

Chairman: The Honorable Jeff Hatch-Miller

JLBC Analyst: Grant Nülle

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved	FY 2009 Approved
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	312.8	318.3	321.3	321.3
Personal Services	13,838,700	16,529,200	17,456,200	16,971,700
Employee Related Expenditures	4,118,800	5,219,900	5,752,300	5,340,300
Professional and Outside Services	1,063,500	429,100	685,300	716,700
Travel - In State	288,900	284,100	284,600	284,600
Travel - Out of State	103,200	118,600	292,700	292,700
Other Operating Expenditures	3,248,400	3,205,800	3,440,700	3,163,900
Equipment	1,286,800	551,400	618,500	571,400
OPERATING SUBTOTAL	23,948,300	26,338,100	28,530,300	27,341,300
SPECIAL LINE ITEMS				
Corporation Filings Same Day Service	0	400,400	400,400 ^{1/}	400,400 ^{1/}
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000 ^{2/}	380,000 ^{2/}
AGENCY TOTAL	23,948,300	27,118,500	29,310,700^{3/4/}	28,121,700^{3/4/}
FUND SOURCES				
General Fund	5,210,400	5,543,200	5,857,400	5,542,500
<u>Other Appropriated Funds</u>				
Arizona Arts Trust Fund	44,000	48,600	51,300	48,300
Investment Management Regulatory and Enforcement Fund	829,000	893,900	935,100	889,700
Pipeline Safety Revolving Fund	0	0	55,400	0
Public Access Fund	3,055,900	3,817,300	4,385,400	4,332,600
Securities Regulatory and Enforcement Fund	3,118,300	3,714,900	3,976,800	3,822,300
Utility Regulation Revolving Fund	11,690,700	13,100,600	14,049,300	13,486,300
SUBTOTAL - Other Appropriated Funds	18,737,900	21,575,300	23,453,300	22,579,200
SUBTOTAL - Appropriated Funds	23,948,300	27,118,500	29,310,700	28,121,700
Other Non-Appropriated Funds	61,700	54,500	54,500	54,500
Federal Funds	203,500	350,700	350,700	350,700
TOTAL - ALL SOURCES	24,213,500	27,523,700	29,715,900	28,526,900

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/} 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 each fiscal year if the commission cannot process all expedited services within 5 business days and all regular services within 30 business days in accordance with A.R.S. § 10-122, 10-3122, and 29-851. (General Appropriation Act footnote)
- ^{2/} 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)
- ^{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 fiscal year to the Joint Legislative Budget Committee on the total number of filings received by the Corporations Division pursuant to the services listed in A.R.S. § 10-122, 10-3122, and 29-851, the total number of filings processed by the Corporations Division and the amount of time, in business days, to process each type of service. (General Appropriation Act footnote)

PERFORMANCE MEASURES	FY 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> Average turnaround time in days for processing of regular corporate filings Comments: The commission attributes the decline in processing times to the utilization of temporary employees, staff overtime, and improvements to and addition of automated processing. 	143	157	80	30
<ul style="list-style-type: none"> Average turnaround time in days for processing of expedited corporate filings 	11	27	8	3
<ul style="list-style-type: none"> Number of months required to review applications 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 increased due to the improvement in expedited and regular corporate filings processing times. 	6.8	3.0	7.5	7.1

Operating Budget

The budget provides \$28,530,300 and 321.3 FTE Positions for the operating budget in FY 2008 and \$27,341,300 and 321.3 FTE Positions in FY 2009. These amounts consist of:

	<u>FY 2008</u>	<u>FY 2009</u>
General Fund	\$5,857,400	\$5,542,500
Arizona Arts Trust Fund	51,300	48,300
Investment Management Regulatory and Enforcement Fund	935,100	889,700
Pipeline Safety Revolving Fund	55,400	0
Public Access Fund	3,985,000	3,932,200
Securities Regulatory and Enforcement Fund	3,976,800	3,822,300
Utility Regulation Revolving Fund	13,669,300	13,106,300

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$1,069,800 in FY 2008 and a decrease of \$(115,700) in FY 2009 for statewide adjustments. These amounts consist of:

General Fund	264,200	(50,700)
Arizona Arts Trust Fund	2,700	(300)
Investment Management Regulatory and Enforcement Fund	41,200	(4,200)
Public Access Fund	117,800	(6,400)
Securities Regulatory and Enforcement Fund	145,500	(9,000)
Utility Regulation Revolving Fund	498,400	(45,100)

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details. The annualization of these adjustments for FY 2009 will be addressed in the 2008 budget process.)

