

## **Section I: Revenues, Expenditures, and Year-End Fund Balances**

### **Year-end fund balances**

In FY 2012, 40 different boards and commissions regulated and licensed various occupations and professions in the state of Ohio. These boards and commissions did not receive any funding from the General Revenue Fund (GRF). Rather, their operations were supported by license fees, fines, penalties, and other assessments deposited into 23 different non-GRF funds.<sup>1</sup> This section of the report presents a review of cash balances in 20 of these funds at the close of FY 2012, as well as operating income and expenditures for all 23 of the funds over the fiscal year.<sup>2</sup> This information provides an indication of whether these licensing and regulatory boards and commissions are financially self-supporting.

Table 1 provides a simplified cash balance statement covering 20 of these funds that are used primarily by the boards and commissions. As of July 1, 2011, the first day of FY 2012, these 20 funds had a combined cash balance of \$63.9 million. During FY 2012, a total of \$78.7 million in receipts (including transfers) were deposited into the funds and a total of \$75.9 million in expenditures (including transfers) were paid out of the funds. As of June 30, 2012, the last day of FY 2012, these 20 funds had a combined cash balance of \$66.7 million and outstanding encumbrances of \$4.5 million, leaving the funds with a combined, unobligated cash balance of approximately \$62.2 million. All of the 20 funds finished FY 2012 with positive unobligated cash balances.

In FY 2012, of the \$75.9 million in expenditures made by boards and commissions, \$56.9 million (74.9%) was used for board operations and \$19.0 million (25.1%) was transferred out. Of the amount expended for operations, \$42.1 million (74.1%) was for personal services, which includes payroll, fringe benefits, and purchased services, \$9.1 million (15.9%) was for supplies and maintenance, \$4.7 million (8.3%) was for subsidies for training and education programs, and the remaining \$1.0 million (1.7%) was for equipment and other miscellaneous expenditures.

Of the \$19.0 million transferred out of the funds used by boards and commissions, the largest transfer was \$14.0 million (73.7%) from the Division of Securities Fund (Fund 5500) to the GRF. A transfer from Fund 5500 to the GRF is

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<sup>1</sup> Three funds have been added to this year's report: the Investor Education and Enforcement Expense Fund (Fund 5GK0), which is used by the Division of Securities, the Trauma and Emergency Medical Services Grant Fund (Fund 83P0), which is used by the State Board of Emergency Medical Services, and the Veterinary Student Loan Program Fund (Fund 5BU0), which is used by the Veterinary Medical Licensing Board. One fund, the Cemetery Registration Fund (Fund 4H90), which is not used for licensing activities, is no longer included.

<sup>2</sup> Table 1, which shows fund cash balances, does not include the three funds that are used mainly for purposes other than board activities: the General Operations Fund (Fund 4700) used by the Department of Health, the Bureau of Motor Vehicles Fund (Fund 4W40) used by the Department of Public Safety, and the Industrial Compliance Operating Fund (Fund 5560) used by the Department of Commerce.

generally made each year in accordance with law based on the amount of fees collected by the Division of Securities that are determined by the Director of Commerce and the Director of Budget and Management to be in excess of the Division's expenses. In addition, almost \$4.7 million (24.7%) was transferred out of the Occupational Licensing and Regulatory Fund (Fund 4K90). Of this amount, about \$2.0 million was transferred to funds used by boards for education assistance programs: \$1.7 million to Fund 5AC0, which is used by the Board of Nursing, and \$303,560 to Fund 4J80, which is used by the Accountancy Board. Also, \$1.8 million was transferred from Fund 4K90 to the Ohio Professional Licensing System Fund (Fund 5JQ0) used by the Department of Administrative Services. This transfer was made to fund the replacement of the eLicensing system, which is used by various boards and commissions to manage electronic licensing.

