

# **LSC Greenbook**

**Analysis of the Enacted Budget**

**Office of Consumers' Counsel**

Russ Keller, Economist  
Legislative Service Commission

August 2011

## TABLE OF CONTENTS

<b>OVERVIEW</b> .....	<b>1</b>
Agency Overview.....	1
Appropriation Overview .....	1
<b>ANALYSIS OF ENACTED BUDGET</b> .....	<b>2</b>
Operating Expenses (053601) .....	2

### **ATTACHMENT:**

Budget Spreadsheet By Line Item

# Office of Consumers' Counsel

- The Office of Consumers' Counsel is funded by annual assessment on utility companies; no GRF funding
- The budget reduced OCC funding for FY 2012 by 31.7% and FY 2013 appropriations by 26.6%

## OVERVIEW

### Agency Overview

The Office of Consumers' Counsel (OCC), established in 1976, is the statutory advocate for residential utility customers. OCC has statutory responsibility to represent the interests of 4.5 million residential customers of Ohio's investor-owned electric, natural gas, telecommunications, and water companies. OCC represents residential customers before state and federal regulatory agencies and courts, including the Public Utilities Commission of Ohio (PUCO), the Federal Energy Regulatory Commission (FERC), and the Federal Communications Commission (FCC), as well as the Supreme Court of Ohio. The Office also educates consumers on utilities issues.

Funding for the agency is derived solely from an assessment on utilities in Ohio. OCC receives no funding from the General Revenue Fund.

### Appropriation Overview

Table 1. Agency Appropriations by Fund Group, FY 2012-FY 2013 (Am. Sub. H.B. 153)					
Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
General Services	\$8,254,504	\$5,641,093	-31.7%	\$4,142,070	-26.6%
<b>TOTAL</b>	<b>\$8,254,504</b>	<b>\$5,641,093</b>	<b>-31.7%</b>	<b>\$4,142,070</b>	<b>-26.6%</b>

\* FY 2011 figures represent actual expenditures.

As shown in the preceding table, the total appropriations for OCC are \$5.6 million and \$4.1 million in FY 2012 and FY 2013, respectively. The amount appropriated represents a 31.7% decrease in FY 2012 as compared to FY 2011 expenditures, followed by a 26.6% appropriation decrease in FY 2013. The reduction in OCC appropriations in the upcoming biennium will result in a reduced assessment on the utility companies. The \$7.2 million reduction in the assessment will be distributed by PUCO for the benefit of utility customers. Because of the appropriation reduction, 40 funded positions were eliminated, and the OCC now has 42 staffers, of which five are part-time employees. Additional budget reductions will be implemented in FY 2013, and these cuts will impact the analytical and legal departments.

## **ANALYSIS OF ENACTED BUDGET**

The following table shows the line item that is used to fund the activities of OCC in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used.

<b>Funding Amounts for the Office of Consumers' Counsel</b>				
<b>Fund</b>	<b>ALI and Name</b>		<b>FY 2012</b>	<b>FY 2013</b>
<b>General Services Fund Group</b>				
5F50	053601	Operating Expenses	\$5,641,093	\$4,142,070
<b>Total Funding: Office of Consumers' Counsel</b>			<b>\$5,641,093</b>	<b>\$4,142,070</b>

### **Operating Expenses (053601)**

The appropriated level of funding is designed to maintain the general operations of the Consumers' Counsel as well as strategically reducing the agency's budget to avoid redundancy with the mission of PUCO. Personnel expenditures constitute approximately 75% of the OCC budget, and the 31.7% reduction from FY 2011 expenditures necessitated the elimination of 40 budgeted positions, of which 10 were vacant. By laying off 26 individuals, and paying the costs associated with early retirement initiatives for four other employees, OCC will incur one-time expenditures in FY 2011 for its operating expenses line item.<sup>1</sup> The FY 2013 appropriation is 26.6% less than the FY 2012 amount, which means additional actions will be necessary to remain within budget. OCC has yet to determine those specific cuts, but the legal and analytical departments are the areas where the majority of the cuts will occur.

