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Executive Director

## ARIZONA CORPORATION COMMISSION

August 15, 2013

The Honorable Janice K. Brewer  
Governor of the State of Arizona  
1700 West Washington Street  
Phoenix, AZ 85007

Dear Governor Brewer,

We are pleased to submit our FY 2015 Budget Request for the Arizona Corporation Commission. FY 2015 finds us firmly committed to continuing our efforts to fulfill the duties entrusted to us in the Arizona Constitution.

The Commission's FY2015 budget proposal continues our FY2014 budget and adds an additional \$1.075 million for mission critical projects specified below.

The Commission is proposing to replace outdated software programs in our Securities Division. Both the Enforcement Database, and Registration and Filings Database in use by the Securities Division are no longer supported by the Division's vendor and cannot function in Windows 7. They are 13 or more years old. Although separate, the two programs are inter-related. The enforcement database is used in the investigation and prosecution of enforcement cases against individuals and firms, as well as in the tracking and payment of restitution, fines and other charges resulting from enforcement actions. The registration database contains information on securities/exemption filings, as well as information on all state broker and adviser licensees, and receipts of paid registration fees. The new system is anticipated to allow for electronic filing and payments. This will be a one-time cost of \$750,000 with an anticipated on-going maintenance cost of \$100,000 from the Securities Regulatory and Enforcement Fund.

The Securities Division is also in need of an additional attorney in its enforcement division. Due to the financial constraints experienced from FY2008-2013, the number of Division enforcement attorneys had declined from nine to seven. This attorney position is expected to cost \$140,000 (ERE included) and is not an additional FTE.

The Commission is also requesting \$100,000 in funding so that we can procure a MS Enterprise Service Agreement to assist three of our divisions, Securities, Utilities and Corporations, with planning for, and meeting, future IT needs. This Service Agreement is currently used by other state agencies, and has been seen as crucial in assisting with developing and maintaining agency IT business processes. The funds will be equally divided among, and funded from, the Securities Regulatory and Enforcement Fund, the Utilities Regulation Revolving Fund and the Public Access Fund.

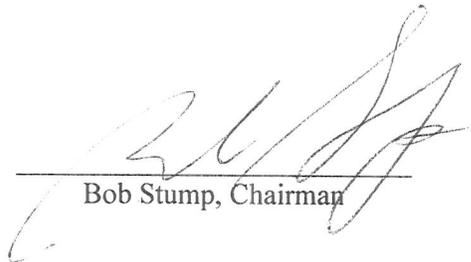
The Commission's Pipeline Safety Division received near perfect scores in a 2012 Pipeline and Hazardous Materials Safety Administration (PHMSA) program audit for natural gas and hazardous liquids. The Arizona program has long been recognized as one of the nation's best and most comprehensive as seen by consistent high scores received on annual program reviews. These audits are used to determine a state's total point award which in turn, determines the amount of the federal grant that assists pipeline safety operations for the

Commission. Annual program audits are required by the pipeline safety grant in order to monitor state pipeline safety programs and ensure that states comply with PHMSA regulations. Program audits also address the accuracy of inspection reports and other data uploaded to the PHMSA database, along with on-field inspections at service provider and master meter locations. In order to maintain the high quality of our Division's efforts and continue receiving federal grant money, the Division is requesting an additional one-time expense of \$30,000 from the Pipeline Safety Revolving Fund for safety staff cross-training which will further enhance the Division's exceptional activities.

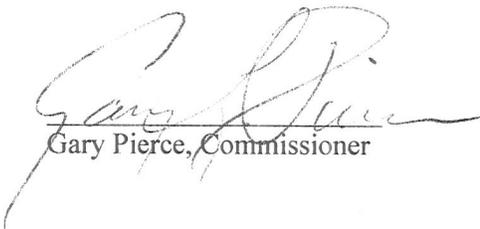
Finally, the Corporations Division is requesting funding of \$55,000 from the Public Access Fund to bring current a microfilm backlog. Corporation and LLC records maintained by the Corporations Division are required by statute to be microfilmed for permanent storage. There is currently a backlog of approximately 3.5 to 4 million digital document pages for the years 2009 through the present that were not microfilmed due to intervening changes in priorities. The Division pays to store paper documents until the microfilm has been created, and is able to destroy paper documents that are more than 3 years old if they have been microfilmed. This will allow the Division to retire those storage costs. This effort will be outsourced and is a one-time expense.

We appreciate your continued support of our constitutional mission and that of our Divisions, and we look forward to working with you and the Legislature. Our Executive Director and the ACC staff are happy to assist you and your staff with any questions or information on our budget or operations. In addition, please feel free to call upon any of us to address questions or concerns you may have in regard to the attached.

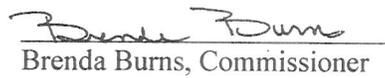
Sincerely,



Bob Stump, Chairman



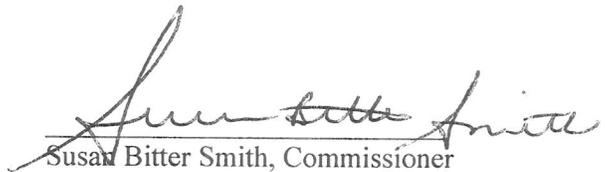
Gary Pierce, Commissioner



Brenda Burns, Commissioner



Robert Burns, Commissioner



Susan Bitter Smith, Commissioner