October 8, 2009

TO: Eileen Klein, Deputy Chief of Staff, Finance and Director, Office of Strategic Planning & Budget

FROM: Elaine Hugunin, Executive Director

SUBJECT: Proposed 15% Expenditure Reductions

Per your recent request, the Arizona State Board of Dental Examiners is submitting a proposed budget management plan that represents a 15% reduction of expenditures for FY 10.

As you are aware, in the last two fiscal years, $5.8 million was transferred from the Dental Board Fund to support the General Fund. At the same time, the agency’s appropriation has not reflected operational requirements to perform administrative and investigatory functions. Moreover, the fund transfer was miscalculated by decision makers and, as a result, created significant cash flow problems for day-to-day functions of administering the agency.

While the agency will comply with all requirements to reduce expenditures, it should be noted that the agency has been under-funded for years and an additional 15% reduction will further erode our ability to meet our regulatory responsibilities. Given the limitations of the existing FY 10 appropriation, the proposed 15% expenditure reductions will result in increased process times for licensing and investigations. In particular, increasing the time necessary to initiate and complete investigations may create concerns for public health and safety.

Moreover, the Governor’s Office has recently informed this agency on its intent to relocate the agency into a state owned building from private leased space. This relocation will increase rent related costs, as private sector lease rates are less than state government rates. The agency has no funding for the actual costs of move-related expenses under the current FY 10 appropriation.

The attached documents provide detailed explanations on each expenditure reduction and their anticipated impacts on the agency’s mission of regulating dentists, dental hygienists and denturists. Among the more significant proposed expenditures, the agency is reducing its ISA with the Arizona Attorney General’s Office, which will likely have an impact on investigations. In addition, the agency will suspend its initiative to transition from a DOS database to a Windows platform, which will eliminate the ability for online renewals and other agency and licensee related efficiencies.

The budget instructions suggested that agencies identify statutory changes that may result in long-term savings. Accordingly, the agency could financially benefit from the authority to charge incurred fees from the Office of Administrative Hearings in the event that the licensee loses their
case. In addition, the granting of the statutory authority for the Executive Director to dismiss complaints without the approval of the Board, will significantly decrease administrative and investigation related costs. Other regulatory agencies have used this authority to achieve the desired objectives.

On behalf of the agency, the Board appreciates the seriousness of the revenue shortfall that is impacting the state budget. We equally recognize the need to scrutinize expenditures, which, at the agency level, we have been doing, as a result of the previous fund transfers. Nevertheless, it should be respectfully noted that further reductions of this agency will create a serious risk to the public.

Attachments
FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
Board of Dental Examiners

ALL NON-GENERAL FUNDS

FY 2010 All Non-General Funds Budget (less Federal Funds) 1,107,000

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) $166,050

<table>
<thead>
<tr>
<th>Fund</th>
<th>Reductions Amount</th>
<th>Percent Reductions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dental Board Fund</td>
<td>$168,785</td>
<td>101.6%</td>
</tr>
</tbody>
</table>

Issue Total $168,785

All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target 102%
FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES
Board of Dental Examiners

DENTAL BOARD FUND

FY 2010 All Non-General Funds Budget (less Federal Funds) 1,107,000

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) $166,050

<table>
<thead>
<tr>
<th>Priority</th>
<th>Issue Title</th>
<th>Reductions Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Inter Agency Service Agreement with Attorney General(1)</td>
<td>$18,167</td>
</tr>
<tr>
<td>2</td>
<td>Telephone System</td>
<td>$6,500</td>
</tr>
<tr>
<td>3</td>
<td>Notebook computers and software</td>
<td>$10,968</td>
</tr>
<tr>
<td>4</td>
<td>Eliminate police officer at Board meetings(2)</td>
<td>$1,304</td>
</tr>
<tr>
<td>5</td>
<td>Reduce lobbyist contract</td>
<td>$5,000</td>
</tr>
<tr>
<td>6</td>
<td>Eliminate Newsletter</td>
<td>$8,000</td>
</tr>
<tr>
<td>7</td>
<td>Eliminate Global Testing Services contract(3)</td>
<td>$3,000</td>
</tr>
<tr>
<td>8</td>
<td>Eliminate copying Board meeting material</td>
<td>$10,000</td>
</tr>
<tr>
<td>9</td>
<td>Eliminate certified mail for terminated cases(1)</td>
<td>$2,400</td>
</tr>
<tr>
<td>10</td>
<td>Eliminate out-of-state travel</td>
<td>$2,376</td>
</tr>
<tr>
<td>11</td>
<td>Eliminate mailing information for Investigative Interviews</td>
<td>$5,500</td>
</tr>
<tr>
<td>12</td>
<td>Reduce addictionologist time</td>
<td>$2,000</td>
</tr>
<tr>
<td>13</td>
<td>Cancel one Monitored Aftercare Program meeting</td>
<td>$2,125</td>
</tr>
<tr>
<td>14</td>
<td>Eliminate number of Investigative Interview cases transcribed</td>
<td>$3,000</td>
</tr>
<tr>
<td>15</td>
<td>Vacancy savings(1)</td>
<td>$88,445</td>
</tr>
</tbody>
</table>

