



ARIZONA BOARD OF FINGERPRINTING

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FINAL Minutes for Public Meeting

Held August 25, 2017, at 9:15 a.m.

4205 North 7th Avenue, Suite 206 Phoenix, Arizona

Board Members

Courtney Mays, Department of Economic Security, Chairperson
Garnett Winders, Department of Education, Vice Chairperson
Kim Pipersburgh, Department of Health Services
Shamiran Warda, Department of Juvenile Corrections
John Piccarreta, Department of Child Safety
Mark Koch, Administrative Office of the Courts

Executive Director

Matthew A. Scheller

I. CALL TO ORDER AND ROLL CALL

Ms. Mays called the meeting to order at 9:17 a.m. The following Board members were present: Courtney Mays, Kim Pipersburgh, John Piccarreta, Mark Koch, and Shamiran Warda. The following Board member was absent: Garnett Winders.

Also in attendance was Matthew A. Scheller, Executive Director (ED).

II. CALL TO THE PUBLIC

Ms. Mays made a call to the public. There were no members of the public present who wished to comment.

III. APPROVAL OF MINUTES FROM JUNE 16, 2017

Ms. Pipersburgh made a motion to approve the draft minutes from June 16, 2017, and Ms. Warda seconded. The motion passed 5–0.

IV. EXECUTIVE DIRECTOR'S REPORT

Ms. Mays requested that Mr. Scheller provide a summary of the memos that he authored and submitted to the Board for review. Mr. Scheller provided a summary of the fiscal year (FY) 2017 budget report memo dated August 11, 2017 (see Attachment 1) and the FY 2017 strategic-plan performance memo dated August 11, 2017 (see Attachment 2).

Mr. Scheller spoke about the positive financial position of the Board and that the current fund balance increased in FY 2017 because of the large number of applications received by the Department of Public Safety (DPS). Along with the increase in applications, the Board realized significant cost savings in several areas.

Mr. Scheller commented on the quality of the recommendations of the Board's investigator, as reflected in the percentage of recommendations adopted by the Board. On Goal 1¹, the Board exceeded the goal of 96% with an average over the fiscal year of 99.04%. There were only 26 cases in FY 2017 in which the Board modified the original recommendation of the investigator at an expedited review consideration. In addition, there were slightly more approvals coming from the area of administrative hearings vs. expedited reviews. This fiscal year there were 48 more cases referred to Administrative Hearing than FY 2016. (163 in FY 2017 vs. 115 in FY 2016).

Mr. Scheller pointed out that on Goal 2² the Board has made progress in reducing the average time to process applications in all areas. While the average number of days to dispose of a case and the average number of days spent processing applications rose slightly over last fiscal year, the numbers are well below the estimates for both areas (over 8 days and 5 days, respectively). The Board continues to improve on the average number of days spent processing applications from receipt to expedited review which is now below 9 days for applicants. This is 3 full days below the estimate and 11 days below the statutory time frame of 20 days.

A new Performance Measure was added this year – "Average days from scheduled hearing to hearing decision/completion." This number gives the Board an indication of the average number of days that the Administrative Law Judge spends processing a case before the Board makes a final determination. There was no estimate since this is a brand-new category, but the current fiscal year shows that the average is more than 21 days below the statutorily required 80 days.

In addition, on Goal 3³ the Board surpassed the intended goal of 85%. Mr. Scheller indicated that the Board should be pleased with this increase as it shows the diligent efforts being made to communicate with applicants about the Board's application

¹ To Make Fair And Consistent Determinations On Good-Cause Exceptions.

² To Provide Applicants With Timely Decisions On Their Good-Cause-Exception Applications.

³ To Develop Fair And Comprehensible Rules, Policies, And Procedures For Determining Good-Cause Exceptions.

process. The Board Administrative Assistant and Board Investigator do an outstanding job communicating with Applicants and this is directly reflected in these results.

V. ADOPTION OF BUDGET FOR FISCAL YEAR 2018

Ms. Mays referred the Board members to Mr. Scheller's August 11, 2017 memo proposing a budget for FY 2018 (see Attachment 3). Mr. Scheller pointed out that the primary increase in the budget proposal for FY 2017 is in Personal Services (COBJ 6000). The three main areas are: (1) the salary increase for the Executive Director as approved by the Board in June 2017, (2) merit based employee incentive payments by no more than 2% of the total personal services base (excluding ERE) in accordance with the Compensation Plan and criteria established by the Arizona Department of Administration, and (3) base salary increases for some of the Board staff within the guidelines established by the Arizona Department of Administration and will not exceed 5% of an employee's current salary.

