

Chairman: The Honorable Marc Spitzer

JLBC Analyst: Chris Cranny

	FY 2004 Actual	FY 2005 Estimate	FY 2006 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	300.8	302.8	312.8
Personal Services	13,054,100	14,564,400	15,105,700
Employee Related Expenditures	3,310,000	3,759,000	4,542,400
Professional and Outside Services	1,109,300	445,300	445,800
Travel - In State	199,900	285,400	285,400
Travel - Out of State	97,600	112,400	112,400
Other Operating Expenditures	2,892,800	3,317,000	3,174,800
Equipment	692,600	662,800	667,300
<b>OPERATING SUBTOTAL</b>	<b>21,356,300</b>	<b>23,146,300</b>	<b>24,333,800</b>
<b>SPECIAL LINE ITEMS</b>			
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 <sup>1/</sup>
Ch 262 Corporations; LLCs; Same Day Service	0	0	498,400
<b>AGENCY TOTAL</b>	<b>21,356,300</b>	<b>23,526,300<sup>2/</sup></b>	<b>25,212,200<sup>3/4/</sup></b>
<b>FUND SOURCES</b>			
General Fund	4,882,800	4,953,400	5,133,000
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	37,100	40,700	44,100
Investment Management Regulatory and Enforcement Fund	799,300	794,500	828,200
Pipeline Safety Revolving Fund	0	62,600	0
Public Access Fund	1,774,200	2,520,400	3,623,200
Securities Regulatory and Enforcement Fund	2,978,000	3,488,300	3,505,500
Utility Regulation Revolving Fund	10,884,900	11,666,400	12,078,200
SUBTOTAL - Other Appropriated Funds	16,473,500	18,572,900	20,079,200
<b>SUBTOTAL - Appropriated Funds</b>	<b>21,356,300</b>	<b>23,526,300</b>	<b>25,212,200</b>
Other Non-Appropriated Funds	23,000	0	0
Federal Funds	314,600	349,200	349,200
<b>TOTAL - ALL SOURCES</b>	<b>21,693,900</b>	<b>23,875,500</b>	<b>25,561,400</b>

**AGENCY DESCRIPTION** — The Arizona Corporation Commission (ACC) was established by Article 15 of the Arizona Constitution and consists of 5 statewide elected Commissioners, each serving 4-year terms. The commission has 3 primary responsibilities. The Corporations Division provides public access to corporate annual reports, articles of incorporation, and corporate status change documents. The Securities Division regulates securities dealers and investment advisers. The Utilities Division monitors approximately 500 public service corporations operating in Arizona and establishes public utility rates. Other functions of the commission include inspecting gas pipelines and railroad track.

- <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> Laws 2005, Chapter 4, appropriated \$456,206 from the Public Access Fund for Corporations Division staffing costs and related expenses to improve filing processing.
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- <sup>4/</sup> The Corporation Commission Corporations Division shall provide a report by the end of each calendar quarter during FY 2006 to the Joint Legislative Budget Committee on the total number of filings received by the Corporations Division, the total number of filings processed by the Corporations Division and the amount of time to process the filings. The Corporation Commission Corporations Division shall include in the first quarterly report for FY 2006 a plan for resolving the backlog of corporation filings. (General Appropriation Act footnote)

<b>PERFORMANCE MEASURES</b>	FY 2003	FY 2004	FY 2006
	Actual	Actual	Approved
• Average turnaround time in weeks for processing of regular corporate filings	7.0	20.5	10
• Average turnaround time in days for processing of expedited corporate filings	2	11	3
• Number of months required to review complaints received by Securities Division	1.5	1.5	1.5
• Customer satisfaction rating for Corporations Program (Scale 1-8)	7.4	6.8	7.1

**Comments:** The agency reports that the average turnaround time in days for processing of expedited corporate filings performance measure has increased significantly due to staffing levels decreasing (2.6)% while, over the same time period, total filings submitted have increased 44%. The reduction in the FY 2006 numbers for the turnaround time for filings would be due to new staff being added. The customer satisfaction rating for Corporations Program performance measure has declined due to both expedited and regular corporate filings taking a significant amount of time.

