

Commissioner/Chairman: The Honorable William A. Mundell

JLBC Analyst: Paul Shannon

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
<b>PROGRAM BUDGET</b>			
Agency Support Services			
<u>Subprograms</u>			
Central Administrative Services	1,831,300	2,103,000	2,170,500
Hearings	855,100	1,066,000	1,066,000
Legal	1,229,700	1,785,600	1,785,600
<i>Program Subtotal - Agency Support Services</i>	<u>3,916,100</u>	<u>4,954,600</u>	<u>5,022,100</u>
Corporations	3,863,800	4,268,800	4,268,800
Securities	4,248,600	4,908,300	4,908,400
Internet Fraud SLI	34,400	0	0
<i>Program Subtotal - Securities</i>	<u>4,283,000</u>	<u>4,908,300</u>	<u>4,908,400</u>
Railroad and Pipeline Safety	1,339,300	1,630,200	1,630,200
Railroad Warning Systems SLI	163,200	0	0
<i>Program Subtotal - Railroad and Pipeline Safety</i>	<u>1,502,500</u>	<u>1,630,200</u>	<u>1,630,200</u>
Utilities	4,836,300	6,023,300	6,023,300
Utility Audits, Studies, Investigations & Rate Hearings SLI	491,200	380,000	380,000 <sup>1/</sup>
<i>Program Subtotal - Utilities</i>	<u>5,327,500</u>	<u>6,403,300</u>	<u>6,403,300</u>
Lump Sum Reduction	0	0	(169,400)
<b>TOTAL APPROPRIATIONS</b>	<b>18,892,900</b>	<b>22,165,200</b>	<b>22,063,400</b>
<b>OPERATING BUDGET</b>			
Full Time Equivalent Positions	296.5	310.5	311.8
Personal Services	11,326,400	13,539,600	13,539,700
Employee Related Expenditures	2,263,600	2,931,800	2,966,600
Professional and Outside Services	1,147,100	1,218,900	1,234,000
Travel – In State	250,100	245,200	245,200
Travel – Out of State	102,100	93,700	93,700
Other Operating Expenditures	2,452,600	2,914,000	2,931,600
Equipment	662,200	842,000	842,000
Lump Sum Reduction	0	0	(169,400)
<i>Operating Subtotal</i>	<u>18,204,100</u>	<u>21,785,200</u>	<u>21,683,400</u>
Special Line Items (SLI)	688,800	380,000	380,000
<b>TOTAL APPROPRIATIONS</b>	<b>18,892,900</b>	<b>22,165,200</b>	<b>22,063,400 <sup>2/</sup></b>

<sup>1/</sup> This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)

<sup>2/</sup> General Appropriation Act (Laws 2002, Chapter 327) funds are appropriated as a Lump Sum by Agency with Special Line Items.

	FY 2001 Actual	FY 2002 Estimate	FY 2003 Approved
<b>FUND SOURCES</b>			
General Fund	6,077,200	5,420,100	5,273,200
<u>Other Appropriated Funds</u>			
Utility Regulation Revolving Fund	7,857,600	10,923,600	10,814,700
Pipeline Safety Revolving Fund	0	73,000	0
Securities Regulatory and Enforcement Fund	2,673,100	3,185,500	3,381,100
Public Access Fund	1,545,300	1,786,500	1,789,700
Investment Management Regulatory and Enforcement Fund	705,300	740,000	761,200
Arizona Arts Trust Fund	34,400	36,500	43,500
<i>Subtotal - Other Appropriated Funds</i>	<u>12,815,700</u>	<u>16,745,100</u>	<u>16,790,200</u>
<b>TOTAL APPROPRIATIONS</b>	<b>18,892,900</b>	<b>22,165,200</b>	<b>22,063,400</b>

**AGENCY DESCRIPTION** — *The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 3 statewide elected Commissioners, each serving 6-year terms. Proposition 103 added 2 more Commissioners, for a total of 5 starting in January 2003. The commission's primary responsibilities are divided among divisions including Corporations, Securities, and Utilities. The Corporations Division administers the corporation's code and provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers, investigating possible violations of the Arizona Securities Act. The Utilities Division monitors approximately 500 public service corporations operating in Arizona. This division acts as an independent party in reviewing and establishing public utility rates, and monitoring compliance with commission regulatory decisions. Other functions of the commission include inspecting gas pipelines, operating the pipeline safety program, inspecting railroad track and hazardous cargo transport along railways, and also erecting warning devices at potentially dangerous railroad crossings throughout the state.*

<b>PERFORMANCE MEASURES</b>	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Est./Actual	FY 2002-03 Estimate
• Number of corporations and limited liability companies (LLC's) in Arizona	206,948/ 223,080	228,724/ 253,724	287,553/NA	325,848/ 369,268
• Average turnaround time in weeks for processing of regular corporate filings	13/5.5	4.5/6.5	6.5/NA	6.5
• Average turnaround time in days for processing of expedited corporate filings	7/2	3/2	2/NA	2
• Average time in days to complete a utility rate case	180	118	NA/NA	195/200
• Number of complaints received by the Securities Division	290/316	325/353	390/NA	420/450
• Number of railroad grade crossing accidents	35/36	35/40	35/NA	35
• % of agency staff turnover	15.8/NA	14.2/NA	13.5/NA	13
• Administration as a % of total cost	NA	8.7/NA	8.8/NA	8.1/8.2
• Customer satisfaction rating for Corporations program (Scale 1-8)	NA	NA	NA/NA	6.0

**Unfunded FTE Positions** - The approved amount includes a General Fund decrease of (6.7) FTE Positions below FY 2002 due to the statewide elimination of unfunded FTE Positions. For details on the methodology used to calculate the reduction, please see the *General Provisions* section at the front of the *Appropriations Report*.