The next area of focus is the enhancement to the Board database management system. Mr. Scheller specifically referred the Board members to item 6299 – Other Professional & Outside Services. He provided a breakdown which includes the cost of the off-duty police officers for security, document destruction, language interpreters and database programming. The proposed budget would decrease spending from the previous fiscal year by \$14,077.00. The primary reason for the decrease is that the Board is getting closer to the full implementation and transition from Microsoft Access database to Microsoft SQL Server Express. Continuing with the database programming enhancements made in FY 2017 will make Board processing more "lean," fortify the data security and make a smoother transition to a web-based user interface in FY 2019.

Mr. Scheller indicated that he has proposed additional funding in 8531 – Computer Equipment (Non-capital) which covers computer costs. He stated that the Board will upgrade several computers and add double monitors for the Administrative Law Judges. Several Board members expressed agreement with the addition of double monitors for staff as they find that it helps them to be more efficient and productive.

Ms. Pipersburgh made a motion to adopt the FY 2018 budget as proposed, and Mr. Koch seconded. The motion passed, 5–0.

VI. ADJOURNMENT

Ms. Mays adjourned the meeting at 9:42 a.m.

Minutes approved on _____, 2017

Matthew A. Scheller, Executive Director



Arizona Board of Fingerprinting Memo

TO: Board Members
 FROM: Matthew A. Scheller
 Date: August 11, 2017
SUBJECT FY 2017 Budget Report

The agenda for the Board's August 25, 2017 meeting includes a report from the Executive Director (ED) on our fiscal year FY 2017 budget performance. To help expedite the meeting, I have prepared this memo, which summarizes the Board's budget performance in FY 2017. Attachment 1 details the Board's expenditures and revenues, with a comparison to the approved FY 2017 budget.

SUMMARY

- The fund balance at the beginning of FY 2017 was \$1,923,004.84.
- The Board had \$1,031,709.00 in revenues.
- The Board had \$591,548.69 in expenditures.
- Total actual expenditures were below the budget amount by \$25,767.09.
- The fund balance at the end of FY 2017 was \$2,363,165.15.

DISCUSSION

Balance of the Board of Fingerprinting Fund continues to increase

The list below shows the end-of-FY balances for the Board of Fingerprinting Fund since the end of FY 2013 to the present.

- End of FY 2013: \$1,283,787.71
- End of FY 2014: \$1,508,978.30
- End of FY 2015: \$1,626,106.87
- End of FY 2016: \$1,923,004.84
- End of FY 2017: \$2,363,165.15

Revenues were up significantly, because of the large number of Fingerprint Clearance Card applications received by the Arizona Department of Public Safety (DPS).

The Board's revenues in FY 2017 were \$152,831 higher than in FY 2016, and \$366,650.80 higher than in FY 2015. There have been many changes over the past decade to the number of programs in the fingerprint clearance card system; therefore, it is difficult to draw reliable comparisons of the number of fingerprint-clearance-card applications (which is the basis for the Board's revenues) among fiscal years. What is evident is that the additions to the fingerprint clearance card system have had a significant increase in the number of applications being received by the Department of Public Safety. To account for this increase DPS has added additional staff members/investigators. In FY 2017, based upon the Board revenues, DPS received 147,387 applications. This is an increase of 21,833 applications from FY 2016 and 39,193 more applications than FY 2015.

The Board should continue to see an increase with the number of new professions being required to obtain a fingerprint clearance cards. In FY 2015, the legislature added Dentist Licensure (ARS §32-1232), Dental Hygienist Licensure (ARS §32-1284) and Denturist Certification (ARS §32-1297.01). In FY 2016, Pharmacist Licensure (ARS §32-1904) was added, and this past legislative session (FY 2017), the following professions were added: Physical Therapists and Physical Therapist Assistants (ARS §32-2022), Alarm Installers (ARS §32-121), and School Bus Drivers (ARS §28-3228).

The electronic fingerprint application process implemented by DPS (Arizona Automated Fingerprint Identification System (AZAFIS)), has been very successful. The Board is seeing an increased caseload resulting from denials through the electronic application process. The Board should see an increased caseload in FY 2018 and revenues should still exceed expenditures. Even if there were a significant drop in applications, the Board has a significant fund balance to cover the difference. I will continue to monitor the application process closely as the fiscal year progresses.

