

Office of Consumers' Counsel

House Agriculture and Development Subcommittee

Ross Miller, Economist

Legislative Service Commission

March 11, 2003

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LSC Redbook

for the

Office of Consumers' Counsel

House Agriculture and Development Subcommittee

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March 11, 2003

Office of Consumers' Counsel

- The Office of Consumers Counsel is funded by annual assessments on utility companies operating in Ohio; no GRF funding
- Governor's recommended funding for FY 2004 is 9.4% less than FY 2003 estimated expenditures
- Recommended funding for FY 2005 is 0.1% less than recommended FY 2004 level

OVERVIEW

The Office of Consumers' Counsel (OCC), established in 1976, is the statutory advocate for residential utility customers. The OCC has the statutory responsibility to represent the interests of 4.5 million residential customers of Ohio's investor-owned electric, natural gas, telecommunications, and water companies. The OCC resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation, and educates consumers on utility issues. The Office's consumer education activities have become both more complex and more sought after as Ohio has moved toward a competitive utility environment; during the past two fiscal years the OCC has distributed over 750,000 educational materials to utility consumers. The National Association of Consumer Agency Administrators recently recognized the quality of one OCC consumer education program when it conferred its ACE Award on the OCC for the educational campaign "Ring in on Price Hikes."

The OCC employs a staff of approximately 80. Funding for the agency is derived solely from an assessment on utilities operating in Ohio. The amount appropriated in the main operating budget is apportioned between those utilities based on their intrastate gross revenues. The OCC receives no funding from the General Revenue Fund. The current estimate of the agency's fiscal year (FY) 2003 expenditures is slightly under \$9.3 million.

The executive budget recommends appropriations of \$8,401,478 in FY 2004 (a 9.4% decrease compared with the FY 2003 estimate) and \$8,394,316 in FY 2005 (a 0.1% decrease over the FY 2004 recommended amount). Any funds appropriated but not spent during a fiscal year are returned to the utilities that fund the agency's budget. Actual FY 2002 expenditures were 6.4% below the appropriation for that year. Thus the recommended FY 2004 appropriation is 4.8% larger than actual FY 2002 expenditures.

ANALYSIS OF EXECUTIVE PROPOSAL

Office of Consumers’ Counsel

Purpose: To represent Ohio utility consumers in utility-related matters.

The OCC is a single-purpose agency. The following table shows the line items that are used to fund the agency, as well as the Governor’s recommended funding levels.

Fund	ALI	Title	FY 2004	FY 2005
5F5	053-601	Operating Expenses	\$8,401,478	\$8,394,316
Total funding: Office of Consumers’ Counsel				

Office of Consumers’ Counsel

Program Description: The Office of Consumers’ Counsel (OCC) was established in 1976 to serve as an advocate for Ohio’s residential utility consumers. The OCC resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation. The staff of OCC has been involved in more than 400 formal legal cases over the past two years before the Public Utilities Commission or federal agencies.

The Office of Consumers’ Counsel also educates consumers on utility issues. The OCC speakers attend and present at meetings throughout the state, participate in consumer shows and fairs, provide newsletter articles about utility issues, provide large print brochures and materials printed in Spanish, participate in and assist community advisory panels, and employ Program Specialists who serve as liaisons between local regions and OCC. The OCC has distributed over 750,000 educational materials over the last two years.

Funding Source: The Office is funded out of assessments against the intrastate revenues of utility companies operating in Ohio. These assessments are deposited in the Consumers’ Counsel Operating Fund, a General Services Fund.

Implication of the Executive Recommendation: The OCC submitted a core budget level (CBL) request for \$9,277,519 in both FY 2004 and FY 2005. That requested amount is equal to the current estimate of FY 2003 expenditures. The executive budget falls short of funding the CBL request by \$876,041 in FY 2004 and by \$883,203 in FY 2005. Thus, the executive proposal is to reduce the appropriation for the agency by 9.4% in FY 2004, compared with estimated expenditures in FY 2003, and by a further 0.1% in FY 2005.

