

Corporation Commission

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 OSPB: Matt Gottheiner

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	312.8	318.3	319.3	319.3
Personal Services	13,838,700	16,529,200	16,604,200	16,604,200
Employee Related Expenditures	4,118,800	4,608,200	5,263,400	5,263,400
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	3,817,500	3,193,900	3,213,900
Equipment	1,286,800	551,400	613,300	571,400
OPERATING SUBTOTAL	23,948,300	26,338,100	26,937,400	26,946,900
SPECIAL LINE ITEMS				
Corporation Filings Same Day Service	0	400,400	400,400	400,400
Utilities Audits, Studies, Investigations & Hearings	0	380,000	380,000	380,000
AGENCY TOTAL	23,948,300	27,118,500	27,717,800	27,727,300

FUND SOURCES

General Fund	5,210,400	5,543,200	5,592,500	5,592,500
<u>Other Appropriated Funds</u>				
Arizona Arts Trust Fund	44,000	48,600	48,300	48,300
Investment Management Regulatory and Enforcement Fund	829,000	893,900	889,700	889,700
Pipeline Safety Revolving Fund	0	0	55,400	0
Public Access Fund	3,055,900	3,817,300	4,261,200	4,332,600
Securities Regulatory and Enforcement Fund	3,118,300	3,714,900	3,705,900	3,705,900
Utility Regulation Revolving Fund	11,690,700	13,100,600	13,164,800	13,158,300
SUBTOTAL - Other Appropriated Funds	18,737,900	21,575,300	22,125,300	22,134,800
SUBTOTAL - Appropriated Funds	23,948,300	27,118,500	27,717,800	27,727,300
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	28,123,000	28,132,500

CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC		FY 2007 to FY 2009 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	49,300	0.9%	49,300	0.9%
Other Appropriated Funds	550,000	2.5%	559,500	2.6%
Total Appropriated Funds	599,300	2.2%	608,800	2.2%
Non Appropriated Funds	0	0.0%	0	0.0%
Total - All Sources	599,300	2.2%	608,800	2.2%

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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	JLBC
<ul style="list-style-type: none"> Average turnaround time in days for processing of regular corporate filings <p>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.</p>	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 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) <p>Comments: The customer satisfaction rating for Corporations Program performance measure has increased due to the improvement in expedited and regular corporate filings processing times.</p>	6.8	3.0	7.5	7.1

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$26,937,400 and 319.3 FTE Positions for the operating budget in FY 2008 and \$26,946,900 and 319.3 FTE Positions in FY 2009. This amount consists of:

	FY 2008	FY 2009
General Fund	\$5,592,500	\$5,592,500
Arizona Arts Trust Fund	48,300	48,300
Investment Management Regulatory and Enforcement Fund	889,700	889,700
Pipeline Safety Revolving Fund	55,400	0
Public Access Fund	3,860,800	3,932,200
Securities Regulatory and Enforcement Fund	3,705,900	3,705,900
Utility Regulation Revolving Fund	12,784,800	12,778,300

These amounts would fund the following adjustments:

Standard Changes	GF	(30,900)	(30,900)
	OF	(65,000)	(65,000)

The JLBC includes a decrease of \$(95,900) in FY 2008 and FY 2009 for standard changes. This amount consists of:

General Fund	(30,900)	(30,900)
Arizona Arts Trust Fund	(300)	(300)
Investment Management Regulatory and Enforcement Fund	(4,200)	(4,200)
Public Access Fund	(6,400)	(6,400)
Securities Regulatory and Enforcement Fund	(9,000)	(9,000)
Utility Regulation Revolving Fund	(45,100)	(45,100)

One-time AZNet

Appropriation GF (700) (700)

The JLBC includes a decrease of \$(700) from the General Fund in FY 2008 and FY 2009 to reflect the one-time appropriation for AZNet telecommunications charges.

Rebase Retirement

Rates GF (19,100) (19,100)

The JLBC includes a decrease of \$(19,100) from the General Fund in FY 2008 and FY 2009 for rebasing Elected Officials retirement rates at actual FY 2007 levels. The actual rates that will be charged to the agency in FY 2007 are lower than were assumed in the FY 2007 budget; this reduction leaves sufficient funds to pay the base rates. Increases for FY 2008 changes to rates are funded separately as a statewide item and would be distributed to agencies at a later time.

Commissioner

Expenses GF 100,000 100,000

The JLBC includes an increase of \$100,000 from the General Fund in FY 2008 and FY 2009 for commissioner operating expenses. Monies for this issue will be distributed evenly amongst the agency's 5 commissioners for their operating costs.

Master Meter

Equipment OF 55,400 0

The JLBC includes an increase of \$55,400 from the Pipeline Safety Revolving Fund in FY 2008 and no funding in FY 2009 for 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.

Administrative Law

Staffing OF 109,300 102,800

The JLBC includes an increase of \$109,300 and 1 FTE Position from the Utility Regulation Revolving Fund in

FY 2008 and \$102,800 and 1 FTE Position in FY 2009 to address administrative law judge caseload growth in the commission's Hearings Division. The FY 2008 amount includes \$6,500 in one-time equipment monies.

The average administrative law judge caseload has increased from 37 cases to 52 since FY 2005, as the most complex case types have increased substantially since FY 2004. Rate cases have increased from 16 in FY 2004 to 41 in FY 2006 and Arbitrated Interconnection Agreements have increased from 4 in FY 2004 to 11 in FY 2006. The addition of an administrative law judge to the commission's Tucson office would allow current judges to focus on the more complex rate cases and is expected to reduce the average caseload by 5-10%.

Automation Update OF 450,300 521,700

The JLBC includes an increase of \$450,300 from the Public Access Fund in FY 2008 and \$521,700 in FY 2009 for updating the Corporations Division's main database. Monies would be used to 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 would 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 would take 3 to 4 years to complete, with an anticipated 10-year lifespan upon completion.

Special Line Items

Corporation Filings Same Day Service

The JLBC includes \$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.

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. 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.

As of December 8, 2006, 2 types of services are not being processed within the maximum of 30 business days allowed for regular filings. Processing times for Articles of Amendment and Annual Reports are averaging 40-45 and 50 business days apiece. All expedited services are being processed within the maximum of 5 business days allowed by statute.

Utilities Audits, Studies, Investigations & Hearings

The JLBC includes \$380,000 from the Utility Regulation Revolving Fund for Utilities Audits, Studies, Investigations & Hearings in FY 2008 and FY 2009. This amount is 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.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes

This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations until June 30, 2009.

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.

The Corporation Commission Corporations Division shall provide a report by the end of each ~~calendar quarter during FY 2007~~ 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 the filings SERVICE. ~~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 2006 Actual	FY 2007 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	44,000	48,600
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 to conduct a pipeline safety program.		
Funds Expended	203,500	350,700
Year-End Fund Balance	530,700	430,000
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	829,000	893,900
Year-End Fund Balance	743,100	742,700
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	0	0
Year-End Fund Balance	335,900	335,900
Public Access Fund (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	3,055,900	3,817,300
Year-End Fund Balance	1,463,000	652,900
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	579,700	379,700

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
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	3,118,300	3,714,900
Year-End Fund Balance	2,244,100	1,715,600
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	55,300	54,500
Year-End Fund Balance	21,800	21,800
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	6,400	0
Year-End Fund Balance	39,600	39,600
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.		
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	11,690,700	13,100,600
Year-End Fund Balance	8,191,300	15,811,600