Specific areas of difference between expenditures and budget

Attachment 1 provides a comparison of actual expenditures and revenues with the FY 2017 budget. The list below explains areas where there are notable differences in spending. The Board members are welcome to contact me with questions about any areas of spending not discussed below.

- 6000 – Personal Services. This category refers to costs for employee salaries. Spending in this category was \$3,882.74 lower than the budgeted expenditures. We stayed below budget even with the fact that we did not experience any staff changes during the fiscal year.
- 6100 – Employee-Related Expenditures (ERE). This category refers to costs for benefits, FICA, and pro-rata charges. It was projected that there would be a greater increase in costs in this area; therefore, ERE expenditures were lower than the budgeted amount. The total personnel costs (personal services, ERE, and other professional/outside services, and) were \$7,092.81 less than

budgeted. This will be accounted for in the FY 2018 budget proposal with a slightly lower calculation.

- 6299 – Other Professional and Outside Services. The Board authorized \$23,956 in expenditures for professional consultations and outside services which included database development in FY 2017. The spending in this category was \$4,497 above the budgeted amount, but in December 2016 the Board approved a budget increase of \$9,480 (120 hours at an hourly rate of \$79.00) to continue the database enhancements. The Board is making significant progress in converting our Microsoft Access database to Microsoft SQL Server Express. I will address the next phase of the database conversion in the FY 2018 budget proposal.
- 7179 - Other External Communication. This category covers all telecommunications, phone and internet charges. The actual expenditures were \$4785.37 below the budget amount. We continue to see savings in this area and this will be addressed in the FY 2018 proposal.
- 7221 – Rental of Land and Buildings. The category is for leasing our office space. The actual expenditures were \$2,756.52 below the budget because of the delay in AFIS to pay the June 2017 rent payment. This will be paid in July 2017 and will be accounted for in the FY 2018 budget proposal.
- 7321 - Office Supplies. This category covers all office supplies that the office needs to run. The actual expenditures were \$1,985.33 below the budgeted amount by being as fiscally responsible as possible in the purchases made in this area.
- 7472 - External Printing. This category covers external printing of envelopes and stationary. The expenditures were \$1,000.00 below the budgeted amount due to the fact that we had significant supply on hand. I will research and find a vendor to print the Board envelopes at a cost savings in FY 2018.
- 8521 – Furniture (Non-capital). This category covers non-capital furniture purchases. The actual expenditures were \$361.18 below the budgeted amount.
- 8531 – Computer Equipment (Non-capital). This category covers computer costs. The expenditures show that we were under budget in this area by \$4888.86. The largest expenditure in this area was the purchase of double monitors for the Administrative Assistant and Investigator. The budget proposal for FY 2018 will provide detail about upgrading our current computers and adding double monitors for the Administrative Law Judges.
- 8581 – Purchase or License Software. This category covers software purchases. The Board did not have a significant purchase in this area and remained under budget by the amount of \$1231.08.

