption and in-home services. They may try to look at those first, but the other areas are up for additional review and consideration as well.

<u>*Representative Pearce moved*</u> *that the Committee give a favorable review of the report with the following provisions:*

- *DES establish a Public/Private Partnership Workgroup as recommended by the report to continue to explore options for privatization, including the identification of parameters for a pilot program, and report by the end of each calendar quarter to the Committee on the actions and discussions of the workgroup, beginning June 30, 2006.*
- *DES report back to the Committee on how it is addressing the issues identified in the report regarding current internal procurement and contract monitoring by June 30, 2006.*
- *DES identify the potential legal, financial and risk impacts of privatization, as recommended in the report, and report these to the Committee by June 30, 2006.*

The motion carried.

ARIZONA DEPARTMENT OF EDUCATION – Review of Full Day Kindergarten Research.

Mr. Steve Schimpp, JLBC Staff, said this is a review of the Full Day Kindergarten (FDK) study from Arizona Department of Education (ADE). Last year's FDK bill required the ADE to conduct a review of existing FDK studies focusing on ones that address the academic outcomes of those programs. Secondarily, the FDK bill requires the Legislature to review the ADE study before appropriating additional money for FDK. The ADE study basically concluded that they believe there is not enough research to definitively conclude that academic benefits of FDK last beyond 2nd Grade.

Representative Biggs asked if there have been longitudinal studies begun in connection with FDK as part of the legislation that went forward.

Mr. Schimpp replied that there was nothing required in last year's FDK bill requiring a long-term study of Arizona's FDK program.

Representative Pearce said we do not have to just track our program, there have been FDK in other states. He asked if there was any connection between FDK and graduation scores.

Mr. Schimpp said ADE could not find studies even beyond the early elementary grades much less all the way to high school.

Representative Boone asked for clarification in terms of the cost that currently 80% is implemented for free and reduced schools to get FDK. The total amount in the budget is $38 million for M&O. In terms of the request, the Governor has a budget to expand FDK to 100%, which would require an additional $105 million in the operating budget.

Mr. Schimpp replied that yes, the Governor has $143 million total, which is an increase of $105 million.

Representative Boone asked if the $105 million was agreed with since there was concern that it was only $4,200 per student.

Mr. Schimpp stated that the $4,300 was a policy choice from the Governor. If we were to fund to kindergarteners at the same level as 1st graders, which would occur through Basic State Aid, kids would get $700 more than under the Governor's plan.

Representative Boone asked how much more it would be if implemented.

Mr. Schimpp replied that it would be about another $60 million, which is $700 per kid multiplied by 85,000 kids.

Representative Boone asked for clarification that on the capital side, would the School Facilities Board (SFB) require $180 million to complete the capital in their budget.

Mr. Schimpp replied that is correct.

Representative Boone said that from the Appropriations (B) Committee meeting, SFB was to follow up on a calculation on the number of kids now and the square footage for new construction. He asked if SFB has followed up with that calculation.

Mr. Schimpp said he has not seen the numbers.

Representative Boone said he was asking so that he could put it into perspective in terms of the cost to implement the balance of the program. The least expensive is to go with what the Governor has proposed which is the $285 million, but it may be $60 million more on the operating side and more than $180 million on the capital side. He would like to see the numbers from SFB.

Representative Biggs asked for clarification on M&O for the first year at $38 million and capital at $10 million total. He asked if the $38 million is for both years or a single year.

Mr. Schimpp replied that it is the M&O for FY 2006.

Representative Biggs asked if the Governor's $143 million for M&O is for next year going forward.

Mr. Schimpp replied that is correct.

Representative Biggs asked if SFB is estimating an additional $180 million for completing the capital program.

Mr. Schimpp replied correct, but it has been pointed out by Representative Boone that SFB is working on an alternative number.

Representative Boone said the reason SFB is revising the number is because $180 million was calculated on the low end because they counted some of the cost from the new FDK classrooms in some of the growing districts as a normal growth, which is not looking at the actual cost. SFB was going to do a separate calculation on the basis of the number of students and give a true cost, which will be more than the $180 million to complete.