### **Occupational Licensing and Regulatory Fund (Fund 4K90)**

The largest of the 20 funds is the Occupational Licensing and Regulatory Fund (Fund 4K90), which serves as the operating fund for 27 of the 40 boards and commissions covered in this report. Fund 4K90 finished FY 2012 with a cash balance of just under \$19.4 million, an increase of about \$2.0 million (11.1%) from the beginning cash balance of just over \$17.4 million. Taking into account the year-end encumbrance of \$1.2 million, Fund 4K90 finished FY 2012 with an unobligated cash balance of \$18.1 million.<sup>3</sup>

Fund 4K90 receipts totaled almost \$34.5 million in FY 2012, a decrease of about \$4.2 million (11.0%) from FY 2011 receipts of \$38.7 million. Much of this decrease is due to differences in renewal cycles. The majority of biennial licenses issued by several larger boards and commissions are renewed in odd-numbered fiscal years.

Fund 4K90 expenditures for FY 2012 totaled about \$32.5 million, a decrease of about \$27.0 million (45.3%) from FY 2011 expenditures of \$59.5 million. The difference in expenditures is due to the differences in amounts transferred out of Fund 4K90 in each year. In FY 2011, transfers from Fund 4K90 totaled \$32.3 million (most of this transfer went into the GRF), but in FY 2012, transfers from Fund 4K90 totaled about \$4.7 million. When transfers are excluded, expenditures totaled \$27.9 million in FY 2012, about \$700,000 more than FY 2011 expenditures of \$27.2 million.

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<sup>3</sup> The Fund 4K90 balance reflects the combined cash balance of all boards and commissions operating out of the fund, including the contribution of the State Board of Career Colleges and Schools, which is otherwise not covered in this report.

**Table 1. Simplified Cash Balance Statement for Funds Used by Occupational Licensing and Regulatory Boards and Commissions, FY 2012**

Fund Name	Fund Code	Beginning Cash Balance	Revenues (Including transfers in)	Expenditures (Including transfers out)	Ending Cash Balance	Year-End Encumbrances	Unobligated Ending Cash Balance
Occupational Licensing and Regulatory Fund	4K90	\$17,433,127	\$34,476,487	\$32,549,943	\$19,359,671	\$1,224,536	\$18,135,135
Division of Securities Fund	5500	\$8,385,308	\$17,679,799	\$17,759,561	\$8,305,546	\$338,307	\$7,967,239
Investor Education and Enforcement Expense Fund	5GK0	\$8,259,314	\$431,867	\$764,971	\$7,926,210	\$366,637	\$7,559,573
Consumer Finance Fund	5530	\$6,546,349	\$3,215,864	\$3,239,404	\$6,522,809	\$291,273	\$6,231,536
Trauma and Emergency Medical Services Grant Fund	83P0	\$5,005,932	\$3,531,258	\$3,125,845	\$5,411,345	\$1,372,117	\$4,039,228
Division of Real Estate Operating Fund	5490	\$3,501,356	\$2,686,334	\$2,780,422	\$3,407,268	\$215,932	\$3,191,336
Trauma and Emergency Medical Services Fund	83M0	\$2,178,476	\$3,175,533	\$2,651,046	\$2,702,963	\$13,851	\$2,689,112
State Medical Board Operating Fund	5C60	\$3,071,126	\$8,826,360	\$8,949,212	\$2,948,274	\$322,024	\$2,626,250
Nurse Education Grant Program Fund	5AC0	\$1,136,818	\$1,792,435	\$1,326,627	\$1,602,626	\$0	\$1,602,626
Private Investigator and Security Guard Provider Fund	5B90	\$1,636,142	\$1,207,655	\$1,197,457	\$1,646,340	\$164,552	\$1,481,788
Real Estate Appraiser Operating Fund	6A40	\$1,337,334	\$594,939	\$630,077	\$1,302,196	\$62,527	\$1,239,669
Real Estate Recovery Fund	5480	\$938,664	\$108,145	\$69,000	\$977,809	\$0	\$977,809
Real Estate Appraiser Recovery Fund	4B20	\$856,999	\$16,925	\$0	\$873,924	\$0	\$873,924
Real Estate Education and Research Fund	5470	\$747,340	\$56,544	\$12,476	\$791,408	\$341	\$791,067
Motor Vehicle Dealers Board Fund	5390	\$639,368	\$189,916	\$12,305	\$816,979	\$30,163	\$786,816
CPA Education Assistance Fund	4J80	\$707,626	\$310,123	\$240,000	\$777,749	\$0	\$777,749
Board of Pharmacy Drug Law Enforcement Fund	4A50	\$797,324	\$5,150	\$186,553	\$615,921	\$83,073	\$532,848
Auctioneers Fund	5B80	\$427,362	\$348,455	\$314,883	\$460,934	\$0	\$460,934
Auction Education Fund	4D20	\$249,270	\$27,658	\$15,441	\$261,487	\$22,400	\$239,087
Veterinary Student Loan Program Fund	5BU0	\$25,561	\$17,910	\$29,000	\$14,471	\$0	\$14,471
<b>Total</b>		<b>\$63,880,796</b>	<b>\$78,699,357</b>	<b>\$75,854,223</b>	<b>\$66,725,930</b>	<b>\$4,507,733</b>	<b>\$62,218,197</b>

