

Chairman: The Honorable Marc Spitzer

JLBC Analyst: Chris Cranny

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	302.8	312.8	318.3
Personal Services	13,410,900	15,441,100	16,401,200
Employee Related Expenditures	3,704,000	4,313,400	5,078,500
Professional and Outside Services	1,065,100	492,400	492,400
Travel - In State	271,400	282,100	282,100
Travel - Out of State	95,300	130,900	130,900
Other Operating Expenditures	3,155,800	3,321,400	3,359,600
Equipment	779,200	670,800	593,400
OPERATING SUBTOTAL	22,481,700	24,652,100	26,338,100
SPECIAL LINE ITEMS			
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{1/}
Corporation Filings Same Day Service	0	498,400	400,400 ^{2/}
AGENCY TOTAL	22,481,700	25,530,500	27,118,500^{3/4/}
FUND SOURCES			
General Fund	5,006,000	5,216,200	5,543,200
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	40,700	45,000	48,600
Investment Management Regulatory and Enforcement Fund	793,100	841,600	893,900
Pipeline Safety Revolving Fund	54,200	0	0
Public Access Fund	2,349,100	3,655,100	3,817,300
Securities Regulatory and Enforcement Fund	3,115,900	3,547,900	3,714,900
Utility Regulation Revolving Fund	11,122,700	12,224,700	13,100,600
SUBTOTAL - Other Appropriated Funds	17,475,700	20,314,300	21,575,300
SUBTOTAL - Appropriated Funds	22,481,700	25,530,500	27,118,500
Other Non-Appropriated Funds	70,900	54,500	54,500
Federal Funds	185,900	350,700	350,700
TOTAL - ALL SOURCES	22,738,500	25,935,700	27,523,700

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.

- ^{1/} 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)
- ^{2/} The \$400,400 appropriated from the Public Access Fund for the Corporation Filings Same Day Service Special Line Item shall revert to the Public Access Fund at the end of FY 2007 if the commission cannot process all expedited services within 5 business days and all other documents and services within 30 business days in accordance with A.R.S. § 10-122. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.
- ^{4/} The Corporation Commission Corporations Division shall provide a report by the end of each calendar quarter during FY 2007 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 2007 a plan for resolving the backlog of corporation filings. (General Appropriation Act footnote)

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> Average turnaround time in days for processing of regular corporate filings Comments: As of June 2006, it is 30 days, thereby meeting the commission's goal. 	49	143	157	70
<ul style="list-style-type: none"> Average turnaround time in days for processing of expedited corporate filings Comments: As of June 2006, the average turnaround time in days for processing of expedited corporate filings is 5 days. 	2	11	27	3
<ul style="list-style-type: none"> Number of months required to review complaints received by Securities Division 	1.5	1.5	1.5	1.5
<ul style="list-style-type: none"> Customer satisfaction rating for Corporations Program (Scale 1-8) Comments: 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. 	7.4	6.8	3.0	7.1

Operating Budget

The budget provides \$26,338,100 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$5,543,200
Arizona Arts Trust Fund	48,600
Investment Management Regulatory and Enforcement Fund	893,900
Public Access Fund	3,416,900
Securities Regulatory and Enforcement Fund	3,714,900
Utility Regulation Revolving Fund	12,720,600

These amounts include an increase of \$1,239,100 for statewide adjustments. This amount consists of:

General Fund	327,000
Arizona Arts Trust Fund	3,600
Investment Management Regulatory and Enforcement Fund	52,300
Public Access Fund	112,400
Securities Regulatory and Enforcement Fund	167,000
Utility Regulation Revolving Fund	576,800

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

The budget also includes the following adjustments:

Information Technology Staffing

The budget provides an increase of \$402,800 and 4 FTE Positions in FY 2007 for Information Technology Staffing. This amount consists of:

Public Access Fund	201,400
Utility Regulation Revolving Fund	201,400

The monies would be used for 2 mid-level developers, 1 mid-level database administrator, and 1 operations technician to create and maintain customized applications with web interfaces. This funding will also enable the agency to reduce its reliance on overtime, as current information technology staff have been required to work a total of an additional 78 hours per week to cover the additional workload created by the need to provide increased support to the Corporations Division.

Engineering Staffing

The budget provides an increase of \$102,700 and 1 FTE Position from the Utility Regulation Revolving Fund in FY 2007 for Engineering Staffing. Increased funding would be used for an electrical engineer to assist in administering the environmental portfolio standard, annual plan filings reviews, and annual compliance hearings for each utility.

General Counsel Staffing

The budget provides an increase of \$69,500 and an 0.5 FTE Position from the Public Access Fund in FY 2007 for General Counsel Staffing. The monies would be used for an attorney to handle the higher volume of more complex legal issues that have been created by increased demand for the Corporation Division's services. From FY 2004 to FY 2005, LLC filings increased 33%, which represents the second highest annual growth in the past 11 years. This growth has created a higher volume of more complex legal issues, such as rule making and process improvement that must be administered at an executive level.

Staffing for Processing Delays

The budget provides a continuation of the \$547,300 appropriated in FY 2006 from the Public Access Fund to continue to reduce its filings backlog. The FY 2006 appropriation annualized supplemental funding added in FY 2005, when the Legislature appropriated \$356,200 to hire part-time and temporary staff to reduce backlogs. Significant backlogs and processing delays had developed

in the Corporations Division because of increases in the number of corporation filings, which in FY 2005 grew 20% over FY 2004 levels.

Of the \$629,700 appropriation in FY 2006, \$547,300 was designated as one-time, so that the Legislature could evaluate the success of the agency's initiatives to reduce the backlogs. For expedited filings, the amount of time required to process the filings fell from an average of 59.2 days in March 2005 to 5 days in June 2006. For regular filings, the amount of time required to process the filings fell from an average of 150.5 days in March 2005 to 30 days in June 2006.

Because of the significant improvements made in reducing processing delays, the approved amount continues the agency's one-time \$547,300 appropriation into FY 2007.

A footnote in the General Appropriation Act also requires the agency to provide quarterly updates on the status of further reducing processing delays. The commission's long-term goals for filing processing times are 3-5 days for expedited filings and 30 days for regular filings.

One-Time Equipment

The budget provides a decrease of \$(126,100) in FY 2007 for elimination of one-time equipment. This amount consists of:

Public Access Fund	(121,100)
Utility Regulation Revolving Fund	(5,000)

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 2007. This amount is unchanged from FY 2006.

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

Corporation Filings Same Day Service

The budget provides \$400,400 from the Public Access Fund for Corporations; LLCs; Same Day Service in FY 2007. Laws 2005, Chapter 262 appropriated \$498,400 in FY 2006. This amount would fund the following adjustments:

One-Time Equipment

The budget provides a decrease of \$(98,000) from the Public Access Fund in FY 2007 for elimination of one-time equipment.

A footnote in the General Appropriation Act requires that 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.