

# Funding Issues List

Agency: CCA Corporation Commission

FY 2016

Priority	Funding Issue Title	Category	Total FTE	Total Amount	General Fund	Other Funds	Non-App Funds
1	Corporations Online Access System	Decision Pack	0.0	2,000.0	0.0	2,000.0	0.0
1	Salary parity for Securities Investigators	Decision Pack	0.0	243.0	0.0	243.0	0.0
1	Additional FTE for Legal appellate actions	Decision Pack	0.0	150.0	0.0	150.0	0.0
1	Ongoing maintenance for Securities Database system	Decision Pack	0.0	100.0	0.0	100.0	0.0
<b>Total:</b>			0.0	2,493.0	0.0	2,493.0	0.0
<b>Decision Package Total:</b>			0.0	2,493.0	0.0	2,493.0	0.0

# Funding Issue Detail

Agency: **CCA Corporation Commission**

Issue: **1 Corporations Online Access System**

Issue Category: **Decision Package**

**Justification:** The Commission seeks additional funding for the enhancement or replacement of the existing modified corporate records database and filing system.

**Program:** 3-1 Corporations  
**Fund:** 2333-A Public Access Fund (Appropriated)

**Calculated ERE:** \$0.00  
**Uniform Allowance:** \$0.00

**Justification:**

Expenditure Categories	FY 2016
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	2,000.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>2,000.0</b>

**AGENCY NAME & AFIS CODE: ARIZONA CORPORATION COMMISSION CCA**

**COST CENTER/PROGRAM NAME: CORPORATIONS DIVISION**

**BUDGET JUSTIFICATION**

**ISSUE: REPLACEMENT OF LEGACY DATABASE SYSTEMS**

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**PROBLEM:**

The Arizona Corporation Commission Corporations Division (“Division”) relies upon two legacy databases to accomplish its work. The main entity record database is known as STARPAS, and was developed by internal staff in the mid-1990s using what is now an unsupported version of an uncommonly used computer programming language called Progress. STARPAS requires constant maintenance, and cannot easily or adequately be expanded to provide comprehensive, secure online features and mobile applications for the public. Online filing has quickly become the standard for many other states’ corporate records filing, and makes it easier for Arizona businesses and filers to interact with the Commission. STARPAS does not currently accommodate the processing of all document types within the automated work queue (these have to be distributed and processed manually). STARPAS cannot easily or quickly be updated to accommodate changes in the law, for example, to create a new entity type or a new filing fee. The separate document imaging database software is known as Docuware. The Division is tasked with maintaining all corporation and limited liability company records, and, by statute, must make those records available to the public via the internet. In addition, the document imaging software that is compatible with that legacy system is a version no longer supported by the vendor and upgrading will require significant effort. Management is required to compile and report statistical and staff performance data manually in many cases due to undeveloped reporting capabilities within both database systems. Both systems have severely limited functionality compared with today’s technology solutions that provide for secure online transactions and mobile applications.

**PROPOSED SOLUTION:**

The proposed solution is to contract a vendor through the State procurement process to provide a highly-configurable and complete replacement of the legacy database and imaging systems, which would include a fully integrated imaging and accounting component, plus secure online features that allow the public to submit all document types and payments online or through mobile devices. Staff will be able to process all document types from an automated work queue that tracks the progress of the document through the examination process. Electronic document and payment submission provides an essential convenience to the public, will assist in reducing the rejection rate for errors, and will ultimately decrease processing times, thereby making the Division processes more efficient. The fully integrated accounting portion of the Solution will provide an improved audit trail, receipting, and reconciliation of monies received, which revenue averages \$15 million annually. Comprehensive reporting capabilities will enhance the ability of management to monitor staff performance and mission critical metrics. It is expected the project will be completed in two fiscal years,

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**ISSUE: REPLACEMENT OF LEGACY DATABASE SYSTEMS**

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primarily due to the lengthy procurement process and coordination with ASET. The estimated cost of the replacement system is approximately \$2 million dollars, with an estimated \$150,000 annual maintenance once operational.

**PERFORMANCE MEASURES TO QUANTIFY SUCCESS OF SOLUTION:**

Success can be measured by the following criteria:

- Implementation of a fully functional database/imaging/accounting system for corporation and LLC records, which includes online features allowing the public to securely submit documents and payments online or through mobile devices.

**ALTERNATIVES AND REASONS FOR REJECTION:**

One alternative is to continue to use the legacy systems. This alternative is not recommended. The existing systems are outdated and cannot easily be updated through configuration, but instead require continual code development to keep up with existing or emerging technological advances such as secure online submission of documents and payments. Additionally, it requires a significant amount of internal IT staff time and effort to maintain and extend the existing functionality of the old systems. STARPAS is maintained on an unsupported version of Windows server, which may have some risk involved in upgrading.