Attachment 1 - FY 2017 Budget Report

| | FY17 Actual | FY17 Budget | Difference | Perc. of Budget |
|---|------------------------|------------------------|-----------------------|-----------------|
| REVENUES | | | | |
| 4900 - Operating Transfers In | | | | |
| Prior FY Carryover | \$ 1,923,004.84 | \$ 1,923,004.84 | \$ - | 100.00% |
| 4901 - Oper. Transfers In | \$ 1,031,709.00 | \$ 700,000.00 | \$ 331,709.00 | 147.39% |
| Total 4900 - Oper. Trans. In | \$ 2,954,713.84 | \$ 2,623,004.84 | \$ 331,709.00 | 112.65% |
| TOTAL REVENUES | \$ 2,954,713.84 | \$ 2,623,004.84 | \$ 331,709.00 | 112.65% |
| EXPENDITURES | | | | |
| 6000 - Personal Services | | | | |
| | \$ 336,392.89 | \$ 340,275.63 | \$ (3,882.74) | 98.86% |
| 6100 - Employee-related exp. | | | | |
| | \$ 144,685.86 | \$ 151,762.93 | \$ (7,077.07) | 95.34% |
| 6200 - Prof. & Outside Svcs. | | | | |
| 6299 - Other Prof. & Out. Svcs. | \$ 28,453.00 | \$ 23,956.00 | \$ 4,497.00 | 118.77% |
| Total 6200 - Prof. & Outside Svcs. | \$ 28,453.00 | \$ 23,956.00 | \$ 4,497.00 | 118.77% |
| 7000 - Other Operating | | | | |
| 7111 - Insurance & Related Chgs | \$ 1,700.00 | \$ 2,000.00 | \$ (300.00) | 85.00% |
| 7151 - Internal Svc. Data Proc. - AFIS | \$ 1,408.05 | \$ 1,300.00 | \$ 108.05 | 108.31% |
| 7153 - Internal Svc. Data Proc. - Pc/Lan | \$ 10,231.79 | \$ 11,000.00 | \$ (768.21) | 93.02% |
| 7179 - Other External Comm. | \$ 10,214.63 | \$ 15,000.00 | \$ (4,785.37) | 68.10% |
| 7221 - Rental of Land & Bldgs. | \$ 36,424.70 | \$ 39,181.22 | \$ (2,756.52) | 92.96% |
| 7241 - Int Acctg, Budg, Fin Svc. | \$ 3,840.00 | \$ 3,840.00 | \$ - | 100.00% |
| 7266 - Repair/Maint-Other Equip | \$ 1,309.92 | \$ 1,200.00 | \$ 109.92 | 109.16% |
| 7321 - Office Supplies | \$ 4,014.67 | \$ 6,000.00 | \$ (1,985.33) | 66.91% |
| 7381 - Office Operating Supplies | \$ 25.91 | \$ - | \$ 25.91 | --- |
| 7472 - External Printing | \$ - | \$ 1,000.00 | \$ (1,000.00) | 0.00% |
| 7481 - Postage & Delivery | \$ 10,186.49 | \$ 11,000.00 | \$ (813.51) | 92.60% |
| 7541 - Books, Subscr., & Pubs. | \$ 169.00 | \$ 400.00 | \$ (231.00) | 42.25% |
| 7599 - Other Misc. Operating | \$ 172.90 | \$ 600.00 | \$ (427.10) | 28.82% |
| Total 7000 - Other Operating | \$ 79,698.06 | \$ 92,521.22 | \$ (12,823.16) | 86.14% |
| 8500 - Non-capital Equipment | | | | |
| 8521 - Furniture Non-capital | \$ 1,138.82 | \$ 1,500.00 | \$ (361.18) | 75.92% |
| 8531 - Computer Equip. Non-cap. | \$ 1,111.14 | \$ 6,000.00 | \$ (4,888.86) | 18.52% |
| 8581 - Purch. or lic. software | \$ 68.92 | \$ 1,300.00 | \$ (1,231.08) | 5.30% |
| Total 8500 - Non-capital Equip. | \$ 2,318.88 | \$ 8,800.00 | \$ (6,481.12) | 26.35% |
| 9100 - Transfers Out | | | | |
| 9101 - Op Trans Out: Fund Sweeps | \$ - | \$ - | \$ - | |
| Total 9100 - Oper. Trans. Out | \$ - | \$ - | \$ - | |
| TOTAL EXPENDITURES | \$ 591,548.69 | \$ 617,315.78 | \$ (25,767.09) | 95.83% |
| NET INCOME | \$ 2,363,165.15 | \$ 2,005,689.06 | \$ 357,476.09 | 117.82% |



Arizona Board of Fingerprinting Memo

TO: Board Members
FROM: Matthew A. Scheller
Date: August 11, 2017
SUBJECT FY 2017 Strategic-Plan Report

The agenda for the Board's August 25, 2017 meeting includes a report from the Executive Director on the Board's strategic-plan performance during Fiscal Year (FY) 2017. To help expedite the meeting, I've prepared this memo, which offers background and analysis on some of the performance measures.

Attached to this memo is a detailed report on the Board's performance measures for FY 2016 and FY 2017.

SUMMARY

- The Board Investigator has exceeded the Board's goal for the percentage of recommendations accepted. This very high acceptance rate makes Board meetings more efficient.
- The Board processes applications very efficiently even with the high number of applications received this Fiscal Year. Overall wait times for applicants continues to decline.
- The Board is nearing 100% compliance with all statutory time frames.
- The Board communicates with applicants effectively and efficiently based on the high level of applications completed on initial submission.

DISCUSSION

Below is a discussion of some of the performance measures that merit close attention from the Board.

Goal 1: To Make Fair And Consistent Determinations On Good-Cause Exceptions.