Issue Total $168,785

Fund Total as a Percentage of Non-General Fund Reduction Target

(1) 8 months
(2) 10 months
(3) 12 months

1 Please complete the attached Description and Impact Statement for each issue.
Board of Dental Examiners

Issue Title: ISA with Attorney General

Issue Priority: 1

Reduction Amounts:
2020 Dental Board Fund: $18,167

Total: $18,167

Issue Description and Statement of Effects

This reduction is not a program but an inter agency service agreement with the Attorney General Office. Currently the Board pays for a .75 assistant attorney general; however, the above reflects a 25% reduction for eight months.

The assistant attorney general renders legal advice on all dental board regulations and attends the Board meetings to ensure compliance with all regulations, rules and open meeting law.

Reducing hours could negatively impact investigations.
STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Board of Dental Examiners

Issue Title: Telephone System

Issue Priority: 2

Reduction Amounts:
2020 Dental Board Fund: $6,500

Total: $6,500

Issue Description and Statement of Effects

This reduction is not a program but an equipment need. Currently the Board’s phone system is obsolete as it is 15 years old and has exceeded its life expectancy.

We have had numerous problems and complaints as the system has crashed and we are unable to modify some of the menu functions.

We have met with AZNet several times to inquire about assistance; however, even with their assistance it would require additional funds for the Agency to prepare for implementation.

If the equipment breaks, it is unlikely it will be fixed given its age. The public and licensees are not well served given the down time.
STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Board of Dental Examiners

**Issue Title:** Notebook Computers and Software

**Issue Priority:** 3

**Reduction Amounts:**
- 2020 Dental Board Fund: $10,968

**Total:** $10,968

**Issue Description and Statement of Effects**

This reduction is not a program but an equipment need. As a result of vacancy savings in 09, the Agency recently purchased laptops and necessary software for Board members. The laptops have been utilized for one meeting which reduced copying and labor costs.

The Agency will need to purchase some additional software which requires additional funding.
STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Board of Dental Examiners

Issue Title: Police Officer

Issue Priority: 4

Reduction Amounts:
   2020 Dental Board Fund: $1,304

Total: $1,304

Issue Description and Statement of Effects

This reduction is not a program. In the past, the Board has been threatened by angry complainants and/or licensees who were impacted by the Board’s decision. Having a police officer at the meetings ensured that Board and Staff were protected. The Board has eliminated paying a uniformed police officer at its meetings.

The impact will be that some Board and Staff members do not feel safe given potential angry constituents.

An alternative is that building security can be paged to the building; however, they do not carry weapons.
Board of Dental Examiners

**Issue Title:** Lobbyist

**Issue Priority:** 5

**Reduction Amounts:**
- 2020 Dental Board Fund: $5,000

**Total:** $5,000

**Issue Description and Statement of Effects**

This reduction is not a program but a contracted service and not a permanent reduction. The Board, given its complex regulations and rules, has for many years contracted with a lobbyist to assist in legislative issues. This encompasses meeting with representatives and senators on behalf of the Agency and their feedback to the Board and Executive Director. The lobbyist attends all pertinent legislative hearings with the Executive Director and Board Chair to assist in the process. The lobbyist also follows legislation which could impact the Agency and keeps Staff current on all these issues.

There is not an alternative funding source.
Board of Dental Examiners

Issue Title: Newsletter

Issue Priority: 6

Reduction Amounts:
   2020 Dental Board Fund: $8,000

Total: $8,000

Issue Description and Statement of Effects

This reduction is not a program but a publication to licensees. The Agency is responsible for communicating changes to the dental practice act and other information that may impact their practice as related to the Board. This communication is critical to all licensees. Failure to produce this publication may result in more licensees appearing before the Board due to violation of the dental practice act.

The cost of the newsletter encompasses staff time, printing charges and postage. An alternative to sending a newsletter is to publish it on our website and communicating to licensees via postcard that it is available online.