Commissioner Expenses

The budget provides an increase of \$50,000 from the General Fund in FY 2008 and FY 2009 for commissioner operating expenses. Monies will be distributed evenly amongst the agency's 5 commissioners for their operating costs.

Attorney Salary Equity

The budget provides an increase of \$235,100 in FY 2008 and FY 2009 for attorney salary pay adjustments. These amounts consist of:

Securities Regulatory and Enforcement Fund	116,400	116,400
Utility Regulation Revolving Fund	118,700	118,700

Monies will support salary increases for non-management attorneys in the Securities, Hearings, and Legal Divisions to address an attorney turnover rate of 33% in FY 2006. Attorneys with equivalent years of experience are paid 8%-16% more at City of Phoenix and Maricopa County agencies than comparable staff at the commission.

Legal Division Staffing

The budget provides an increase of \$100,400 and 1 FTE Position from the Utility Regulation Revolving Fund in FY 2008 and an increase of \$93,900 and 1 FTE Position in FY 2009 for attorney services in the commission's Legal Division. The commission has experienced 24% growth in the number of filings, motions, and legal briefs between FY 2003 and FY 2006, more complex cases, and growth in the number of commission open meetings, which require the presence of most staff attorneys. The additional attorney will help address less complex cases and assist in the revision of commission rules and regulations, allowing more experienced staff to attend to more complex cases. The FY 2008 amount includes \$6,500 in one-time monies for equipment purchases.

Administrative Law Staffing

The budget provides an increase of \$109,300 and 1 FTE Position from the Utility Regulation Revolving Fund in FY 2008 and an increase of \$102,800 and 1 FTE Position in FY 2009 to address administrative law judge caseload growth in the commission's Hearings Division. The average administrative law judge caseload has increased from 37 cases to 52 since FY 2005 and the most complex case types have increased substantially since FY 2004. The addition of an administrative law judge to the commission's Tucson office will allow current judges to focus on more complex rate cases and is expected to reduce the average judge caseload by 5-10%. The FY 2008 amount includes \$6,500 in one-time monies for equipment purchases.

Railroad and Pipeline Safety Director

The budget provides an increase of \$121,900 and 1 FTE Position from the Utility Regulation Revolving Fund in FY 2008 and an increase of \$115,400 and 1 FTE Position in FY 2009 for a director for the Railroad and Pipeline Safety Division. Since 1999, administrative responsibilities for the division have been split between supervisors for the railroad and pipeline safety sections and the Office of the Executive Director. The addition of a division director will allow section supervisors to spend more time in the field with division staff and allow the director to improve the quality of reporting on division activities to the federal government, which provides grants to the division. The FY 2008 amount includes \$6,500 in one-time monies for equipment purchases.

Master Meter Equipment

The budget provides an increase of \$55,400 from the Pipeline Safety Revolving Fund in FY 2008 for one-time master meter training equipment purchases. One-time monies will be used to acquire replacements for pieces of equipment that were last purchased in the 1980s and 1990s and update the commission's master meter training materials.

Automation Update

The budget provides an increase of \$450,300 from the Public Access Fund in FY 2008 and an increase of \$521,700 in FY 2009 for updating the Corporations Division's main database. Monies will replace the State of Arizona Public Access System (STARPAS), which has been used since FY 1995 for recording and storing all corporate filings information and has been providing the public internet access to corporate records since FY 2001.

The commission's cost for replacement, including software, contractor support, and equipment costs is \$2,000,000 spread over 3 to 4 years, with ongoing maintenance costs of approximately \$110,000. Operating on database designs and software from 1993, STARPAS lacks the ability to integrate with common office hardware and software and has difficulty integrating with the internet. The implementation of a customized STARPAS

system will allow the commission to offer e-filing options for all documents filed with the commission (37 document types, compared to 3 now), which can reduce document processing times by as much as 50%, allowing the commission to address an increased filings workload and reduce the need for additional staff in the Corporations Division. Replacement of the system will take 3 to 4 years to complete, with an anticipated 10-year lifespan upon completion.

Special Line Items

Corporation Filings Same Day Service

The budget provides \$400,400 from the Public Access Fund for Corporation Filings Same Day Service in FY 2008 and FY 2009. These amounts are unchanged from FY 2007.

A footnote in the General Appropriation Act requires that same day and next day services shall not be offered unless all expedited services listed in A.R.S. § 10-122, 10-3122, and 29-851 are processed within a maximum of 5 business days and all other documents and services are processed within a maximum of 30 business days.

Utilities Audits, Studies, Investigations, & Hearings

The budget provides \$380,000 from the Utility Regulation Revolving Fund for Utilities Audits, Studies, Investigations & Hearings in FY 2008 and FY 2009. These amounts are unchanged from FY 2007.

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