Another alternative is to use internal IT staff to create a new system. This alternative is not recommended. Existing internal IT staff are currently already tasked with a multi-year re-write of the Corporation Commission's e-Docket system to modernize it into an enterprise software system over the next 2-3 years. There is not enough staff to also develop the Corporation system replacement with the advanced features desired, within this same timeframe.

A third alternative is to stagger improvements over a period of time. This alternative will take longer than replacing with a customizable off-the-shelf solution and is not recommended due to time required. The existing STARPAS system can have a more modern front-end solution developed on top of it, with a trade-off of performance time, and the database will then be required to be migrated to more modern technologies. Advanced features can then be built. In addition, the document images in the currently separate imaging database must be migrated to any new system *en mass*, and not on a piecemeal basis. This would be expected to take twice the time of a purchased solution.

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**COST CENTER/PROGRAM NAME: CORPORATIONS DIVISION**

**BUDGET JUSTIFICATION**

**ISSUE: REPLACEMENT OF LEGACY DATABASE SYSTEMS**

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**IMPACT OF NOT FUNDING IN FY 2016**

If the replacement system is not implemented in FY2016, the risk of the existing system failing to meet future needs continues to grow. The Arizona Corporation Commission will not be able to easily accommodate legislative changes pertaining to corporations and LLCs in a timely manner. The public will continue to be limited in their ability to submit documents and payments online, thereby increasing the difficulty of forming new businesses in Arizona.

**STATUTORY REFERENCE**      A.R.S. Title 41, Chapter 1, Article 2.1

**FUNDING COSTS:**      \$2,000 (in thousands)      PAF

# Funding Issue Detail

Agency: **CCA Corporation Commission**

Issue: **1 Salary parity for Securities Investigators**

Issue Category: **Decision Package**

**Justification:** The ACC requests additional funding to bring its securities investigators' salaries in line with comparable positions in other state and local government entitites, in order to stem the high turnover rate with the securities investigator positions at the Commission.

Program: **4-1 Securities**  
 Fund: **2264-A Securities Regulatory & Enforcement (Appropriated)**

Calculated ERE: **\$34.90**  
 Uniform Allowance: **\$0.00**

**Justification:**

Expenditure Categories	FY 2016
FTE	0.0
Personal Services	180.0
Employee Related Expenses	63.0
<b>Subtotal Personal Services and ERE:</b>	<b>243.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	0.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>243.0</b>

**AGENCY NAME & AFIS CODE: ARIZONA CORPORATION COMMISSION CCA**

**COST CENTER/PROGRAM NAME: SECURITIES DIVISION**

**BUDGET JUSTIFICATION**

**ISSUE: FUNDING OF SALARY INCREASE FOR CHIEF INVESTIGATOR AND INVESTIGATOR POSITIONS**

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**PROBLEM:**

The Arizona Corporation Commission Securities Division (“Division”) has nine investigator positions in its Enforcement Section, one of which is a Chief Investigator. Currently all but one position is filled by an Arizona Police Office Standards and Training Board (“AZPOST”) certified police officer. Division investigators investigate allegations of securities violations, prepare cases for hearing, and assist prosecutors in indicting and trying criminal cases. Each investigator handles approximately nine open investigations. Those investigations result in orders requiring wrongdoers to pay restitution to victims and penalties to the State.

Over the last four fiscal years, the Division has lost 11 investigators, an employee turnover rate of 116%. The primary reason given for leaving has been salary. The Division’s salary for starting investigators is \$47,000. Other agencies and police departments pay their officers substantially more. For example, the Attorney General’s Office is currently offering \$68,000 to investigators, \$20,000 more than the Division. The Maricopa County Attorney’s Office is offering between \$55,224 to \$78,811, \$8,000 to \$30,000 more than the Division. The Division’s investigators are also considered particularly desired by these agencies as not only do they have general investigative experience, but they are also highly trained in white collar investigations, particularly financial crimes. Even valley police departments are paying new police officers, with no experience, more than the Division pays its experienced investigators. In FY14, it took the Division an average of three months to fill vacant positions. Since very few police officers have backgrounds in investigating financial crimes, once filled it takes substantial time to train the new investigator. With the economy improving and police forces now hiring after a long period of limited hiring, the Division expects turnover to increase in the future. If that does occur, the Division’s ability to investigate and prosecute financial fraud in Arizona will be substantially hampered.

