

# Budget Review and Oversight



## NARUC/ERRA Workshop on Public Utility Regulation in Market Economies

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April 16, 2008



# *Oversight and Review of Budgets*

- ❖ As we discussed earlier, autonomous funding helps facilitate stable and predictable budgets
- ❖ But even with a separate funding source, budget review is a part of oversight by legislative and political bodies
- ❖ Here, I'll examine the process for review of the budget in Vermont as an example of the typical level of oversight of regulatory agencies in US



# *Review/Adoption of PSB Budget*

- ❖ Several levels of review
- ❖ Involve both Administration (including Governor's Office) and Legislature
- ❖ Nature of review is generally limited



## *Initial Steps*

- ❖ Even though PSB funds do not come out of normal tax revenues, administration tries to keep budget changes in line with other programs
- ❖ First step in approval process is the determination of total budget amount
  - Generally, Governor's office specifies the total budget, based upon previous year.
  - In recent experience, budgets have been equal to previous year, plus inflation
  - This generally allows continuation of the same level of activity



## *Initial Steps (cont'd)*

- ❖ Budget reductions are unusual
  - As stated earlier, general recognition that, at a minimum, continuation of same level of effort is necessary
- ❖ At times of significant workload increases, budget has been adjusted to reflect those demands
- ❖ PSB must justify any requested variance from administration target



# *Administration Review of Budget Proposal*

- ❖ After the budget is developed, based upon the maximum amount set by administration, it is submitted to Governor's office for review
- ❖ Scope of review generally limited
  - Little oversight of individual elements
  - Instead, focus is on whether budget total is consistent with allowed amount
- ❖ Still, particular interest in the following:
  - Travel
  - Consultants
  - Equipment
  - New personnel
- ❖ These are relatively minor components of PSB budget



# *Legislative Review*

- ❖ Legislative approval of budget is needed
  - Legislature must formally appropriate the funds for the Board
  - Board must operate within the total budget amount appropriated by legislature
- ❖ Legislative review of PSB budget has generally been limited but Legislature is kept aware of Board activities



## *Post-Approval Review*

- ❖ Some oversight of operations under approved budget occurs
  - Generally focused on particular expense categories – such as travel expenses
  - Also, bill-backs
- ❖ Board provides regular reports to legislature on expenses and budget – legislative periodically raises questions



## *Post-Approval Review (cont'd)*

- ❖ No annual audit of PSB budget, but Auditor's office does sometimes review our records
- ❖ State maintains complex accounting system in which all expenditures are entered
  - Largely eliminates any opportunity for fraud



# *Review of Special Funds*

- ❖ Separate process for special funds
- ❖ Energy Efficiency Fund expenditures managed through contract
  - Fund administrator handles normal payments
  - Determination of how money will be spent and size of budget set through negotiation and proceedings before PSB



## *Review of Special Funds (cont'd)*

- ❖ Proceedings allow all interested stakeholders to participate and offer opinions on expenditures
- ❖ Administration position represented by Department of Public Service
- ❖ Regulator monitoring by Department
- ❖ Energy Efficiency Fund (and Universal Service Fund) are regularly subject to formal audit



## *Conclusion*

- ❖ Budget is annually reviewed to ensure it is consistent with state fiscal goals, even though funding source is separate
- ❖ Scope of review tends to be limited