Source: The Ohio Administrative Knowledge System

## Revenues and expenditures

After examining a fund's year-end cash balance, it may be helpful to examine a fund's revenue and expenditure patterns without taking into account the beginning cash balance. While a sufficient beginning cash balance may help a board or commission to absorb an operating deficit during a given year, a board or commission with an annual expenditure level consistently exceeding its annual revenue level may eventually have to reduce its expenditures, increase its license fees, or both. Table 2 lists revenues and expenditures for each board and commission at the fund level. It also compares each fund's revenues and expenditures to determine whether the revenues generated during a given period were sufficient to cover the expenditures incurred in that period. Transfers in and transfers out are excluded from this table in order to view board finances only pertaining to operations.<sup>4</sup> Nearly all of the revenue received by the boards and commissions covered in this report comes from license fees.<sup>5</sup> This means that license renewal cycles (generally one, two, or three years) can have a significant effect on annual revenue.

In order to provide a more complete picture of revenue and expenditure patterns for those boards and commissions issuing annual licenses, Table 2 lists their FY 2012 revenues and expenditures by fund. For those boards and commissions issuing biennial licenses, the table lists total revenues and expenditures by fund over the FY 2011-FY 2012 period. Likewise for boards and commissions issuing on a triennial basis, the table lists revenue and expenditure data over the FY 2010-FY 2012 period. Some boards and commissions with biennial or triennial license renewal cycles stagger their license renewal periods to avoid larger fluctuations in revenues and expenditures from year to year.

### Annual renewal cycles

As shown in Table 2, in FY 2012, 13 boards and commissions on annual renewal cycles registered higher revenues than expenditures. The Division of Securities in the Department of Commerce, which regulates the sale of securities and licenses security professionals, used two funds: the Division of Securities Fund (Fund 5500), which registered the largest surplus with revenues exceeding expenditures by \$13.9 million,<sup>6</sup> and the Investor Education and Enforcement Expense Fund (Fund 5GK0), which had a deficit of \$333,104. Overall, the Division's revenues exceeded its expenditures by

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<sup>4</sup> Four funds from Table 1, the CPA Education Assistance Fund (Fund 4J80), the Nurse Education Grant Program Fund (Fund 5AC0), the Veterinary Student Loan Program Fund (Fund 5BU0), and the Trauma and Emergency Medical Services Grant Fund (Fund 83P0) are excluded from Table 2, as these funds are used to disburse grants and are not used for general board operations.

<sup>5</sup> The main exception is the State Board of Emergency Medical Services, which does not charge license fees and is mainly funded by a percentage of fines from seat belt law violations.

<sup>6</sup> The Division of Securities Fund (Fund 5500) registered an overall deficit of \$79,762 in FY 2012 when accounting for the \$14.0 million transfer to the GRF in accordance with division (A) of section 1707.37 of the Revised Code.

\$13.6 million in FY 2012. In addition to Fund 4K90, the State Board of Pharmacy used six other funds for its programs. The Board's portion of Fund 4K90 had the second largest surplus of \$1.3 million, which was partially offset by deficits in four of the six other funds it used and resulted in a net surplus of \$1.1 million in FY 2012 for the Board. The third largest surplus of \$614,235 was registered by the Ohio Construction Industry Licensing Board in the Industrial Compliance Operating Fund (Fund 5560). The fourth largest surplus of \$513,325 also occurred in Fund 5560, by the Division of Industrial Compliance. Both the Ohio Construction Industry Licensing Board and the Division of Industrial Compliance are located within the Department of Commerce. The Ohio Medical Transportation Board also registered a surplus of \$189,770 in Fund 4K90. All other surpluses for boards and commissions on annual renewal cycles were less than \$100,000 each.