Historically OCC has not used all of its appropriation, and has returned unspent funds to utility companies as required by statute. The above numbers assume that OCC spends its entire appropriation in FY 2003, which would depart from the historical pattern. To provide a slightly longer historical view, the executive proposal for FY 2004 would be 4.8% higher than actual expenditures in FY 2002.

A representative of the Office of Budget and Management (OBM) has reported that OBM believes that the funding levels in the executive proposal are sufficient to maintain current programs and staffing levels. The OCC officials do not dispute the OBM view of the effects of the recommended funding levels on current staffing, however, their view of the effects on current programs is different. An agency official cites the fact that calls to the Consumer Response Center have increased by an average of 18% per year since 2000, and by an average of 70% each year since 1996, as evidence that demand for OCC services is increasing. This official suggests that the salary freeze that has been in effect for nearly two years is

likely to lead to loss of staff. The expected increases in demand for services, coupled with the possible loss of staff, would leave OCC unable to maintain current programs at the recommended funding levels. Moreover, OCC would not be adequately prepared to respond to the extra demands anticipated at the end of calendar year 2005 when the market development period will end for some of the state's electric utilities, at which time the rates those utilities charge will no longer be regulated under existing law.

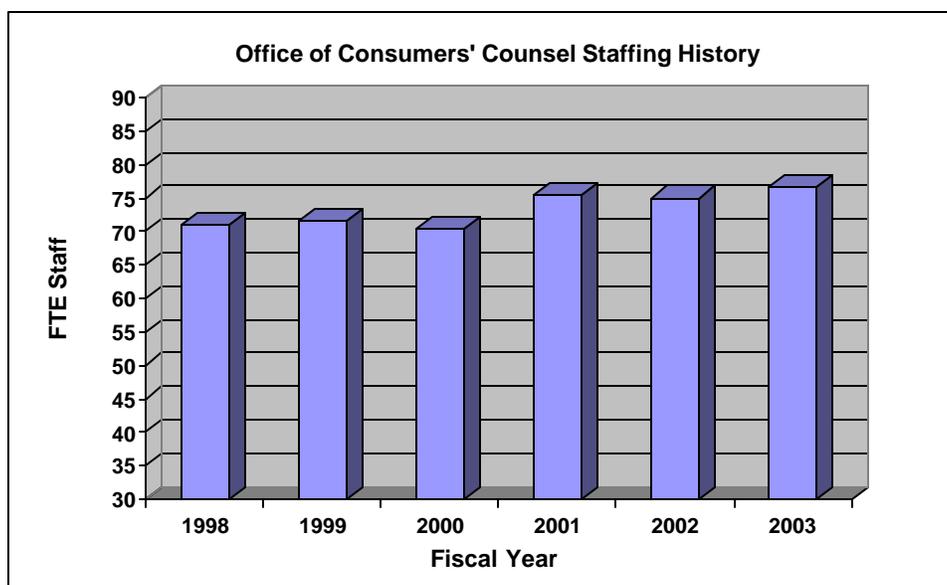
ADDITIONAL FACTS AND FIGURES

OCC Governing Board

The Consumers' Counsel Governing Board appoints the Consumers' Counsel. The Governing Board is made up of nine individuals: three who represent family farmers, three who represent the interests of Ohio labor, and three who represent residential consumers. The Attorney General, with the advice and consent of the Senate, appoints each member to a three-year term. The members may receive minimal compensation (up to \$1,200 per year) for attending board meetings in addition to being reimbursed for actual and necessary expenses incurred in the performance of official duties. No action of the Consumers' Counsel may be taken without concurrence from a majority of the Governing Board members.

OCC Staff and Organization

As of February 2003, OCC employed 74.5 full-time staff and four part-time staff, for a total of 76.5 full-time equivalent (FTE) staff members. The chart below illustrates recent trends in staffing levels for the department.