Senator John Huppenthal said his interest in the FDK issue is that we proceed with the best possible research. There are a number of studies that are cited but the Longitudinal Study that is being financed by the federal Department of Education is the best of all these studies. They pulled a random sample of 22,000 kids nationwide, employed some of the best research companies to design the test, they had 3 different tests and a steering test. The lack of research companies introducing bias extends into the way the measurements are done. The trainers go into the classroom, do their measure results, and leave. They do not interact with the classroom, which is important because if you are trying to measure or prove a certain outcome, there should be no interaction. They also measure frequently at the start of the experiment, which is important. They measured at the beginning of school, the end of school, beginning of 1st grade, 3rd grade, end of 5th grade, and followed the children all the way through.

They ended up with a sample size of 10,000 kids and what they found was that at the end of kindergarten, there was a temporary bump up for FDK. They also did affective measures from the standpoint of the teacher, child, and parent, on the level of motivation, perceived anti-social behavior frequency, and pro-social behavior frequency. The FDK had a bump up, but they had a bump down on the affective measures. They were not huge effects, but they were there. At the end of 1st grade they measured the test again, the bump up disappeared at the end of 1st grade. At the end of 3rd grade, the bump up disappeared and FDK were in the negative – not at a tremendous amount, but more than at the end of FDK. The 5th grade data has not been released yet, but it is not looking good because it appears the students had attitudinal changes while in FDK. There are a lot of complex things that go on. Children who came from where they spoke a foreign language in the home, had enduring benefits from FDK that sticks all the way to the end. Children that come from high socioeconomic homes also had enduring benefits. Because they have enduring benefits, there was an overall loss. That means all other kids lost more.

The debate over FDK has been in promises made that if it was invested in, there would be higher test scores etc. If there is a definitive study on this, it would be this study. It says that investing in FDK overall will not yield those types of gains. If you have FDK, it says the educational institutions should be looking at this and there are very complex things going on that appear to be affecting kids long-term and they should be redesigning FDK as a response. This data does not suggest that we need a more rigorous curriculum in FDK. Yet people respond by wanting a more rigorous curriculum. This is the best research study and should be the basis upon which we proceed.

Representative Biggs asked if the study can be found online.

Senator Huppenthal said the way the study is being conducted, National Center for Educational Statistics (NCES), a subsidiary of USDOE, is doing the massive collection. They are releasing the data to a broad array of groups, which are then analyzing the data. ADE is publishing studies. If you search on Jerry West and All Day Kindergarten, he presented the data through the 3rd grade for the National Educational Research Association. That is when they show the FDK gains had disappeared. The information is available if you search through the NCES Web site.

Representative Tully asked if the studies have added any other educational strategy that is effective for increasing education outcome for students. He asked Senator Huppenthal if, during his research, he has come up with an idea of what might be a more effective strategy for increasing educational outcomes.

Senator Huppenthal said that there are best practices out there and people who implement those best practices have better outcome. Best practices can produce better outcomes, but they do not necessarily produce better outcomes. That is a paradoxical statement because certain people have the leadership skills to search out best practices but they also have the skills to implement them properly and make them work. The only strategy he has come up with is to be cognizant of the fact that there are enormous differences on educational outcomes from school to school and district to district. If you can pull children out of ineffective schools and have them go to schools at effective schools, you will produce extraordinary gains.

Representative Burton Cahill asked Senator Huppenthal if he has spoken with any of the resources from the universities and asked them if they have looked at research.

Senator Huppenthal said he had discussions with Dr. Glass, who has done national research. He has the opposite ideological spectrum. Success for All is a program that he recommended as a best practice for English Language Learner (ELL) students. Most of the studies for this program did show that it produced higher outcomes, but they also had implementations in which it reduced outcomes. The key was there were effective schools that were implementing an effective program that produced higher outcomes. The ineffective schools that implement an effective program are just as likely to reduce outcomes.

Representative Burton Cahill asked Senator Huppenthal if he has asked if any of the graduate students are studying this research. She said that there are some schools that have more challenges with the students that are attending. When there is a predominance of children whose parents are not there to help with homework, sometimes those schools have more of a challenge.