Four boards and commissions on annual renewal cycles registered expenditures at levels higher than their revenues. Three of them registered deficits in their portion of Fund 4K90: the Athletic Commission (\$20,243), the Board of Orthotics, Prosthetics, and Pedorthics (\$3,319), and the Board of Sanitarian Registration (\$3,059). The Division of Financial Institutions registered a deficit of \$2,698 in the Consumer Finance Fund (Fund 5530).

### **Biennial renewal cycles**

Of the 20 boards and commissions that mainly renew licenses on a biennial cycle, 16 registered surpluses and four registered deficits. Three of the largest surpluses were in Fund 4K90. The Board of Nursing's portion of Fund 4K90 had the largest surplus of \$8.5 million followed by the State Board of Cosmetology (\$1.7 million) and the State Board of Registration for Professional Engineers and Surveyors (\$1.0 million); the surpluses for other boards were less than \$1.0 million each. The State Medical Board Operating Fund (Fund 5C60) showed the largest deficit over the past two years of \$1.1 million. Two boards using Fund 4K90 showed deficits: the Ohio Manufactured Homes Commission (\$409,859) and the Board of Speech-Language Pathology and Audiology (\$101,378). The Motor Vehicle Salvage Dealer Licensing Board within the Department of Public Safety had the smallest two-year deficit of \$47,586 in the State Bureau of Motor Vehicles Fund (Fund 4W40).

### **Triennial renewal cycles**

Of the four boards that mainly renew licenses on a triennial basis, two boards registered surpluses over a three-year period: the Accountancy Board (\$1.9 million) in their portion of Fund 4K90 and the Board of Emergency Medical Services (\$1.0 million) in the Trauma and Emergency Medical Services Fund (Fund 83M0). The other two boards within the Department of Commerce registered deficits: the Division of Real Estate and Professional Licensing (\$186,158) in the Division of Real Estate Operating Fund (Fund 5490) and the Board of Building Standards in the Department of Commerce (\$23,469) in Fund 5560.

**Table 2. Summary of Revenues and Expenditures by Agency by Fund**

Agency Name	Fund Code	Revenues	Expenditures	Revenues Over (Under) Expenditures
<b>Annual Renewal Cycle, FY 2012</b>				
Division of Securities (Commerce)	Total	\$18,111,666	\$4,524,532	\$13,587,134
	5500	\$17,679,799	\$3,759,561	\$13,920,238
	5GK0	\$431,867	\$764,971	-\$333,104
State Board of Pharmacy	Total	\$6,770,440	\$5,688,575	\$1,081,865
	4K90	\$6,268,349	\$4,993,800	\$1,274,549
	3BC0*	\$50,869	\$34,969	\$15,900
	3EZ0*	\$44,046	\$42,265	\$1,781
	3DV0*	\$237,226	\$238,908	-\$1,682
	3EY0*	\$164,800	\$174,810	-\$10,010
	3CT0*	\$0	\$17,270	-\$17,270
	4A50*	\$5,150	\$186,553	-\$181,403
Ohio Construction Industry Licensing Board (Commerce)	5560	\$1,349,858	\$735,623	\$614,235
Division of Industrial Compliance (Commerce)	5560	\$646,930	\$133,605	\$513,325
Ohio Medical Transportation Board	4K90	\$709,298	\$519,528	\$189,770
State Board of Optometry	4K90	\$404,745	\$326,715	\$78,030
Board of Dietetics	4K90	\$367,468	\$302,353	\$65,115
Division of Real Estate and Professional Licensing (Commerce) **	Total	\$776,403	\$711,553	\$64,850
	5470	\$56,544	\$12,476	\$44,068
	5480	\$108,145	\$69,000	\$39,145
	4B20	\$16,925	\$0	\$16,925
	6A40	\$594,789	\$630,077	-\$35,288
Board of Examiners of Nursing Home Administrators (Health)	4700	\$607,850	\$560,186	\$47,664
Board of Motor Vehicle Collision Repair Registration	4K90	\$369,356	\$333,987	\$35,369
Hearing Aid Dealers and Fitters Licensing Board (Health)	4700	\$142,174	\$128,031	\$14,143
Ohio Optical Dispensers Board	4K90	\$362,560	\$349,251	\$13,309
Private Investigator/Security Guard Section (Public Safety)	5B90	\$1,207,655	\$1,197,457	\$10,198
Division of Financial Institutions (Commerce)	5530	\$3,215,864	\$3,218,562	-\$2,698
State Board of Sanitarian Registration	4K90	\$121,616	\$124,675	-\$3,059
State Board of Orthotics, Prosthetics, and Pedorthics	4K90	\$110,885	\$114,204	-\$3,319
Ohio Athletic Commission	4K90	\$248,628	\$268,871	-\$20,243