The primary purpose of the measurements under this goal is to determine whether the Board grants applications at a rate consistent with previous years. Since the Board's

criteria for granting applications have not changed significantly over the past few years, the Board's approval rate should remain fairly constant from year to year. (The performance measures for application-approval rate are based on rates from previous fiscal years and should not be understood as the ideal percentage that the Board should necessarily strive for.)

Investigator recommendations adopted at a high rate

For expedited reviews, the Board receives a recommendation from the investigator to approve an application or refer the case to a hearing. The Board exceeded its goal of 96% with an average over the fiscal year of 99.04%. There were only 26 cases in FY 2017 in which the Board modified the original recommendation of the investigator at an expedited review consideration.

The investigator's recommendation is based on what he believes the Board will decide, not necessarily what he believes the Board should decide. (In that respect, his recommendation is different from a hearing officer's recommendation.) However, the recommendation forms the basis of the Board's consent agendas. If the investigator achieves a high rate of accepted recommendations, then the Board's meetings run more efficiently.

Approval rate

This year the Board's approval rate fluctuated slightly with approvals by expedited review decreasing by approximately 3% and the approvals by administrative hearing increasing by this same amount. This means that slightly more approvals are coming from the area of administrative hearings vs. expedited reviews. This fiscal year there were 48 more cases referred to Administrative Hearing from FY 2016. (163 in FY 2017 vs. 115 in FY 2016) Please note that the rate of approval does not include cases that are decided administratively (e.g., DPS issues card based on dismissal or the applicant withdraws) but only includes cases where the Board makes a final decision.

Goal 2: To Provide Applicants With Timely Decisions On Their Good-Cause-Exception Applications.

While Goal 1 above mostly deals with the quality and consistency of the Board's decisions, this goal addresses how quickly the Board makes decisions by measuring caseload and processing time. The Board has continued to build on improvements in the previous fiscal year.

Caseload is above projection and Board disposed of more cases than last Fiscal Year

The Board's caseload has been above the estimated amount over the past two fiscal years and the Board continues to resolve as many cases as it receives. This measure is important because if the Board were to fall behind in resolving cases, a backlog would

develop. The Board disposed of 2,873 cases this year (41 more cases than last fiscal year) and a new record high for the Board.

Processing time continues to be impressive

In the past two fiscal years the Board has made significant progress in reducing the average time to process applications in all areas. Processing time is the time the Board and its staff spend working on an application; it excludes time spent waiting on applicants (application deficiencies) or other agencies to submit information (criminal records) – wait time which is beyond the Board’s control. While the average number of days to dispose of a case and the average number of days spent processing applications rose slightly over last fiscal year, the numbers are well below the estimates for both of these areas (over 8 days and 5 days, respectively). The Board continues to improve on the average number of days spent processing applications from receipt to expedited review which is now below 9 days for applicants. This is 3 full days below the estimate and 11 days below the statutory time frame of 20 days.

A new Performance Measure was added this year that can be found in in attachment 1 – “Average days from scheduled hearing to hearing decision/completion.” This number gives the Board an indication of the average number of days that the Administrative Law Judge spends processing a case before the Board makes a final determination. There was no estimate since this is a brand new category, but the current fiscal year shows that the average is more than 21 days below the statutorily required 80 days. This shows the Board how efficient the ALJs are with processing cases that are assigned to them. The increase in the average number of days from last fiscal year to this fiscal year is attributable to the increase in cases from 115 in FY 2016 to 163 in FY 2017.

The Board has nearly achieved full compliance with time frames

The Board has three statutory time frames (although there are no penalties for failing to comply with the statute):

- Expedited review: 20 days from receipt of a complete application to an expedited review. In FY 2017, there was only 1 case that failed to meet this time frame to give an average of 99.96%. This is an improvement as a percentage basis over FY 2016, and the staff continues to monitor every case to ensure that no cases go even one day beyond the statutorily prescribed timeframe.
- Hearing: 45 days from expedited review to hearing (unless the applicant requests that a hearing be rescheduled). In FY 2017 there were no cases that failed to meet the time frame. This area achieved 100% compliance and measures are in place to ensure that cases are always set within prescribed timeframes.
- Board decision: 80 days from a scheduled hearing to Board decision (unless the applicant requests that a hearing be rescheduled). There are no cases that went beyond the 80 day timeframe. The Board is in 100% compliance with this performance measure.