Senator Huppenthal said that Dr. Glass runs a research journal that publishes a large volume of research papers published by the students. The American Research Institute did a study of ELL students in California that looked at longitudinal outcomes in a variety of school districts. There are the disadvantaged students in some school districts and they were able to move 90% of the ELL students from being labeled below to above the standard. At other school districts with the same types of disadvantaged students, they only had 7% over a 10-year period that 90% of the students were below the standard label for all 10 years they were attending the school. There were massively different outcomes for the same disadvantaged students. In the successful school districts, there was teamwork and effective leadership. There was no one approach to the highly effective schools. The ineffective schools had teachers disparaging the students in the classroom. The key is not the disadvantaged home, but the effective versus ineffective schools.

Senator Garcia asked why this review did not include the study referenced by Senator Huppenthal.

Allison Landy, Arizona Department of Education, replied that Senator Huppenthal was referring to the Jill Austin and Jerry West study included in the review as study #5. It was a review of the Early Childhood Longitudinal Study (ECLS) data. The ECLS is a database of statistics, so several of the studies that were included in the report actually looked at the same numbers in a variety of ways. Several researchers used the same database in order to make their findings and determinations.

Mr. Art Harding, Arizona Department of Education, said this review is a compilation of other studies without ADE conclusions.

Representative Boone asked if the ECLS study was part of the reason why ADE drew their conclusion that there are an insufficient number of research studies beyond 2nd grade.

Senator Huppenthal said that it has been so difficult to draw conclusions despite the thousands of studies available. A large part of the studies has concluded the gold standard for study and education is random assignment. The ECLS study did not have random assignment, they had random selection. When they pulled their students randomly, they pulled nationwide random samples on schools, classrooms and within classrooms, so not every student was picked within the classroom. When the initial test scores were done, the 2 groups of students were landing almost perfectly on top of each other. That tells you that these 2 populations may be highly similar even though their parents selected 2 different types of educational outcomes. A big part of the controversy in this study is that it was not random assignment. However, there are no other random assignment studies available in this area. There are methodological problems associated with the random assignment elements. It is a random assignment issue versus measuring what happens in real life. All the other studies in the review are measurements in real outcomes and real educational settings.

Representative Boone asked if, based upon the ECLS research through 3rd, 4th, or 5th grade, there is no measurable difference of student achievement between the FDK kids and non-FDK kids.

Senator Huppenthal said that there is a slight statistical edge to the half-day, but that this finding is not clinically significant.

Representative Boone asked in the department's review of the research, if there is research that would show on a longitudinal basis that there is an academic achievement benefit to FDK over non-FDK and where the study that shows it is.

Senator Huppenthal said there are a plethora of studies showing advantages to FDK, but they do not show that FDK reduces academic gains that last over time.

Senator Waring moved that the Committee review the report but make no designation as to a favorable or unfavorable review. The final determination will move to the full Legislature without a decision made by this Committee. The motion carried.

ATTORNEY GENERAL

A. Review of Intended Use of Monies in the Antitrust Enforcement Revolving Fund.

Ms. Leah Ruggieri, JLBC Staff, said the Attorney General's Office is seeking a favorable review to expend from the Antitrust Enforcement Revolving Fund in excess of $208,200. They are expecting FY 2006 expenditures will be equivalent to $375,000.

Representative Pearce moved that the Committee give a favorable review to the Office of the Attorney General's intended expenditures of $375,000 of Antitrust Enforcement Revolving Fund monies. The motion carried.

B. Review of Allocation of Settlement Monies.

Ms. Leah Ruggieri, JLBC Staff, said the Attorney General's Office is seeking a favorable review of the allocation of settlement monies recently received from the Auto Connect settlement agreement. The settlement amount is equal to $170,000, the majority of which will be spent on the restitution to eligible consumers that purchased automobile service agreements from Auto Connection.

Representative Pearce moved that the Committee give a favorable review of the allocation plan from the Auto Connection settlement agreement. The motion carried

DEPARTMENT OF PUBLIC SAFETY - Quarterly Review of the Arizona Public Safety Communications Advisory Commission.

Mr. Martin Lorenzo, JLBC Staff, said this item is a review of the Arizona Public Safety Communications Advisory Commission (PSCC) FY 2006 2nd quarter expenditures. The FY 2006 2nd quarter total expenditures were approximately $109,900 of $4.1 million in available funding. Three staff positions continue to remain vacant and the PSCC drafted operational policies and procedures for the interoperability environment.

