Funding Issues List

Agency: CCA Corporation Commission

Priority	Funding Issue Title	Category	Total FTE	Total Amount	General Fund	Other Funds	Non-App Funds
			FY 2018				
1	Corporations Database Funding Adjustment	Decision Pack	0.0	(2,000.0)	(2,000.0)	0.0	0.0
1	Securities Investigators' Pay Parity	Decision Pack	0.0	250.0	0.0	250.0	0.0
1	Additonal Railroad Safety Personnel	Decision Pack	2.0	196.6	196.6	0.0	0.0
	Total:		2.0	(1,553.4)	(1,803.4)	250.0	0.0
	Decision Package Total:		2.0	(1,553.4)	(1,803.4)	250.0	0.0

All dollars are presented in thousands (not FTE).

Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 **Corporations Database Funding Adjustment** **Issue Category:** Decision Package

Justification: This base adjustment is needed to reflect the one-time SLI appropriation for the Corporations Database project for FY 2017.

The one time $2MM funding carries for two years, ending at FYE 2018. Without this adjustment, the software carries an additional $2MM into FY 2018 that shouldn't.

Program: 3-1 Corporations
Fund: 1000-A General Fund (Appropriated)

Calculated ERE: $0.00
Uniform Allowance: $0.00

Justification:

Expenditure Categories	FY 2018
FTE	0.0
Personal Services	0.0
Employee Related Expenses	0.0
Subtotal Personal Services and ERE:	0.0
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
Program / Fund Total:	(2,000.0)

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Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 **Additonal Railroad Safety Personnel** **Issue Category:** Decision Package

Justification: The Az Corporation Commission, through its Safety Division, seeks 2 FTEs to hire additional railroad inspectors. A recent newspaper article highlighted the importance of having inspectors available as five of the ten most accident prone crossings in the U.S. are here in Arizona, most notably along Grand Avenue in the Phoenix metro area. The additional inspectors will provide support and help address the inspection and enforcement of railroad safety standards.

Program: 5-1 Railroad Safety
Fund: 1000-A General Fund (Appropriated)

Calculated ERE: $43.80
Uniform Allowance: $0.00

Justification:

Expenditure Categories	FY 2018
FTE	2.0
Personal Services	123.8
Employee Related Expenses	43.8
Subtotal Personal Services and ERE:	167.6
Professional & Outside Services	0.0
Travel In-State	23.0
Travel Out-of-State	0.0
Food (Library for Universities)	0.0
Aid to Organizations & Individuals	0.0
Other Operating Expenditures	6.0
Equipment	0.0
Capital Outlay	0.0
Debt Services	0.0
Cost Allocation	0.0
Transfers	0.0
Program / Fund Total:	196.6

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AGENCY NAME & AFIS CODE: **ARIZONA CORPORATION COMMISSION CCA**
COST CENTER/PROGRAM: **SAFETY DIVISION**

BUDGET JUSTIFICATION

ISSUE: ADDITIONAL RAILROAD SAFETY PERSONNEL

Statement of problem –

The Safety Division is asking for permanent funding of $98,300, plus training funds, for each of two critical and understaffed positions: one Grade Crossing Inspector II and one Track Inspector II. Total request: $196,600.

There are approximately 3000 miles of railroad track in Arizona and about 560 public railroad crossings. One of the nation's busiest routes is the Burlington Northern Santa Fe (BNSF) Railroad that crosses the northern third of Arizona, carrying freight from Los Angeles ports into the core of the nation. The Union Pacific (UP), crossing the southern third of Arizona, has recently double-tracked major portions of its route adding many more miles of track to the Arizona rail system.

The Arizona Corporation Commission (ACC) Safety Division, Railroad Safety Section, protects the public, railroad employees and the environment through enforcement of A.R.S. Title 40, ACC Rules and Regulations, and the Code of Federal Regulations (CFR Title 49). The ACC, in partnership with the Federal Railroad Administration, performs inspections and other monitoring activities to ensure that the railroads meet the minimum safety requirements required by these regulations by conducting inspections, accident investigations, implementation of assessments, and enforcement actions.

Grade Crossing Inspector

Population and demographic trends pose an enormous challenge for Arizona transportation infrastructure. The interface between cars, trucks and trains becomes more critical as traffic of all kinds moves into the region. Recent headlines, "Phoenix railroad crossings among nation's worst," alerted us all that increased effort is required. Five of the 10 most accident prone crossings are right here in Arizona. We have finally found a solution for the crossing at 35th Avenue and Indian School. Yet much work remains to be done as the public requests quiet zones, improvements to crossing quality, and as they complain of train noise, blocked crossings and poor sight visibility. The double tracking by Union Pacific, a great investment in our state, also means additional requests for additional crossings.

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COST CENTER/PROGRAM: **SAFETY DIVISION**

BUDGET JUSTIFICATION

ISSUE: ADDITIONAL RAILROAD SAFETY PERSONNEL

Currently one Railroad Safety Section Grade Crossing Inspector covers all of Arizona. This team member also has 50% administrative duties, meaning that the current team member focused on crossing issues is actually part time. Given the importance of crossings to the Commission, the Legislature, to Cities and Towns, and to the public, an additional permanent position is required.

