

# **LSC Redbook**

**Analysis of the Executive Budget Proposal**

**Office of Consumers' Counsel**

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March 2011

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**ATTACHMENTS:**

- Catalog of Budget Line Items
- 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 executive proposal recommends a 51.3% reduction in OCC funding for FY 2012

## 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. In this regard, OCC's case load increased by 21% in FY 2009. The number of pleadings OCC filed has increased 41% from FY 2009 to FY 2010. These cases and pleadings vary in complexity and the numbers of customers affected.

The Office resolves complaints individual customers may have with utilities, either through informal dispute resolution or through litigation, and educates consumers on utilities issues. The Office's consumer education activities have become more complex and more sought after as Ohio moved toward a competitive utility environment. During the past two fiscal years OCC has distributed over 500,000 educational materials to utility customers and continued to expand the amount of utility information on its web site. The web site had approximately 170,000 unique visitors over the past two years, and OCC's Consumer Services Division responds to 3,500 to 5,500 customer contacts per month.

Funding for the agency is derived solely from an assessment on utilities in Ohio. The amount appropriated in the main operating budget is apportioned between those utilities based on their intrastate gross revenues. OCC receives no funding from the General Revenue Fund. The current estimate of FY 2011 expenditures is an amount slightly less than \$8.5 million.

OCC currently employs a staff of approximately 73. The agency consists of attorneys, analysts, investigators, communications and education specialists, and administrative staff. The executive proposal recommends reducing payroll expenditures by 48.2% in FY 2012 and by 0.9% in FY 2013 (see table 1).

<b>Table 1. Office of Consumers' Counsel Staffing Levels (Funded FTEs)</b>				
<b>Program Series</b>	<b>FY 2010</b>	<b>FY 2011</b>	<b>FY 2012*</b>	<b>FY 2013*</b>
Consumer Advocacy	75	76	-48.2%	-0.9%
<b>TOTAL</b>	<b>75</b>	<b>76</b>	<b>-48.2%</b>	<b>-0.9%</b>

\* The executive proposal does not specify the number of funded positions in full-time equivalent (FTE) terms; instead, the proposal specifies a percentage reduction in expenses for personal services (i.e., payroll inclusive of fringe benefits).

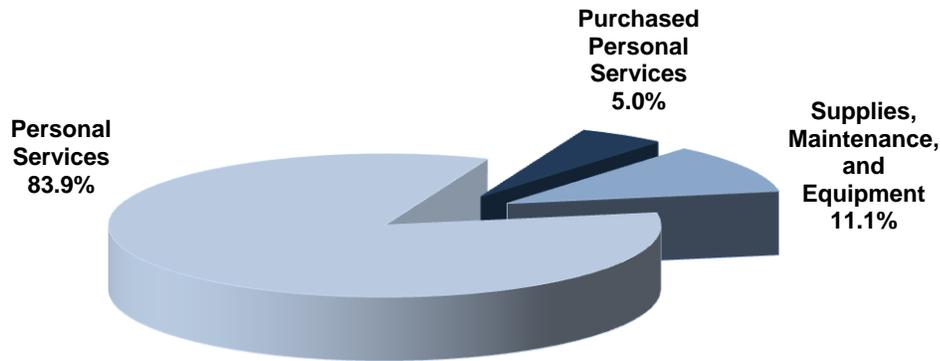
### Appropriation Overview

The executive proposal recommended appropriations at a level such that OCC will refine its mission statement and be strategically focused to reconnect to its unique competencies, and avoid strategic redundancy with the mission of other agencies.

<b>Table 2. Executive Budget Recommendations by Fund Group, FY 2012-FY 2013</b>					
<b>Fund Group</b>	<b>FY 2011*</b>	<b>FY 2012</b>	<b>% change, FY 2011-FY 2012</b>	<b>FY 2013</b>	<b>% change, FY 2012-FY 2013</b>
General Services	\$8,498,000	\$4,141,093	-51.3%	\$4,142,070	0.0%
<b>TOTAL</b>	<b>\$8,498,000</b>	<b>\$4,141,093</b>	<b>-51.3%</b>	<b>\$4,142,070</b>	<b>0.0%</b>

\* FY 2011 figures represent estimated expenditures.

**Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2012-FY 2013**



## ANALYSIS OF EXECUTIVE PROPOSAL

The following table shows the line item that is used to fund the activities of the Office of Consumers' Counsel, as well as the Governor's recommended funding levels.

