

**PUBLIC SERVICE COMMISSION
(Agency #450) 2007-09 BIENNIUM**

I) AGENCY SUMMARY & REVENUE SOURCES

MISSION

The Public Service Commission (PSC) has 3 gubernatorially appointed Commissioners who serve six-year overlapping terms. The commissioners have oversight responsibility for the Commission's two (2) divisions: Utilities and Tax. The Utilities Division regulates public utilities that provide electric, gas, telecommunications, water, and sewer services to State consumers (no authority over municipals), and also monitors and inspects pipeline transmissions. The Tax Division annually assesses the property of public utilities and carriers operating in the State for property taxation purposes.

TOTAL BIENNIAL BUDGET

The total authorized appropriation for the PSC is \$13,043,502 for FY08 and \$12,874,655 for FY09 which is an increase of \$45,000 each year over the base level.

FUNDING SOURCE

The PSC is funded from Fund Balances (24%) Special Revenues (approx. 70%), Federal Funds (approx. 2% as cost reimbursement to the Pipeline Safety Program), Ad Valorem taxes (approx. 4%) and General Revenues if needed (for the Tax Division).

II) SIGNIFICANT CHANGES

The 2007-09 authorized appropriation includes an increase of \$45,000 each year of the biennium for the replacement of vehicles, with \$21,000 provided to the Utilities Division and \$24,000 each year provided to the Pipeline Safety Program.

UTILITIES DIVISION - OPERATIONS (APPROPRIATION 255)

This appropriation is funded by special revenues generated by assessments paid by the utility companies under its jurisdiction as authorized by ACA § 19-6-406, and is used to fund the personal services and operating expenses of the Utilities Division which includes the federally reimbursed Pipeline Safety Office, the Commissioners and their immediate staff, Administrative Law Judges, the Legal Section, Research and Policy Development Section, Office of the Secretary of the Commission, Administrative Services Section, Information Technology Section, Executive Director and Nine-General Staff Sections.

The total authorized appropriation is \$9.7 million in FY08 and \$9.5 in FY09. The budget decreases in the 2nd year due to two (2) line items, Data Processing Services and Special Maintenance, being authorized as biennial appropriations with authority to carry forward unexpended balances as authorized by special language. The authorized appropriation includes the following increase:

Capital Outlay - An increases of \$21,000 each year for replacement of vehicles.

PIPELINE SAFETY PROGRAM (APPROPRIATION 256)

This appropriation is funded by special revenue inspection fees charged annually to each company according to its pipeline mileage in Arkansas as authorized by ACA §25-15-214 et seq. and by federal reimbursements for up to 50% of its expenditures. This program maintains safety jurisdiction and monitors the transmission by pipeline of hazardous materials, such as gasoline, oil, and natural gas.

The total appropriation is \$826,807 in FY08 and \$839,735 in FY09, with the following increase:

Capital Outlay - An increase of \$24,000 each year for the replacement of a four-wheel drive vehicle each year.

TAX DIVISION (APPROPRIATION 257)

This appropriation is funded by special revenues transferred from the Public Service Commission Fund, ad valorem taxes, and if needed general revenue. The Tax Division is responsible for performing all functions and duties regarding annual assessment, for property taxation purposes, of public utilities and carriers in Arkansas.

The total appropriation is \$1,488,778 in FY08 and \$1,502,063 in FY09.

III) ADDITIONAL POSITIONS

Total positions for the 2007-09 Biennium: 114

Total positions for the 2005-07 Biennium: 114

Increase / (Decrease): 0

Note: Act 785 of 2007 does provide for the deletion of one Grade 24 Public Service Commission Rural Liaison Position and the addition of one Grade 24 PSC Senior Rate Case Analyst with no net increase in positions.

IV) SPECIAL LANGUAGE

CONTINGENCY RESTRICTION. UTILITIES DIVISION: In the event of an unforeseen emergency the Director of PSC may transfer appropriation from the Contingency Appropriation to the Utilities Division Operations Appropriation upon approval of the Governor, Chief Fiscal Officer of the State and prior review and approval of the Arkansas Legislative Council/Joint Budget Committee. The Director must submit a written report with supporting documents to the Governor and Arkansas Legislative Council or the Joint Budget Committee as part of his request for the transfer. Classifies the legislative prior review and approval language as non-severable language, and if the prior review and approval is ruled unconstitutional then the entire section is void.

SPECIAL RATES OF PAY: The PSC is authorized to use Special Rates of Pay for current and new employees up to the maximum amount authorized for the grade assigned to specified positions which include 19 position classifications with a range from Grade 26 to Grade 17. The PSC shall report monthly to the Arkansas Legislative Council on their use of this provision. Labor market rates will be established as needed for classifications not covered by the provisions of this section, and a current plan of progression should be filed with the Office of Personnel Management on a biennial basis.

CARRY FORWARD: Authorizes (in 2 Separate Sections) the agency to carry forward the unexpended balance of appropriation authorized for the Data Processing Services and Building Repairs/Maintenance line items of the Utilities Division - Operations Appropriation which remains at the close of the first year, for the same purpose to the second fiscal year. Requires prior statement of need for the carry forward to DFA - Office of Budget, report to ALC or Joint Budget Committee (JBC) of all carried forward amounts, report of status of funds carried forward to ALC/JBC, and finally include all of the above information in the biennial budget manuals or a statement of non-compliance.

CONTINGENCY RESTRICTION. TAX DIVISION: In the event of an unforeseen emergency the Director of PSC may transfer appropriation from the Contingency Line Item in the Tax Division Operations Appropriation to other line items in the same appropriation upon approval of the Governor, Chief Fiscal Officer of the State and prior review and approval of the

Arkansas Legislative Council/Joint Budget Committee. Classifies the legislative prior review and approval language as non-severable language, and if the prior review and approval is ruled unconstitutional then the entire section is void.

TELECOMMUNICATION RATES: Requires the Public Service Commission to insure that telecommunication rates are reasonable and affordable, by taking all steps necessary to reduce the Arkansas Universal Service Fund (AUSF) and avoid mandating any additional charges or expenses for telecommunications services which can lead to increases in AUSF assessments which result in higher AUSF surcharges being passed on to customers.

Provides for the deletion of the following section of special language.

Fund Balance Language will appear in an appropriation bill for the Dept of Finance and Administration. FUND BALANCES. PUBLIC SERVICE COMMISSION

UTILITY SAFETY FUND & TAX DIVISION FUND: Requires the PSC agency head to file written documentation to and request approval by the Chief Fiscal Officer of the State if the agency proposes expenditures that would deplete the fund balances in the Public Service Commission Utility Safety Fund or the Tax Division Fund below specified levels. In addition, the language requires the CFO of the State to obtain prior Legislative Council Review, before approving the expenditures. The documentation submitted to the CFO shall include the fiscal impact of the proposed expenditures, potential cuts to restore the fund balance, extent to which the expenditures are one-time, certification that the expenditures will not permanently deplete the fund or jeopardize the health of the agency.

Rev. April, 2007