### **Operating Budget**

The budget provides \$24,333,800 for the operating budget in FY 2006. This amount consists of:

	<b>FY 2006</b>
General Fund	\$5,133,000
Arizona Arts Trust Fund	44,100
Investment Management Regulatory and Enforcement Fund	828,200
Public Access Fund	3,124,800
Securities Regulatory and Enforcement Fund	3,505,500
Utility Regulation Revolving Fund	11,698,200

The approved amount includes an increase of \$625,700 in FY 2006 for statewide adjustments. This amount consists of:

General Fund	179,600
Arizona Arts Trust Fund	3,400
Investment Management Regulatory and Enforcement Fund	33,700
Public Access Fund	70,100
Securities Regulatory and Enforcement Fund	95,100
Utility Regulation Revolving Fund	243,800

*(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

#### *Staffing for Processing Delays*

The approved amount includes an increase of \$629,700 from the Public Access Fund in FY 2006 for new staff to reduce the filings backlog. Of the total, \$547,300 of these monies is designated as one-time funding, which will allow the Legislature to evaluate progress on reducing backlogs during the next session. The total number of filings submitted on an annual basis has increased 44% since FY 2001 (from 42,574 filings to 61,238 filings). As noted in the performance measures table, processing time for regular corporate filings has increased by 13.5 days and expedited corporate filings has increased by 9 days

between FY 2003 and FY 2004. With the new staff, the number of days required to process expedited filings will be reduced to less than 3 days by summer 2006. The 9 new staff will also address the regular filing backlog, after the 3-day expedited goal is met. In FY 2005, pursuant to Laws 2005, Chapter 4, the budget provides a supplemental appropriation of \$456,206 from the Public Access Fund to begin to address the processing delays.

The approved amount includes funding from the Public Access Fund in FY 2006 for the implementation of same day and next day services for the filing of documents and services for limited liability companies and corporations. This funding was provided by Laws 2005, Chapter 262. *(Please see Ch 262 Corporations; LLCs; Same Day Service Special Line Item for more information.)*

#### *Customer Service Salary Equity*

The approved amount includes an increase of \$348,500 from the Public Access Fund in FY 2006 for additional funding to support special salary increases for the customer service staff and address a turnover rate of nearly 20% for FY 2003 and FY 2004. After 1 year with the Motor Vehicle Division an employee is making 16% more than comparable staff at the Corporations Division.

#### *Compliance Staffing*

The approved amount includes an increase of \$68,100 and 1 FTE Position from the Utility Regulation Revolving Fund in FY 2006 for compliance monitoring. The responsibilities and caseload associated with compliance monitoring and enforcement have increased both in number and complexity without a proportionate increase in personnel. The number of commission matters that required compliance in FY 2004 was 603. Currently, the workload is backlogged at least 24 months due to insufficient staffing. The definition of the backlog is that the commission does not have updated information on organizations' level of compliance with its orders. The new FTE Position would reduce the backlog to within 1

year. The goal is to have the status of organizations' compliance continuously updated.

*Pipeline Safety Salary Equity*

The approved amount includes an increase of \$64,700 from the Utility Regulation Revolving Fund in FY 2006 for salary increases for Pipeline Safety Inspectors. It has been difficult for the ACC to recruit qualified inspectors from the private sector who match the expertise and experience of a Pipeline Safety Inspector. At a grade 21, inspectors average about \$47,674. By contrast, other state, municipalities and federal agencies average over \$60,000 for equivalent positions. The salary increase is necessary to recruit and retain qualified and experienced employees in order to ensure public health and safety. The average salary increase would be \$4,000 per person.

*Railroad Safety Salary Equity*

The approved amount includes an increase of \$36,300 from the Utility Regulation Revolving Fund for salary increases for Railroad Safety Inspectors. It has been difficult for the Corporation Commission to retain qualified inspectors, since they are frequently lost to other states and the federal government shortly after they are trained and receive certification from the Federal Railroad Administration. Railroad Safety Inspectors average about \$45,000. By contrast, other state, municipalities and federal agencies average over \$60,000 for equivalent positions. The salary increase is necessary to recruit and retain qualified and experienced employees in order to ensure public health and safety. The average salary increase would be \$6,000 per person

*One-Time Equipment*

The approved amount includes a decrease of \$(129,300) in FY 2006 for elimination of one-time equipment. This amount consists of:

Public Access Fund	12,300
Pipeline Safety Revolving Fund	(62,600)
Securities Regulatory and Enforcement Fund	(77,900)
Utility Regulation Revolving Fund	(1,100)

***Special Line Items***

***Utilities Audits, Studies, Investigations & Hearings***

The budget provides \$380,000 from the Utility Regulation Revolving Fund for Utilities Audits, Studies, Investigations & Hearings in FY 2006. This amount is unchanged from FY 2005.

Monies in this Special Line Item allow the commission to hire outside consultants who provide professional expertise and advice to the Utilities Program staff.

***Ch. 262 Corporations; LLCs; Same Day Service***

Laws 2005, Chapter 262 includes \$498,400 from the Public Access Fund in FY 2006 for the implementation of

same day and next day services for the filing of documents and services for limited liability companies and corporations. Same day and next day services shall not be offered unless all expedited services are processed within a maximum of 5 business days and all other documents and services are processed within a maximum of 30 business days. The fee for these services shall be determined by a supermajority vote of the commissioners.