Goal 3: To Develop Fair And Comprehensible Rules, Policies, And Procedures For Determining Good-Cause Exceptions.

The purpose of this goal is to measure how difficult the Board's application process is for applicants and whether improvements would make the process easier to understand, without sacrificing adherence to Board standards.

There is only one measurement under this goal, but it effectively shows how well the Board communicates with applicants about the good-cause-exception process. The Board measures the percentage of applications that are complete on submission. If the Board is able to communicate its expectations clearly to applicants, then there should be a higher number of applications complete on submission. The Board improved over the impressive number from FY 2016 and again surpassed the intended goal of 85%. The Board should be encouraged with the increase as it shows the diligent efforts being made to communicate with applicants about the Board's application process. The Board Administrative Assistant and Board Investigator do an outstanding job communicating with Applicants and this is directly reflected in these results.

Arizona Board of Fingerprinting Fiscal Year 2017 Performance Measures

Goal 1. To make fair and consistent determinations on good-cause exceptions

| Performance Measure | FY 16 Actual | FY 17 Estimate | FY 17 Actual |
|--|--------------|----------------|--------------|
| Percent of investigator recommendations for expedited reviews accepted | 99.07% | 96.00% | 99.04% |
| Percent of applications approved | 99.13% | 96.00% | 99.15% |
| Percent of approvals by expedited review | 96.57% | 95.00% | 93.73% |
| Percent of approvals by administrative hearing | 3.43% | 5.00% | 6.27% |

Goal 2. To provide applicants with timely decisions on their good-cause-exception applications

| Performance Measure | FY 16 Actual | FY 17 Estimate | FY 17 Actual |
|--|--------------|----------------|--------------|
| Number of applications received | 2,837 | 2,600 | 2,751 |
| Number of applications disposed | 2,832 | 2,600 | 2,873 |
| Ratio of cases opened to cases closed | 1:99 | 1:1 | 1:1.04 |
| Average number of days to dispose | 20.10 | 30.00 | 21.50 |
| Average number of days spent processing applications | 13.15 | 20.00 | 14.72 |
| Average number of days spent processing applications from receipt to expedited review | 9.01 | 12.00 | 8.63 |
| Average days from expedited review to hearing | 33.82 | 35.00 | 34.12 |
| Average days from scheduled hearing to hearing decision/completion | 53.50 | NEW | 58.71 |
| Percent of applications with an expedited review within 20 days of receipt of a complete application | 99.81% | 100.00% | 99.96% |
| Percent of applications with a hearing within 45 days of an expedited review | 100.00% | 100.00% | 100.00% |
| Percent of applications decided within 80 days of a hearing | 100.00% | 100.00% | 100.00% |

Goal 3. To develop fair and comprehensible rules, policies, and procedures for determining good-cause exceptions

| Performance Measure | FY 16 Actual | FY 17 Estimate | FY 17 Actual |
|--|---------------------|-----------------------|---------------------|
| Percent of applications complete on initial submission | 86.29% | 85.00% | 86.53% |



Arizona Board of Fingerprinting Memo

TO: Board Members
 FROM: Matthew A. Scheller
 Date: August 11, 2017
SUBJECT FY 2018 Budget Proposal

This memo discusses a proposed budget for Fiscal Year (“FY”) 2018 for the Arizona Board of Fingerprinting (“Board”) to adopt at its August 25, 2017 meeting. This memo also provides financial information to assist the Board in its deliberations about the budget.

SUMMARY

- The Board should adopt a budget that includes \$623,643.31 in expenditures.
- The proposed budget projects \$910,000 in revenues. This projection assumes that DPS will receive 130,000 fingerprint clearance card applications in FY 2018. (DPS received 147,387 applications in FY 2017 for revenues of \$1,031,709 and 125,554 applications in FY 2016 for revenues of \$878,878)
- If the revenues match projections, the Board’s fund balance at the end of FY 2018 will be \$2,649,521.84, an increase from the previous fiscal year of \$286,356.69.

FUND BALANCE

- At the end of FY 2017 (as of June 30, 2017), the Board’s fund balance was \$2,363,165.15. This is an increase of \$440,160.31 from FY 2016 (\$1,923,004.84).
- The Board is beginning FY 2018 on solid financial footing.

BUDGET PROPOSAL FOR FY 2018

Attachment 1 proposes a budget that includes \$626,807.95 in expenditures and assumes \$910,000 in revenues.