Track Inspector

Usually out of sight of most of us are large railroad steel, tie gang, and surfacing crews, sometime with up to 100 personnel, constantly maintaining portions of the 3000 miles of track that courses through the entire State of Arizona. For example, concrete ties are being installed by the thousands in locations throughout the state. The ACC, in partnership with the Federal Railroad Administration, performs inspections and monitors these tracks and their maintenance, ensuring their safety and functionality.

Our staff participates in the use of sophisticated equipment such as the Federal Railroad Administration and Railroad Company geometry cars that travel the rails for up to a week at a time, multiple times during the year, measuring and evaluating every inch of track. Safety personnel later ride in hi-rail vehicles along the track, stopping to more closely inspect issues uncovered during the geometry car rides and as reports of problems are received. Track Inspectors further investigate accidents, and derailments, determining their cause and assessing damages to structures and prescribing corrective measures.

Inspecting the sheer volume of track, especially since the UP Double Tracking, is more than one person can accomplish. Additional duties related to industry tracks, where full and empty rail cars are stationed for customers, are often difficult to schedule even though many accidents and derailments happen there, not on the main lines. Thus, this request is also submitted to permanently fund a second track inspector. Programmatically, the plan is to assign a northern track inspector and a southern track inspector whose duties touch within the Phoenix Metropolitan Area. Expanded inspection capability and time on task will be the results.

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COST CENTER/PROGRAM: **SAFETY DIVISION**

BUDGET JUSTIFICATION

ISSUE: ADDITIONAL RAILROAD SAFETY PERSONNEL

In Summary

In summary, the task of enforcement has grown as car/train interactions increase, as security issues intensify, and as the public demands improved interfaces with the railroads. The Railroad Safety Inspector promotes safety in all areas of railroad operations with the goal of reducing accidents and casualties, and reducing property damage caused by these accidents.

Proposed Solution –

The Arizona Corporation Commission Safety Division seeks permanent General Funds for these two critical positions.

Performance Measures to Quantify the Success of the Solution -

Effective response to citizen concerns
Miles of railroad track inspected
Operating practices inspected
Grade crossings inspected
Prevention of incidents
Safety record of railroad operations
Federal Railroad Administration audit results

Alternatives and Reasons for Rejection -

The work of the Railroad Safety Section can continue as it has in the past. The work done is excellent, only limited. Many necessary inspections are left undone, especially beyond the major BNSF and UP mainline tracks. The sheer mileage involved driving between inspection locations, often away from normal traffic routes, and the difficult driving along rights-of-way, preclude many job performance

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COST CENTER/PROGRAM: **SAFETY DIVISION**

BUDGET JUSTIFICATION

ISSUE: ADDITIONAL RAILROAD SAFETY PERSONNEL

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solutions such as time management.

Impact of Not Funding This Year -

The work will continue to be conducted as it is now.

Statutory Reference -

A.R.S. Title 40, Arizona Corporation Commission Rules and Regulations, and the Code of Federal Regulations (CFR Title 49).

Cost Summary - **GF** **$196.6 thousands**

Total request: $196,600

Estimated cost of each Safety Inspector

Salary: $61,880
ERE: $25,000
Fleet: $ 6,500
Travel: $ 5,000

Funding Issue Detail

Agency: CCA Corporation Commission

Issue: 1 Securities Investigators' Pay Parity **Issue Category:** Decision Package

Justification:

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

Calculated ERE: $38.80
Uniform Allowance: $0.00

Justification:

Expenditure Categories	FY 2018
FTE	0.0
Personal Services	200.0
Employee Related Expenses	50.0
Subtotal Personal Services and ERE:	250.0
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
Program / Fund Total:	250.0

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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

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 five fiscal years, the Division has lost 12 investigators, including nine since January 2014, a total employee turnover rate of 126%. 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, over $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. Since very few police officers have backgrounds in investigating financial crimes, once filled it takes substantial time to train the new investigator. As well as receiving internal training, most Division investigators attend specialized financial training by the North American Securities Administrators Association, the National White Collar Crime Center or the Internal Association of Financial Crimes Investigators. 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 $250,000 (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:

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

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

In the timeframe of FY11 to FY16, the average investigative load was 7.5 investigations. Looking at FY10, the last year there was no turnover in the investigative staff, the average number of orders entered for restitution per investigator was 5.3. In that year, for each investigator, $22,210,068 was awarded as restitution to victims of the wrongdoer with an average award of $526,710 in penalties to go to the General Fund. In subsequent years, with turnover leaving investigative positions open at least part of the year, those averages dropped. Therefore, as a result of decreasing turnover, it is expected that restitution awarded to victims and General Fund receipts would significantly increase. 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, resulting in 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 increased losses by Arizona investors.

IMPACT OF NOT FUNDING IN FY 2017:

Failing to fund this year would lead to 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 to 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): $250