These staff members are employed in one of four departments: the Communications Department, the Analytical Services Department, the Administration Department, or the Advocacy Services Department, or work directly for the Consumers' Counsel. The largest of these departments is the Advocacy Services Department, which accounts for 33 of the agency's 81.5 FTE approved staffing level. The staff employed in this department represent residential consumers' interests in state and federal courts and administrative proceedings before the PUCO, or they respond to consumer complaints. The second largest department, accounting for 17.5 of the 81.5 FTE approved staffing level, is the Analytical Services Department. Staff employed in this department analyze consumer complaint data, conduct technical analysis of utility operations in utility rate filings and other regulatory proceedings, and monitor utility compliance with statutes, rules, and orders. The third largest department is the Communications Department, with 16

FTEs. This department houses the consumer education operations of the OCC. These three departments combined employ 66.5 of the 81.5 FTE approved staffing level. The remaining 15 FTEs carry out the fiscal, human resources, and information technology functions of the department, provide liaison services for the OCC to both state and federal entities, and provide the leadership of the agency.

The OCC conducted a significant reorganization prior to the current biennium, consolidating five departments into four. The table below shows the approved staffing levels by department under the current organization of the agency, including vacant positions, as reported in its budget requests for the current and the upcoming biennia.

Office of Consumers' Counsel FTE Staffing Levels by Department		
Department	2000	2002
Executive	4	4
Communications	13	16
Analytical Services	12	17.5
Administration	10	11
Advocacy Services	38.5	33
Totals	77.5	81.5

PERMANENT AND TEMPORARY LAW

This section describes permanent and temporary law provisions contained in the executive budget that will affect the Agency's activities and spending decisions during the next biennium.

There are no permanent or temporary law provisions affecting this agency.

REQUESTS NOT FUNDED

Core budget request						
Fund Line Item	FY 2004 Requested	FY 2004 Recommended	Difference	FY 2005 Requested	FY 2005 Recommended	Difference
5F5 053-601	\$9,277,519	\$8,401,478	(\$876,041)	\$9,277,519	\$8,394,316	(\$883,203)

The Office of Consumers' Counsel should be able to maintain current staffing levels with the recommended funding, but OBM and the agency disagree about whether programming can be maintained. The agency believes that the level of funding recommended by the Governor would cause a reduction in the level of service provided to Ohio's utility customers by the OCC. The OCC officials view the core budget level request as necessary to provide the same quality of service while increasing the volume of services rendered in line with recent trend increases in demand for agency services.

General Services Fund Group

5F5 053-601 Operating Expenses

2000	2001	2002	2003 Estimate	2004 Executive Proposal	2005 Executive Proposal
\$6,768,545	\$7,237,747	\$8,015,215	\$9,277,519	\$8,401,478	\$8,394,316
	6.9%	10.7%	15.7%	-9.4%	-0.1%

Source: GSF: Assessments against intrastate revenues of utility companies operating in Ohio, subject to a minimum assessment of \$50. The total assessments are based on the agency's current appropriation for operating expenses. At the end of each fiscal year any unused funds are credited back to the utilities.

Legal Basis: ORC 4911.18 (established by Am. Sub. H.B. 215 of the 122nd G.A.; prior to H.B. 215 assessments were deposited into the GRF, and appropriations to the agency were funded from the GRF)

Purpose: Funds in this line item are used for maintaining and administering the Office of Consumers' Counsel, including expenditures associated with salaries, maintenance, equipment and consultants.

LSC Budget Spreadsheet by Line Item, FY 2004 - FY 2005

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2002</i>	<i>Estimated 2003</i>	<i>Executive 2004</i>	<i>% Change 2003 to 2004</i>	<i>Executive 2005</i>	<i>% Change 2004 to 2005</i>
OCC	Consumers' Counsel, Office of							
5F5	053-601	Operating Expenses	\$ 8,015,215	\$9,277,519	\$ 8,401,478	-9.4%	\$ 8,394,316	-0.1%
General Services Fund Group Total			\$ 8,015,215	\$ 9,277,519	\$ 8,401,478	-9.4%	\$ 8,394,316	-0.1%
Total All Budget Fund Groups			\$ 8,015,215	\$ 9,277,519	\$ 8,401,478	-9.4%	\$ 8,394,316	-0.1%