Attachment 1 also provides a comparison of FY 2017 actual expenditures and revenues with the FY 2018 budget proposal. The list below explains areas where there are

notable differences in spending between FY 2017 and the proposed FY 2018 budget. Board members may request additional details about the proposed budget.

- 6000 – Personal Services. This category refers to expenditures from wages and salaries. The proposed budget includes a spending increase of \$20,566.29 from the FY 2017 actual spending. This increase is due to three factors:
 - The Board approved a salary increase for the Executive Director at the end of the fiscal year (June) in the amount of \$3445.11.
 - To allow the Executive Director to provide merit based employee incentive payments (except to the Executive Director who not eligible to receive merit pay) by no more than 2% of the total personal services base (excluding ERE). These incentive payments directly depend on how well the employees score on the MAP performance appraisals. This amounts to no more than \$6,604.52 over the course of the fiscal year, and any incentive payments cannot exceed 10% of an employee's annual base salary. This approach would give discretion to the Executive Director to reward performance according to the Compensation Plan and criteria established by the Arizona Department of Administration.
 - To allow the Executive Director to provide base salary increases for some of the Board staff within the guidelines established by the Arizona Department of Administration. (Prior to personnel reform the Board was prevented from being able to make these increases.) ADOA has provided some options that would allow agencies to request justifiable increases. These increases must be approved by ADOA and any base salary increases will not exceed 5% of an employee's current salary.

- 6100 – Employee-Related Expenditures. This category refers to expenditures from benefits and withholdings, such as medical benefits, retirement, and Social Security. These expenditures are based on benefit choices by employees and include other costs that represent a percentage of personal services. The proposed increase in this category is for the same reasons outlined under the personal-services category above.

- 6299 – Other Professional & Outside Services. This category includes miscellaneous costs from external sources and professional consultations, such as off duty police officers for security, document destruction, language interpreters and database programming. The proposed budget would decrease spending from the previous fiscal year by \$14,077.00. The primary reason for the decrease is that the Board is getting closer to the full implementation and transition from Microsoft Access database to Microsoft SQL Server Express. The main focus on FY 2018's development will be the following:
 - Conversion of associated letters and queries for our GCE application.
 - Develop an automated backup routine.
 - Developer test and debug time as needed.

I recommend that the Board approve the spending in this area to continue the process of upgrading and enhancing our database management system from Microsoft Access to SQL Server Express. This will fortify our data security, improve performance and will have the added benefit of making a smoother transition to a web-based user interface in subsequent fiscal years. There is an initiative from the Governor's Office called the "Digital Government Team" which is focused on modernizing the services Arizona offers to all customers. To this end, the Board will be focused on having our application processes available for submission online in the future fiscal years.

- 7179 - Other External Communication. The spending in the category covers all telecommunications, phone and internet charges. The proposal is \$1,000 lower from previous fiscal years because of reductions in our phone bills over the past fiscal year.
- 7221 – Rental of Land and Buildings. This category is for leasing our office space. The Board signed a 5 year lease extension in March 2017 that was approved by the Department of Administration. The current yearly rent for our space is \$37,975.68. The rent increased by less than 5% from the previous yearly rate (\$36,167.28). The Board pays \$12.36 per sq/ft which is well below the average rental cost that agencies pay on an annual basis. (The average is \$16.69 per sq/ft based on numbers provided by ADOA's Lease Data Collection)
- 7266 – Repair/Maintenance – Other Equipment. This category covers the maintenance of our copy machine. The proposed budget is \$2800 higher to cover the increase in cost for copier maintenance/materials on account of the additional caseload the Board is receiving.
- 7321 – Office Supplies. This category covers all purchases of office supplies throughout the year. The proposed budget is \$500 less than the previous fiscal year.
- 7472 - External Printing. This category covers external printing of envelopes and stationary. The proposal remains the same as last fiscal year.
- 8521 – Furniture (Non-capital). This category covers authorized spending to replace old furniture and improve the Board's public spaces. The proposed budget amount in this area for FY 2018 is in the event that any items, such as a desk or desk chairs, need to be replaced.
- 8531 – Computer Equipment (Non-capital). The proposed increase in spending includes purchasing several new desktop computers with monitors to replace the existing units which have not been replaced since 2012.