The Agency is currently in the process of transitioning from DOS to Windows and as part of this, email addresses of licensees will be obtained to further enhance communication. However, the Agency currently has not been appropriated sufficient funding for transition to a Windows based program.
Board of Dental Examiners

Issue Title: Global Testing Services

Issue Priority: 7

Reduction Amounts:
2020 Dental Board Fund: $3,000

Total: $3,000

Issue Description and Statement of Effects

This reduction is not a program but a service which is part of the Agency’s Monitored Aftercare Program. This contract was terminated when a more cost-effective service was identified and secured.
Board of Dental Examiners

Issue Title: Board Meeting Material

Issue Priority: 8

Reduction Amounts:
  2020 Dental Board Fund: $10,000

Total: $10,000

Issue Description and Statement of Effects

This reduction is not a program but an operational cost. As a result of the laptop purchases, we project that the Agency can save $10,000 in printing and delivery costs.
Board of Dental Examiners

Issue Title: Certified Mail

Issue Priority: 9

Reduction Amounts:
   2020 Dental Board Fund: $2,400

Total: $2,400

Issue Description and Statement of Effects

This reduction is not a program but an operational cost. Following a Board meeting, the respondent and complainant receive a copy of the adjudication which includes terminated cases. This is done to ensure that both parties are aware of the outcome of the case. Staff can cease sending the respondent communication certified; however, this may result in some angry constituents as the Agency cannot ensure they receive the notice of the outcome.
Board of Dental Examiners

**Issue Title:** Out of State Travel

**Issue Priority:** 10

**Reduction Amounts:**
- 2020 Dental Board Fund: $2,376

**Total:** $2,376

**Issue Description and Statement of Effects**

This reduction is not a program but an operational cost. Historically, Agency representatives have attended the American Dental Association and American Dental Examiners meetings as it keeps the Board current regarding industry trends and challenges.
Board of Dental Examiners

**Issue Title:** Mailing Investigative Materials

**Issue Priority:** 11

**Reduction Amounts:**
- 2020 Dental Board Fund: $5,500

**Total:** $5,500

**Issue Description and Statement of Effects**

This reduction is not a program but an operational cost. Currently the Agency distributes all investigative material via United States Postal Service which is necessary for the panel’s review prior to an investigational interview.

Our alternative is to distribute the material using CDs which could reduce the postage and copying as reflected above. Staff is still researching the viability of implementing this as not every investigator/consultant has the appropriate equipment.
Addictionologist

Issue Priority: 12

Reduction Amounts:
- 2020 Dental Board Fund: $2,000

Total: $2,000

Issue Description and Statement of Effects

This reduction is not a program but a contracted service (ARS 32-1299). Currently the Agency contracts with an Addictionologist in conjunction with its Monitored Aftercare Program. The Agency is charged by the hour for some services. Board and Staff will endeavor to limit its use of the Addictionologist and/or re-negotiate the current contract. Costs saved could also occur if the Addictionologist is not requested to appear at some meetings.

This is a public safety issue in that licensees with substance problems need to be appropriately monitored.
Board of Dental Examiners

**Issue Title:** Cancel MATP meeting

**Issue Priority:** 13

**Reduction Amounts:**
- 2020 Dental Board Fund: $2,125

**Total:** $2,125

**Issue Description and Statement of Effects**

This reduction is not a program but a Committee (ARS 32-1299). Currently, the Board’s Monitored Aftercare Committee monitors licensees who have entered into the Monitored Aftercare Program which meets on a quarterly basis. This is a critical Committee to ensure public safety.

The savings above reflects the savings if one meeting is cancelled. Savings include the costs of copying, postage and payment to Board members.

If we do not meet as scheduled, there is a potential risk to public safety.
Board of Dental Examiners

**Issue Title:** Reduce number of transcribed reports

**Issue Priority:** 14

**Reduction Amounts:**
- 2020 Dental Board Fund: $3,000

**Total:** $3,000

**Issue Description and Statement of Effects**

This reduction is not a program but an operational cost (R4-11.1503 (d) (7)). Currently a contractor transcribes all investigative interviews which are then forwarded to the Board of Directors for their consideration in assessing whether a licensee should be disciplined.

Criteria could be developed to limit the number of cases transcribed to focus on the higher level of discipline. This would also mean that handwritten reports which are limited would be forwarded to the Board for their use in its deliberation.

This could potentially increase operational costs if a case goes into litigation as a court reporting service would be required to transcribe the report.
STATE OF ARIZONA
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Board of Dental Examiners

Issue Title: Vacancy Savings

Issue Priority: 15

Reduction Amounts:
2020 Dental Board Fund: $88,445

Total: $88,445

Issue Description and Statement of Effects

This reduction is not a program but operational cost. The Board currently has three vacancies which have created many challenges in ensuring timeliness of complaint processing, issuance of licensing and responding to a variety of requests. Most significant; however, is that the vacancies have also contributed to the inability to transition to Windows. The current ASO III assumed Deputy Director’s duties this year as well as maintaining her current duties which resulted in a delay of some testing functions of the new database.

The information processing specialist position is also vacant which has resulted in each staff member assuming responsibility for these duties.

This is not a permanent reduction. The Agency has made efforts to under spend in order to build a fund balance as $5.8 million was swept within the last two years. This creates a precarious situation for the Agency in meeting payroll at certain times over the next fiscal year.