Representative Pearce moved that the Committee give a favorable review to the FY 2006 second quarter expenditures and progress for the statewide interoperability design project. Additionally, the Committee requested future quarterly reports include progress and activities relative to tasks identified in the Concept of Operations and timeline. The motion carried

ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Third Party Report.

Bob Hull, JLBC Staff, said this item is a review of Arizona Department of Transportation (ADOT) third party quarterly report. Third parties are entities that ADOT contracts with to do certain Motor Vehicle Division (MVD) tasks. In the current year, they were given 3 additional FTE Positions to help with workload and third party quality assurance for title and registration. The House and Senate Appropriations Committees have adopted motions which would provide some additional resources for the third party program in FY 2007 to reduce or eliminate third party waiting lists and improve ADOT's quarterly reports as follows:

- Add $265,200 and 6 FTE Positions in FY 2007 for Motor Vehicle Division (MVD) staff to contract with 145 authorized title and registration third parties.
- Add $88,400 and 2 FTE Positions in FY 2007 for MVD staff to eliminate the vehicle identification number inspections waiting list.
- Expand the current third party reporting footnote to include data and waiting lists for other third parties besides the title and registration third parties.
- Add a footnote requiring that ADOT report to the JLBC for review by November 30, 2006, whether ADOT can review less than 10% of the third party title and registration transactions and still retain statistical validity.

Representative Biggs asked what happens if the budget is approved and the backlog is not taken care of.

Mr. Hull replied that there is a footnote that the Appropriations Committees have adopted that goes with each of the 2 additions of resources which addresses the department having to meet certain performance criteria or it is the intent of the Legislature that those resources would go away in FY 2008.

Representative Biggs asked how much the resources are.

Mr. Hull said it is $265,200 and 6 FTE Positions for title and registration third parties and $88,400 and 2 FTE Positions for vehicle identification number inspections third parties.

Representative Pearce asked if the positions were for doing the actual work and not auditor positions.

Mr. Hull replied that these positions are ADOT staff to monitor the third parties who would do the actual work.

Representative Pearce asked the department to address Representative Biggs' question on the backlog in third parties and the resources. He also asked if the backlog will be eliminated.

Penny Martucci, ADOT, Motor Vehicle Division (MVD), replied that there are approximately 109 traditional title and registration third parties on the waiting list. There are 371 third party vehicle identification number inspectors. If the moratorium was lifted, that is a lot of people waiting to be brought on. The moratorium was placed on title and registration third parties in 2002, and vehicle identification number inspections third parties in 2003 because there was not enough staff. The positions are a good start. The division can look at creating temporary positions to help take on some of the third parties. They want to eliminate some of the waiting list and get more help for their offices.

Representative Pearce said an issue is that third parties reduce the MVD workload so there is a shift in resources that should take place. There should not be a moratorium when bringing on third parties helps to improve service, save money, and give customers options. When bringing on third parties, ADOT should take the resources and move them to auditors. An auditor can manage and audit lots of third parties.

Ms. Martucci said the population and the amount of work required have increased and made things more difficult.

Representative Pearce said that workload is reduced by giving the work to third parties. It alleviates opportunities in resources. The third party program should be dealt with aggressively because it should free up services to do audits and expand the program. It would eliminate thousands of transactions that would have gone to MVD.

Ms. Martucci said that the positions will help, however, it may or may not solve the problem. They are willing to create some limited positions to help.

Representative Pearce moved that the Committee give an unfavorable review of the second quarter FY 2006 report since the results have not been satisfactory. The motion carried

ARIZONA BOARD OF REGENTS - Review of Progress Report on Phoenix Medical Campus and Report on Strategies to Prevent a State Doctor Storage.

Ms. Shelli Carol, JLBC Staff, said this item is a request from the Arizona Board of Regents for Committee review on the progress report on the University of Arizona Phoenix Medical Campus. The Phoenix Medical Campus project is on schedule and within budget. The University of Arizona and Arizona State University are in the process of hiring faculty and staff for the new campus.

Representative Pearce moved that the Committee give a favorable review of the progress report, with the provision that this review does not constitute endorsement of any level of General Fund appropriations for the Phoenix Medical Campus. The motion carried

The meeting adjourned at 5:07 p.m.

Respectfully submitted:

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Yvette Medina, Secretary

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Richard Stavneak, Director

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Senator Robert Burns, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 West Adams.