

Corporation Commission

JLBC: Chris Cranny
 OSPB: Matt Gottheiner

DESCRIPTION	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	300.8	302.8	312.8
Personal Services	13,054,100	14,108,200	14,699,500
Employee Related Expenditures	3,310,000	3,759,000	4,019,000
Professional and Outside Services	1,109,300	445,300	445,000
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	447,300
OPERATING SUBTOTAL	21,356,300	22,690,100	23,183,400
SPECIAL LINE ITEMS			
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000
AGENCY TOTAL	21,356,300	23,070,100	23,563,400

FUND SOURCES			
General Fund	4,882,800	4,953,400	4,953,400
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	37,100	40,700	41,900
Investment Management Regulatory and Enforcement Fund	799,300	794,500	793,900
Pipeline Safety Revolving Fund	0	62,600	0
Public Access Fund	1,774,200	2,064,200	2,684,500
Securities Regulatory and Enforcement Fund	2,978,000	3,488,300	3,390,500
Utility Regulation Revolving Fund	10,884,900	11,666,400	11,699,200
SUBTOTAL - Other Appropriated Funds	16,473,500	18,116,700	18,610,000
SUBTOTAL - Appropriated Funds	21,356,300	23,070,100	23,563,400
Other Non-Appropriated Funds	23,000	0	0
Federal Funds	314,600	349,200	349,200
TOTAL - ALL SOURCES	21,693,900	23,419,300	23,912,600

CHANGE IN FUNDING SUMMARY	FY 2005 to FY 2006 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	493,300	2.7%
Total Appropriated Funds	493,300	2.1%
Non Appropriated Funds	0	0.0%
Total - All Sources	493,300	2.1%

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.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2006
	Actual	Actual	Estimate	JLBC
• Average turnaround time in weeks for processing of regular corporate filings	7.0	20.5	7.0	10
• Average turnaround time in days for processing of expedited corporate filings	2	11	2	3
• Average time in days to complete a utility rate case	NA	248	200	--
• Number of months required to review complaints received by Securities Division	1.5	1.5	1.5	1.5
• % of agency staff turnover	NA	13.3	13	--
• Administration as a % of total cost	11.3	17.7	11.3	--
• Customer satisfaction rating for Corporations Program (Scale 1-8)	7.4	6.8	7.4	7.1

Comments: The agency did not submit information for any measure labeled as "NA." 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 number of months required to review complaints received by Securities Division performance measure has stayed the same. 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. The reduction in the FY 2006 JLBC numbers for the turnaround time for filings would be due to new staff being added.

RECOMMENDED CHANGES FROM FY 2005

Operating Budget

The JLBC recommends \$23,183,400 for the operating budget in FY 2006. This amount consists of:

	FY 2006
General Fund	\$4,953,400
Arizona Arts Trust Fund	41,900
Investment Management Regulatory and Enforcement Fund	793,900
Public Access Fund	2,684,500
Securities Regulatory and Enforcement Fund	3,390,500
Utility Regulation Revolving Fund	11,319,200

This amount includes the following adjustments:

Standard Changes OF (117,700)

The JLBC recommends a decrease of \$(117,700) in FY 2006 for standard changes. This amount consists of:

Arizona Arts Trust Fund	1,200
Investment Management Regulatory and Enforcement Fund	(600)
Public Access Fund	500
Securities Regulatory and Enforcement Fund	(19,900)
Utility Regulation Revolving Fund	(98,900)

Staffing for Processing Delays OF 547,300

The JLBC recommends an increase of \$547,300 and 9 FTE Positions from the Public Access Fund in FY 2006 for new staff to reduce the filings backlog. 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, the JLBC is recommending a supplemental appropriation of \$292,000 to begin to address the processing delays. (See *Other Issues for Legislative Consideration for more information.*)

Customer Service Salary Equity OF 270,200

The JLBC recommends an increase of \$270,200 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 one year with the Motor Vehicle Division an employee is making 16% more than comparable staff at the Corporations Division.

Compliance Staffing OF 68,100

The JLBC recommends 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 would reduce the backlog to within 1 year. The

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

Pipeline Safety Salary Equity OF 64,700

The JLBC recommends 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.

One-Time Equipment OF (339,300)

The JLBC recommends a decrease of \$(339,300) in FY 2006 for elimination of one-time equipment. This amount consists of:

Public Access Fund	(197,700)
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 JLBC recommends \$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.

JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Monies in the Utilities Audits, Studies, Investigations & Hearings Special Line Item are continuing appropriations and are exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2005 Supplemental Appropriation for the Corporations Division

The JLBC recommends a FY 2005 supplemental appropriation of \$292,000 from the Public Access Fund to reduce processing delays. This amount is intended to cover 3 months of expenditures and would be used to fund temporary and overtime employees. (See *Staffing for Processing Delays policy issue above.*)

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Arizona Arts Trust (CCA3014/A.R.S. § 41-983.01)		Appropriated
Source of Revenue: One-third of the filing fees for the annual report of domestic and foreign corporations.		
Purpose of Fund: For grants under the Arizona arts program and for other expenditures as authorized by the chairman of the Arizona Arts Commission. The Corporation Commission funds 1 FTE Position with these monies to assist in collecting the fee, with the remainder transferred to the Arts Commission.		
Funds Expended	37,100	40,700
Year-End Fund Balance	0	0
Federal (CCA2000/A.R.S. § 40-441)		Non-Appropriated
Source of Revenue: U.S. Department of Transportation grants.		
Purpose of Fund: To pay up to 50% of the costs associated with the inspection of interstate pipelines transporting gas and hazardous liquids, and conduction of a pipeline safety program.		
Funds Expended	314,600	349,200
Year-End Fund Balance	385,600	286,400

SUMMARY OF FUNDS	FY 2004 Actual	FY 2005 Estimate
Investment Management Regulatory and Enforcement (CCA2404/A.R.S. § 44-3298)		Appropriated
Source of Revenue: Fees from licensing of investment advisors and investment advisor representatives, and from costs recovered from enforcement actions associated with the licensing.		
Purpose of Fund: For education, regulatory, investigative and enforcement operations in the Securities Division.		
Funds Expended	799,300	794,500
Year-End Fund Balance	559,600	549,100
Pipeline Safety Revolving (CCA2174/A.R.S. § 40-443)		Appropriated
Source of Revenue: Revenues from civil penalties and fines assessed for the violation of any law, rule, or order pertaining to the safety of the transportation of gas and hazardous liquids, and pipeline facilities. Pursuant to the FY 2004 Public Finance Omnibus Reconciliation Bill (ORB), these revenue sources are now deposited in the state General Fund.		
Purpose of Fund: For expenses associated with gas and hazardous liquids pipeline facilities safety, including public education, training, purchasing equipment, and inspections.		
Funds Expended	0	62,600
Year-End Fund Balance	395,200	332,600
Public Access (CCA2333/A.R.S. § 10-129.01)		Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: For an improved data processing system that allows direct, on-line access by any person at a remote location to all public records concerning corporations and associations.		
Funds Expended	1,774,200	2,064,200
Year-End Fund Balance	1,059,400	1,196,900
Public Access – Monies on Demand Subaccount (CCA2334/A.R.S. § 10-129.01)		Non-Appropriated
Source of Revenue: Fees for expedited service for the filing of articles of incorporation and other documents.		
Purpose of Fund: To segregate unearned revenues received from customers from the overall Public Access Fund. Customers deposit funds pending their use for filing documents or for obtaining specialized listings from the public database. Once earned, the funds are then transferred to the Public Access Fund.		
Funds Expended	0	0
Year-End Fund Balance	228,600	245,000
Securities Regulatory and Enforcement (CCA2264/A.R.S. § 44-2039)		Appropriated
Source of Revenue: Registration and transfer of registration fees for securities dealers and salesmen, and from registration fees for securities exchanges established in the state.		
Purpose of Fund: For education, regulatory, investigative, and enforcement operations in the Securities Division.		
Funds Expended	2,978,000	3,488,300
Year-End Fund Balance	2,225,900	1,666,100
Utility Regulation Revolving (CCA2172/A.R.S. § 40-408)		Appropriated
Source of Revenue: Assessments against public utilities regulated by the Commission, as defined by A.R.S. § 40-401.		
Purpose of Fund: For all expenses incurred by the Utilities Division, including attorneys and legal staff, auditors, economists and other staff employed by the Division.		
Funds Expended	10,884,900	11,666,400
Year-End Fund Balance	6,677,900	13,098,400
Utility Siting (CCA2076/A.R.S. § 40-360.09.10)		Non-Appropriated
Source of Revenue: Fees paid for applications to the Power Plant and Transmission Line Siting Commission for proposed and expanded power plants and transmission lines.		
Purpose of Fund: For costs incurred by the Power Plant and Transmission Line Siting Commission in connection with the activities of the Commission.		
Funds Expended	23,000	0
Year-End Fund Balance	10,300	10,300

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