The enacted budget prohibits OCC from operating a telephone call center for consumer complaints, and requires such calls to be forwarded to PUCO. According to OCC officials, the call center operated by the agency constituted less than 10% of its budget. Of the 30 filled jobs that were eliminated, 14 involved call center positions.

---

<sup>1</sup> As with other employers, the state government is responsible for paying unemployment benefits for up to 26 weeks to state employees who lose their jobs through no fault of their own; extended benefits (beyond 26 weeks) are fully paid by the federal government. Unlike private employers, who are required to make advance contributions to their unemployment compensation trust fund accounts, the state government and other governmental entities reimburse the unemployment compensation system only after benefits have been paid to their former employees. The 26 week compensation amount would cost OCC an estimated average of \$12,000 per separated employee.

The agency will reduce its involvement in utility cases before state and federal regulatory agencies and the courts. The agency will prioritize based on those cases with the largest number of affected customers, but the exact nature of OCC's involvement will be dependent on future developments in the utility industry. Currently, the Office is involved in nearly 300 cases, many of which involve utility-initiated rate hike requests. According to OCC, Am. Sub. H.B. 153 will provide funding to support active involvement in 40% of those cases. The agency will withdraw from one-third of its cases, and monitor the remaining cases and determine future advocacy actions on a case-by-case basis. Eight of the 30 eliminated positions were in legal services. A provision in the budget requires the Consumers' Counsel to follow current state policies that involve supporting retail natural gas competition, and this provision could also have a potential impact on the number of prospective cases in which OCC would be involved.

All other functions of the Consumers' Counsel will see a reduction in activities, too. OCC said it would make major reductions in its consumer service investigations and educational outreach activities. Among the 30 eliminated positions, five were in communications, two were in administration, and one came from analytical services. Accordingly, OCC reduced the annual lease for its office space by \$124,000 when it condensed its work area to 17,000 square feet.

The enacted budget includes a provision that applies to the OCC appropriation reduction for the FY 2012-FY 2013 biennium. R.C. 4911.18 authorizes the annual assessment that funds operating expenses for OCC; PUCO receives most of its operating funds from a similar assessment. The assessment is applied to public utility companies based upon their intrastate gross revenues. The level of the annual assessment for each public utility company will vary based upon the number of public utilities, the amount of their intrastate gross revenues, and the amount of lapsed funds that are credited back to the utility companies. Any lapsed or unspent funds that were derived from the assessment supporting OCC or PUCO are credited ratably back to the utility companies. Because the appropriations for OCC were reduced by Am. Sub. H.B. 153, the assessment levied on utilities will be reduced correspondingly. This reduces utilities' costs, but the cost reduction may not be reflected in rates paid by utility customers. The enacted budget requires that PUCO, by the end of 2011, determine appropriate methods for the distribution of the reduced assessments to the benefit of utility customers; therefore, customers will receive benefits totaling \$7.2 million over the upcoming biennium.

# FY 2012 - FY 2013 Final Appropriation Amounts

# All Fund Groups

Line Item Detail by Agency			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: Enacted</b>					
<b>OCC Office of Consumers' Counsel</b>								
5F50	053601	Operating Expenses	\$ 7,635,207	\$ 8,254,504	\$ 5,641,093	-31.66%	\$ 4,142,070	-26.57%
<b>General Services Fund Group Total</b>			<b>\$ 7,635,207</b>	<b>\$ 8,254,504</b>	<b>\$ 5,641,093</b>	<b>-31.66%</b>	<b>\$ 4,142,070</b>	<b>-26.57%</b>
<b>Office of Consumers' Counsel Total</b>			<b>\$ 7,635,207</b>	<b>\$ 8,254,504</b>	<b>\$ 5,641,093</b>	<b>-31.66%</b>	<b>\$ 4,142,070</b>	<b>-26.57%</b>