Governor's Recommended Funding for the Office of Consumers' Counsel				
Fund	ALI and Name		FY 2012	FY 2013
<b>General Services Fund Group</b>				
5F50	053601	Operating Expenses	\$4,141,093	\$4,142,070
<b>Total Funding: Office of Consumers' Counsel</b>			<b>\$4,141,093</b>	<b>\$4,142,070</b>

### Operating Expenses (053601)

The recommended 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 the Public Utilities Commission. The funding recommendations are set such that OCC will reconnect to its unique competencies, and refine its mission statement.

The executive proposal cites OCC's general operations to be consumer advocacy, which entails advocacy, representation, complaint resolution, and outreach and education activities on behalf of the residential utility consumers.

R.C. 4911.18 authorizes the annual assessment that funds operating expenses for OCC; the Public Utilities Commission of Ohio (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. According to OCC, the average consumer in Ohio has traditionally paid approximately three cents for every \$100 in utility bill expenses for the services of OCC.

## REQUESTS NOT FUNDED

This section describes agency requests that are not funded in the executive budget.

New Initiatives						
Fund Line Item	FY 2012 Recommended	FY 2012 Requested	Difference	FY 2013 Recommended	FY 2013 Requested	Difference
5F50 053601	\$4,141,093	\$8,498,000	(\$4,356,907)	\$4,142,070	\$8,498,000	(\$4,355,930)

The above line item for Operating Expenses (Fund 5F50) will decrease the amount available for fulfilling the mission statement of OCC. The agency has yet to determine how it will restructure its operations in response to the proposed reduction in appropriations. Upon reading the bill and engaging in conversations with other state agencies, the OCC will have a better idea of how it would implement the recommended appropriations. But the size of the reduction makes some elements of its response clear.

Employee costs represent more than 75% of OCC expenditures; thus, the agency would reduce the number of employees. According to the agency, upwards of two-thirds of the agency staff would be eliminated if the proposed appropriations are enacted. Reducing staff would incur unemployment compensation costs, which would be paid by OCC from its appropriation item.<sup>1</sup>

According to OCC officials, the call center operated by the agency constitutes less than 10% of its budget; thus, effort to reduce costs by coordinating call center operations with the Public Utilities Commission, which also operates a call center for utility customers, would not reduce costs by enough to offset the proposed reduction in appropriations. All other functions of OCC would require a reduction in activities, too. The agency would reduce its involvement in utility cases before state and federal regulatory agencies and the courts. The agency would prioritize based on those cases with the largest number of affected customers, which would likely include a limited amount within the electric industry and exclude a sizable portion of the water industry from future OCC action, but the exact nature of OCC's involvement would be

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<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.

dependent on future developments in the utility industry. According to OCC officials, this reduced involvement will increase rates paid by residential customers; the agency estimates that approximately \$55 million in consumer savings in the form of lower rates was realized on account of OCC's direct involvement in utility cases over the previous biennium. OCC would also reduce its consumer service investigations and educational outreach activities, but details regarding those operations are still being formulated.

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## Office of Consumers' Counsel

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### General Services Fund Group

#### **5F50 053601 Operating Expenses**

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$7,318,221	\$8,224,024	\$7,635,207	\$8,498,000	<b>\$4,141,093</b>	<b>\$4,142,070</b>
	12.4%	-7.2%	11.3%	<b>-51.3%</b>	<b>0.0%</b>

**Source:** General Services Fund Group: Assessments against intrastate revenues of utility companies operating in Ohio, subject to a minimum assessment of \$100. 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 (originally 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.

**FY 2012 - FY 2013 Introduced Appropriation Amounts**

**All Fund Groups**

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
<b>Report For Main Operating Appropriations Bill</b>			<b>Version: As Introduced</b>					
<b>OCC Office of Consumers' Counsel</b>								
5F50	053601	Operating Expenses	\$ 7,635,207	\$ 8,498,000	\$ 4,141,093	-51.27%	\$ 4,142,070	0.02%
<b>General Services Fund Group Total</b>			<b>\$ 7,635,207</b>	<b>\$ 8,498,000</b>	<b>\$ 4,141,093</b>	<b>-51.27%</b>	<b>\$ 4,142,070</b>	<b>0.02%</b>
<b>Office of Consumers' Counsel Total</b>			<b>\$ 7,635,207</b>	<b>\$ 8,498,000</b>	<b>\$ 4,141,093</b>	<b>-51.27%</b>	<b>\$ 4,142,070</b>	<b>0.02%</b>