

Corporation Commission

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DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	302.8	312.8	313.8
Personal Services	13,410,900	15,122,800	15,197,800
Employee Related Expenditures	3,704,000	4,295,800	4,314,200
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	3,339,000	3,343,300
Equipment	779,200	670,800	549,700
OPERATING SUBTOTAL	22,481,700	24,333,800	24,310,400
SPECIAL LINE ITEMS			
Corporation Filings Same Day Service	0	498,400	400,400
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000
AGENCY TOTAL	22,481,700	25,212,200	25,090,800
FUND SOURCES			
General Fund	5,006,000	5,133,000	5,133,000
<u>Other Appropriated Funds</u>			
Arizona Arts Trust Fund	40,700	44,100	44,100
Investment Management Regulatory and Enforcement Fund	793,100	828,200	828,200
Pipeline Safety Revolving Fund	54,200	0	0
Public Access Fund	2,349,100	3,623,200	3,404,100
Securities Regulatory and Enforcement Fund	3,115,900	3,505,500	3,505,500
Utility Regulation Revolving Fund	11,122,700	12,078,200	12,175,900
SUBTOTAL - Other Appropriated Funds	17,475,700	20,079,200	19,957,800
SUBTOTAL - Appropriated Funds	22,481,700	25,212,200	25,090,800
Other Non-Appropriated Funds	70,900	54,500	54,500
Federal Funds	185,900	350,700	350,700
TOTAL - ALL SOURCES	22,738,500	25,617,400	25,496,000

CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(121,400)	(0.6%)
Total Appropriated Funds	(121,400)	(0.5%)
Non Appropriated Funds	0	0.0%
Total - All Sources	(121,400)	(0.5%)

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 2007
	Actual	Actual	Actual	JLBC
<ul style="list-style-type: none"> Average turnaround time in days for processing of regular corporate filings Comments: The average turnaround time in days for processing of regular corporate filings has increased due to the Corporation Division's focus on reducing the processing time for expedited filings to 3-5 days. As of November 2005, it is 68 days. 	49	143	157	70
<ul style="list-style-type: none"> Average turnaround time in days for processing of expedited corporate filings Comments: The average turnaround time in days for processing of expedited corporate filings performance measure has increased significantly due to total filings submitted increasing 20% from FY 2004 to FY 2005. As of November 2005, it is 10 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

RECOMMENDED CHANGES FROM FY 2006

Operating Budget

The JLBC recommends \$24,310,400 for the operating budget in FY 2007. This amount consists of:

	<u>FY 2007</u>
General Fund	\$ 5,133,000
Arizona Arts Trust Fund	44,100
Investment Management Regulatory and Enforcement Fund	828,200
Public Access Fund	3,003,700
Securities Regulatory and Enforcement Fund	3,505,500
Utility Regulation Revolving Fund	11,795,900

These amounts include the following adjustments:

Engineering Staffing OF 102,700

The JLBC recommends an increase of \$102,700 and 1 FTE Position from the Utility Regulation Revolving Fund in FY 2007 for Engineering Staffing. The monies 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. The legislative and ACC approved period of electric rate reductions and rate freezes have now expired. This means that all rate cases that are now occurring, or will commence in the foreseeable future, pose a workload demand on electrical engineering staff that has not existed for an extended number of years. Over the past 2 years, there have been 7 electric rate cases (approximately half were large in scope and lasted about 1 year). Due to long periods of no rate increases (about 5 years), the electric cooperatives are seeking large rate increases or multiple

annual rate increases. Many of these rate cases are also accompanied by applications for financing authorization at the ACC. There is approximately 1 FTE Position (electrical engineer) currently working in the major areas for which this staffing request is made.

Staffing for Processing Delays OF 0

The JLBC recommends 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 on March 25 to 10 days on November 25 (an 83% decrease). For regular filings, the amount of time required to process the filings fell from an average of 150.5 days on March 25 to 68 days on November 25 (a 54.8% decrease).

Because of the significant improvements made in reducing processing delays, the JLBC recommendation continues the agency's \$547,300 appropriation into FY 2007. Total corporate filings submitted as of October 31, 2005 (33,684) were 65% higher than those submitted as of October 31, 2004 (20,406).

This recommendation 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 **OF (126,100)**
 The JLBC recommends 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)

Of the \$(126,100) amount, \$(5,000) comes from the one-time equipment funding for the Utilities Division new FTE Position, and \$(121,100) from one-time funding for the Corporations Division new FTE Positions (adjusted for planned purchases).

Special Line Items

Corporation Filings Same Day Service

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

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. Currently, the monies for this service have not been utilized from the Public Access Fund and will remain unexpended until the above goals have been met.

Utilities Audits, Studies, Investigations & Hearings

The JLBC recommends \$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.

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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.

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.

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Arizona Arts Trust Fund (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	40,700	44,100
Year-End Fund Balance	0	0
Federal Fund (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	185,900	350,700
Year-End Fund Balance	516,500	515,800

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Investment Management Regulatory and Enforcement Fund (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	793,100	828,200
Year-End Fund Balance	665,800	772,800
Pipeline Safety Revolving Fund (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	54,200	0
Year-End Fund Balance	341,000	341,000
Public Access Fund (CCA2333/A.R.S. § 10-122.01)		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 in excess of \$200,000 revert to the General Fund at the end of each fiscal year.		
Funds Expended	2,349,100	3,623,200
Year-End Fund Balance	2,023,200	693,800
Public Access - Money on Deposit Account (CCA2334/A.R.S. § 10-122.01)		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	319,500	319,500
Securities Regulatory and Enforcement Fund (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	3,115,900	3,505,500
Year-End Fund Balance	2,130,100	1,625,100
Statewide Donations Fund (ADA2025/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Receives a grant from the Investor Protection Trust, a private trust which collects monies from fines levied on Wall Street companies engaged in insider securities trading.		
Purpose of Fund: For public awareness campaigns mostly directed toward the elderly.		
Funds Expended	0	54,500
Year-End Fund Balance	38,100	38,100

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
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Utility Siting Fund (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	70,900	0
Year-End Fund Balance	27,400	27,400

Utility Regulation Revolving Fund (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. The sum of the amounts assessed shall not exceed .25% of any such corporation's gross operating revenues derived from intrastate operations during the preceding calendar year.

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	11,122,700	12,078,200
Year-End Fund Balance	6,701,300	15,176,100