**PROPOSED SOLUTION:**

The Division seeks funding in the amount of \$243,000 (salary and ERE) from the Securities Regulatory and Enforcement Fund (Fund 2264) to fund pay increases for eight investigator positions and one Chief Investigative position. That would allow the Division to increase salaries to approximately \$68,000 which would match the Attorney General’s Office.

**PERFORMANCE MEASURES TO QUANTIFY SUCCESS OF SOLUTION:**

The Division expects investigator turnover to decrease by at least 50%.

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**COST CENTER/PROGRAM NAME: SECURITIES DIVISION**

**BUDGET JUSTIFICATION**

**ISSUE: FUNDING OF SALARY INCREASE FOR CHIEF INVESTIGATOR AND INVESTIGATOR POSITIONS**

In the timeframe of FY10 to FY13, the average investigative load was 9.2 investigations. The average number of administrative cases filed was 3.3. Since the average position is open 95 days, and the time taken to train a new investigator is between six months to a year, the Division expects to increase the matters to be investigated over the previous fiscal year, with additional administrative cases to be filed each fiscal year. In the average year, for each investigator, \$10,428,000 was awarded as restitution to victims of the wrongdoer with an average award of \$454,000 in penalties to go to the General Fund. Therefore, it is expected that restitution awarded to victims and General Fund receipts would significantly increase as a result of decreasing turnover. Additionally, as each investigator assists criminal prosecutors with the prosecution of financial fraud cases, the Division expects that additional white collar indictments would result.

**ALTERNATIVES AND REASONS FOR REJECTION:**

1. Do not fill the positions of investigators who leave and use savings to increase pay of remaining investigators. As the number of investigators decreases, the result will be less investigations and cases handled by the Division, with resulting increased losses by Arizona investors.
2. Keep pay levels the same. Expected result is that investigator turnover will increase as other agencies increase level of hiring. Result will be less investigations and cases handled by the Division, with resulting increased losses by Arizona investors.

**IMPACT OF NOT FUNDING IN FY 2016:**

Failing to fund this year would lead turnover remaining high or increasing, leading to postponement of investigations and filing of cases. Therefore, at least some victims of securities violations would lose the potential benefit of restitution of help cover their losses while the State would lose a potential increase in General Fund revenues.

**STATUTORY REFERENCE:** A.R.S. § 44-1813

**COST SUMMARY (in thousands):** \$243 (SRF)



# Funding Issue Detail

Agency: **CCA Corporation Commission**

Issue: **1 Additional FTE for Legal appellate actions**

Issue Category: **Decision Package**

**Justification:** The ACC Legal division faces increased appellate activities and increased involvement with changing EPA rules and regulations. In order to adequately provide for continued legal coverage for the whole Commission, the Legal division requests funding for an existing FTE to address these two critical facets in the utility regulatory industry.

**Program:** 8-1 Legal  
**Fund:** 2172-A Utility Regulation Revolving (Appropriated)

**Calculated ERE:** \$19.40  
**Uniform Allowance:** \$0.00

**Justification:**

Expenditure Categories	FY 2016
FTE	0.0
Personal Services	100.0
Employee Related Expenses	34.0
<b>Subtotal Personal Services and ERE:</b>	<b>134.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	5.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	1.0
Equipment	10.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>150.0</b>

AGENCY NAME & AFIS CODE:  
COST CENTER/PROGRAM:

ARIZONA CORPORATION COMMISSION CCA  
Legal Division

BUDGET JUSTIFICATION

ISSUE: Additional FTE for appellate actions

**Statement of problem** – The ACC Legal Division requires an additional attorney due to an ever-increasing workload, which has been caused by developments at both the state and federal levels. First, there has been a significant increase at the federal level in rulemaking activity related to the electric industry, such as the EPA’s recent haze and carbon rules. In particular, the EPA’s recently proposed *Clean Power Plan*, will—if adopted—have significant, long-term repercussions for Arizona’s electric utilities. In order to protect Arizona’s interests, the Legal Division (on behalf of the Commission) will have to evaluate the legal and technical underpinnings of EPA’s six-hundred page proposal, file comments in the rulemaking docket, and pursue potential court action. Because EPA’s proposed rules may impact a number of regulatory issues, such as renewables, energy efficiency, transmission, and ratemaking, the Commission is also likely to experience an increase in the number of state regulatory proceedings related to gas and electric utilities. These additional proceedings will require the participation of the Legal Division. Second, there has also been ongoing federal rulemaking activity related to telecommunications. The FCC continues to issue various orders that impact the delicate jurisdictional balance the states and the federal government. These FCC activities have required—and will continue to require—ongoing monitoring and evaluation, the development and filing of comments, and participation in litigation. Third, Arizona’s numerous private water companies will continue to face a variety of challenging issues, including (but not limited to) aging infrastructure, groundwater management requirements, arsenic remediation, water scarcity issues, and rate design issues. Due to the increasing complexity of the issues facing water providers, the Commission anticipates that rate cases for water companies are likely to become both more lengthy and more complicated, and are also more likely to be appealed. Legal Division participation will continue to be necessary in these proceedings.