- 8581 – Purchase or license software. If a new computer purchase is necessary (see the previous category), it may be necessary to purchase new software licenses.
- 9101 – Operating Transfers Out. In FY 2014, state agencies were required to transfer monies into an Automated Projects Fund. This was not the case in the past 3 fiscal years and the Board is not currently required to transfer any money into other state funds during FY 2018.

Attachment 1 - FY 2018 Budget Proposal

| | FY17 Actual | FY18 Proposed Budget | Difference |
|---|------------------------|------------------------|-----------------------|
| REVENUES | | | |
| 4900 - Operating Transfers In | | | |
| Prior FY Carryover | \$ 1,923,004.84 | \$ 2,363,165.15 | \$ 440,160.31 |
| 4901 - Oper. Transfers In | \$ 1,031,709.00 | \$ 910,000.00 | \$ (121,709.00) |
| Total 4900 - Oper. Trans. In | \$ 2,954,713.84 | \$ 3,273,165.15 | \$ 318,451.31 |
| TOTAL REVENUES | \$ 2,954,713.84 | \$ 3,273,165.15 | \$ 318,451.31 |
| EXPENDITURES | | | |
| 6000 - Personal Services | | | |
| | \$ 336,392.89 | \$ 356,959.18 | \$ 20,566.29 |
| 6100 - Employee-related exp. | | | |
| | \$ 144,685.86 | \$ 153,492.45 | \$ 8,806.59 |
| 6200 - Prof. & Outside Svcs. | | | |
| 6299 - Other Prof. & Out. Svcs. | \$ 28,453.00 | \$ 14,376.00 | \$ (14,077.00) |
| Total 6200 - Prof. & Outside Svcs. | \$ 28,453.00 | \$ 14,376.00 | \$ (14,077.00) |
| 7000 - Other Operating | | | |
| 7111 - Insurance & Related Chgs | \$ 1,700.00 | \$ 2,000.00 | \$ 300.00 |
| 7151 - Internal Svc. Data Proc. - AFIS | \$ 1,408.05 | \$ 1,500.00 | \$ 91.95 |
| 7153 - Internal Svc. Data Proc. - Pc/Lan | \$ 10,231.79 | \$ 11,000.00 | \$ 768.21 |
| 7179 - Other External Comm. | \$ 10,214.63 | \$ 14,000.00 | \$ 3,785.37 |
| 7221 - Rental of Land & Bldgs. | \$ 36,424.70 | \$ 37,975.68 | \$ 1,550.98 |
| 7241 - Int Acctg, Budg, Fin Svc. | \$ 3,840.00 | \$ 3,840.00 | \$ - |
| 7266 - Repair/Maint-Other Equip | \$ 1,309.92 | \$ 1,400.00 | \$ 90.08 |
| 7321 - Office Supplies | \$ 4,014.67 | \$ 5,500.00 | \$ 1,485.33 |
| 7381 - Office Operating Supplies | \$ 25.91 | \$ 100.00 | \$ 74.09 |
| 7472 - External Printing | \$ - | \$ 1,000.00 | \$ 1,000.00 |
| 7481 - Postage & Delivery | \$ 10,186.49 | \$ 11,000.00 | \$ 813.51 |
| 7541 - Books, Subscr., & Pubs. | \$ 169.00 | \$ 400.00 | \$ 231.00 |
| 7599 - Other Misc. Operating | \$ 172.90 | \$ 600.00 | \$ 427.10 |
| Total 7000 - Other Operating | \$ 79,698.06 | \$ 90,315.68 | \$ 10,617.62 |
| 8500 - Non-capital Equipment | | | |
| 8521 - Furniture Non-capital | \$ 1,138.82 | \$ 1,500.00 | \$ 361.18 |
| 8531 - Computer Equip. Non-cap. | \$ 1,111.14 | \$ 6,000.00 | \$ 4,888.86 |
| 8581 - Purch. or lic. software | \$ 68.92 | \$ 1,000.00 | \$ 931.08 |
| Total 8500 - Non-capital Equip. | \$ 2,318.88 | \$ 8,500.00 | \$ 6,181.12 |
| 9100 - Transfers Out | | | |
| 9101 - Op Trans Out: Fund Sweeps | \$ - | \$ - | \$ - |
| Total 9100 - Oper. Trans. Out | \$ - | \$ - | \$ - |
| TOTAL EXPENDITURES | \$ 591,548.69 | \$ 623,643.31 | \$ 32,094.62 |
| NET INCOME | \$ 2,363,165.15 | \$ 2,649,521.84 | \$ 286,356.69 |