**Agency Support Services Program** — This program provides support to the commission through 3

subprograms: Central Administrative Services, Hearings, and Legal.

**Central Administrative Services Subprogram** — This subprogram provides general administrative and clerical support to the other programs of the commission. This program also supports the Docket Control Center, which maintains the official records of the Utilities, Securities, and Corporations programs. The approved appropriation is funded with monies from the General

Fund, the Utility Regulation Revolving Fund, the Public Access Fund, and the Securities Regulatory and Enforcement Fund.

The approved amount includes a General Fund decrease of \$(35,000) below FY 2002 to annualize administrative costs that are transferred to the Utility Regulation Revolving Fund.

**Hearings Subprogram** — This subprogram exercises the commission's authority to hold public hearings and arbitration on matters involving the regulation of public service corporations, the sale of securities, and the registration of non-municipal corporations. The approved appropriation is funded with monies from the General Fund and the Utility Regulation Revolving Fund.

The approved amount includes a Utility Regulation Revolving Fund decrease of \$(85,500) below FY 2002 due to one-time equipment purchases.

**Legal Subprogram** — This subprogram represents the commission in all matters relating to public utility regulation and in other areas not associated with the Securities Program, which are litigated by the Attorney General's Office. This approved appropriation is funded with monies from the Utility Regulation Revolving Fund.

The approved amount includes a Utility Regulation Revolving Fund decrease of \$(67,400) below FY 2002 due to one-time equipment purchases.

**Corporations Program** — This program grants corporate or limited liability company (LLC) status to companies organizing under the laws of Arizona. The program also issues licenses to foreign corporations and LLC's wishing to conduct business in the state. The program maintains its files for the benefit of the public records and service of process. The approved appropriation is funded with monies from the General Fund, the Arizona Arts Trust Fund, and the Public Access Fund.

**Securities Program** — This program reviews prospective offerings of securities to ascertain that full and fair disclosure is made to potential securities investors. The program also registers securities dealers, securities salespersons, investment advisers and investment adviser representatives, dealers, and salespersons. The program investigates and prosecutes enforcement actions and provides educational services to investors. The approved appropriation is funded with monies from the General Fund, the Securities Regulatory and Enforcement Fund, and the Investment Management Regulatory and Enforcement Fund.

The approved amount includes a Securities Regulatory and Enforcement Fund increase of \$99,500 and 2 FTE Positions above FY 2002 to fund Internet investigations.

The approved amount also includes a Securities Regulatory and Enforcement Fund increase of \$61,500 above FY 2002 for one-time equipment purchases.

**Internet Fraud Special Line Item** — Monies in this Special Line Item fund the investigation and prosecution of Internet crimes. This Special Line Item is not funded in FY 2002 and FY 2003. This Special Line Item was created during the 2000 Legislative Session (Laws 2000, Chapter 197) with a FY 2001 additional appropriation of \$200,000. For FY 2002 and FY 2003, Internet investigations will be conducted by staff members in the Securities Program as part of their normal activities (*see above.*)

**Railroad and Pipeline Safety Program** — This program enforces the Arizona Underground Facilities Law, relating to pipelines carrying natural gas, liquefied natural gas, and other hazardous liquids and gases. The program oversees the construction, operation, and maintenance of all intrastate and interstate pipelines, and also oversees the operation and maintenance of all railroad operations, track maintenance, and railroad/street grade crossings. The approved appropriation is funded with monies from the General Fund, the Pipeline Safety Revolving Fund, and the Utility Regulation Revolving Fund.

The approved amount includes a General Fund decrease of \$(27,100) below FY 2002 to annualize a reduction for a railroad signal inspector.

The approved amount includes a Pipeline Safety Revolving Fund decrease of \$(73,000) below FY 2002 due to one-time equipment purchases. The approved amount also includes a Utility Regulation Revolving Fund decrease of \$(45,000) below FY 2002 due to one-time equipment purchases.

**Railroad Warning Systems Special Line Item** — This Special Line Item provided a 10% state match with Federal Funds for the construction of railroad safety projects in FY 2001. This Special Line Item was not funded in FY 2002 and FY 2003 and responsibility for the state match has been transferred to the Arizona Department of Transportation. Other railroad safety funding remains in the Railroad and Pipeline Safety Program (above).

**Utilities Program** — This program makes recommendations to the commission on regulatory policy and rates. The approved appropriation is funded with monies from the Utility Regulation Revolving Fund.

The approved amount includes a Utility Regulation Revolving Fund decrease of \$(24,000) below FY 2002 due to one-time equipment purchases.

**Utility Audits, Studies, Investigations & Rate Hearings Special Line Item** — Monies in this Special Line Item allow the commission to hire outside consultants who provide professional expertise and advice to the Utilities Program staff. The approved appropriation for this Special Line Item is funded with monies from the Utility Regulation Revolving Fund.

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