**Proposed Solution** – The funding of another attorney in the ACC Legal Division is necessary to assist in the Division’s representation of the Commission at all levels of state and federal proceedings, including administrative filings at federal agencies and potential litigation in the federal courts. Although the compelling need for federal filings is the significant factor in this request, the overall workload of the Legal Division has also increased to the point that an additional attorney is necessary at all levels of representation of the Commission. The Division has an unfunded attorney position available to activate with the requested funding.

**Performance Measures to Quantify the Success of the Solution** - The success of the solution of an additional attorney may be measured by the Legal Division’s ability to increase its presence at the federal level as we face more federal actions to regulate in matters traditionally reserved for the states.

**Alternatives and Reasons for Rejection** - There is no reasonable alternative to protect the best interests of the ACC than an additional

AGENCY NAME & AFIS CODE:  
COST CENTER/PROGRAM:

ARIZONA CORPORATION COMMISSION CCA  
Legal Division

BUDGET JUSTIFICATION

ISSUE: Additional FTE for appellate actions

attorney. Although outside counsel might be considered in certain specific matters, it is likely that the cost of outside counsel may be greater than an additional attorney. As outside counsel might be retained to assist in meeting specific needs of a particular case, the Commission requires coverage for the ever increasing work load of the Division.

**Impact of Not Funding This Year** –The impact of not funding an additional attorney would have a negative impact on the Legal Division’s ability to participate in federal proceedings and the ever increasing workload of the Division.

**Statutory Reference** - ARS Section 40-106 provides that the Executive Director may retain attorneys to represent the Commission and its Commissioners.

**Cost Summary** \$150,000 is required to fully fund this position. (URRF)

# Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 Ongoing maintenance for Securities Database system

Issue Category: Decision Package

**Justification:** The ACC received special line item funding in FY 2015 for the acquisition of a new database for Securities registrations, enforcement activities and restitutions cases. In that request, the Commission stated we also require additional funding for the continuing maintenance of the selected system.

**Program:** 4-1 Securities  
**Fund:** 2264-A Securities Regulatory & Enforcement (Appropriated)

**Calculated ERE:** \$0.00  
**Uniform Allowance:** \$0.00

**Justification:**

Expenditure Categories	FY 2016
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
<b>Subtotal Personal Services and ERE:</b>	<b>0.0</b>
Professional & Outside Services	0.0
Travel In-State	0.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	100.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
<b>Program / Fund Total:</b>	<b>100.0</b>

AGENCY NAME & AFIS CODE:  
COST CENTER/PROGRAM:

ARIZONA CORPORATION COMMISSION CCA  
SECURITIES DIVISION

BUDGET JUSTIFICATION

ISSUE: CONTINUING MAINTENANCE FOR COMPUTER SYSTEMS

**PROBLEM:**

The Arizona Corporation Commission, Securities Division ("Division") received a special line item appropriation of \$750,000 in FY 2015 to acquire a highly-configurable commercial off-the-shelf ("COTS") computer product to replace both its legacy database systems. As part of the request, the Division stated its belief that ongoing maintenance and licensing of the system would cost approximately \$100,000 per year. The Division has issued a RFP and has received bids from prospective vendors. All bids include a cost element for ongoing maintenance, service and licensing. As a final contract has not been awarded yet, the Division does not yet know its expected cost. Therefore, while it is listing the cost for now as \$100,000 it will provide a more exact number once a final contract is entered.

**PROPOSED SOLUTION:**

The Division recommends a continuing appropriation for maintenance, service and licensing of its new database system.

**PERFORMANCE MEASURES TO QUANTIFY SUCCESS OF SOLUTION:**

Continuing updates to the database system.

**ALTERNATIVES AND REASONS FOR REJECTION:**

As the Division expects to enter into a contract to replace its legacy databases, failing to fund continuing maintenance and updates will leave the replacement system unsupported by the vendor and obsolete.

**IMPACT OF NOT FUNDING IN FY 2016:**

The Division will be unable to maintain its database system, leading to it becoming unsupported.

**STATUTORY REFERENCE:** A.R.S. Title 44, Chapters 12 and 13.

**COST SUMMARY (in thousands): \$100**