\* These funds are grant funds, holding funds, or special law funds that do not collect license revenue.

\*\* The total shown for the Board does not include Fund 5490, which is used by the Board for licenses issued on a triennial basis.

**Table 2. Summary of Revenues and Expenditures by Agency by Fund**

Agency Name	Fund Code	Revenues	Expenditures	Revenues Over (Under) Expenditures
<b>Biennial Renewal Cycle, FY 2011-FY 2012</b>				
Board of Nursing	4K90	\$20,465,664	\$11,994,142	\$8,471,522
State Board of Cosmetology***	4K90	\$8,593,524	\$6,859,479	\$1,734,045
State Board of Registration for Professional Engineers and Surveyors****	4K90	\$2,822,603	\$1,797,409	\$1,025,194
Occupational Therapy, Physical Therapy, and Athletic Trainers Board	4K90	\$2,316,363	\$1,507,896	\$808,467
Motor Vehicle Dealer Licensing Board (Public Safety)	5390 & 4W40	\$843,006	\$325,599	\$517,407
Respiratory Care Board	4K90	\$1,423,731	\$995,932	\$427,799
Architects Board and the State Board of Landscape Architect Examiners	4K90	\$1,312,433	\$892,108	\$420,325
Veterinary Medical Licensing Board	4K90	\$969,663	\$580,514	\$389,149
State Board of Psychology	4K90	\$1,262,269	\$958,596	\$303,673
Ohio State Dental Board	4K90	\$3,228,274	\$3,001,565	\$226,709
State Chiropractic Board	4K90	\$1,286,845	\$1,075,407	\$211,438
Counselor, Social Worker, and Marriage and Family Therapist Board	4K90	\$2,446,926	\$2,257,193	\$189,733
Ohio State Barber Board	4K90	\$1,486,520	\$1,303,130	\$183,390
Auctioneers Program (Agriculture)	Total	\$714,114	\$579,184	\$134,930
	5B80	\$656,635	\$546,701	\$109,934
	4D20	\$57,479	\$32,483	\$24,996
Chemical Dependency Professionals Board	4K90	\$923,460	\$880,492	\$42,968
State Board of Embalmers and Funeral Directors	4K90	\$1,246,315	\$1,235,761	\$10,554
Motor Vehicle Salvage Dealers Licensing Board (Public Safety)	4W40	\$94,311	\$141,897	-\$47,586
Board of Speech-Language Pathology and Audiology	4K90	\$893,422	\$994,800	-\$101,378
Ohio Manufactured Homes Commission	4K90	\$678,465	\$1,088,324	-\$409,859
State Medical Board	5C60	\$16,307,732	\$17,400,587	-\$1,092,855
*** These amounts do not include \$69,640 in reinstatement fees from the Board's lapsed license amnesty program that were deposited directly into the GRF.				
**** The Board's biennial renewal cycle began in FY 2012; in prior years, the Board operated on an annual renewal cycle.				
<b>Triennial Renewal Cycle, FY 2010-FY 2012</b>				
Accountancy Board	4K90	\$4,643,178	\$2,772,524	\$1,870,654
Board of Emergency Medical Services (Public Safety)	83M0	\$8,476,873	\$7,439,724	\$1,037,149
Board of Building Standards (Commerce)*****	5560	\$264,503	\$287,972	-\$23,469
Division of Real Estate and Professional Licensing (Commerce)	5490	\$8,134,871	\$8,321,029	-\$186,158
***** These amounts only represent the Board's licensing activities and do not include other Board activities related to regulating building standards.				