

LSC Greenbook

Analysis of the Enacted Budget

Department of Commerce

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ATTACHMENT:

Budget Spreadsheet By Line Item

Department of Commerce

- Budget of \$367.7 million in the FY 2014-FY 2015 biennium
- Transfer of state's liquor enterprise to JobsOhio occurred in FY 2013
- Continued regulation of an array of institutions and professions as well as management of other state duties

OVERVIEW

Agency Overview

The Department of Commerce (COM) is a multi-functional regulatory agency that performs a wide array of regulatory duties. The Department is organized into seven operating divisions that (1) regulate state-chartered financial institutions, (2) supervise the Ohio securities market, (3) provide plan review, construction site services, and regulatory services to ensure the safety of systems such as elevators and boilers and enforce Ohio's wage and hour laws, (4) issue liquor permits and, in conjunction with JobsOhio, manage the manufacture, distribution, and sale of all spirituous liquor in the state, (5) license individuals in the real estate industry and register foreign real estate property, (6) investigate the cause and origin of fires and explosions, analyze fire-related criminal evidence, train firefighters, and enforce the Ohio Fire Code, and (7) oversee the safekeeping and return of unclaimed funds. An eighth division provides leadership, direction, and support to the operating divisions.

The Department operates with no General Revenue Fund (GRF) moneys. Instead, most programs are funded primarily by fees and charges on the industries that the Department regulates. The merchandising responsibilities under the Division of Liquor Control are funded by payments from the nonprofit JobsOhio, as established by a contract between the two entities. Overall, as of June 2013, there were 794 full-time permanent employees, as well as 196 other employees serving either on an intermittent part-time basis, or as appointees to various commissions housed within the Department.

Appropriation Overview

Table 1 shows the appropriations for the Department under House Bill 59 by fund group. Overall, the budget appropriates \$186.9 million to COM in FY 2014, a 68.1% decrease compared to FY 2013 spending of \$585.7 million. Almost all of this decrease can be attributed to the transfer of the state's liquor enterprise to JobsOhio that occurred in February 2013. There is also a reduction between FY 2013 and FY 2014 within the General Services Fund Group, largely as a result of lower anticipated spending related to claims paid under the state's Unclaimed Funds Program and operating expenses paid out of this fund group.

Table 1. Budget by Fund Group, FY 2014-FY 2015					
Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Services	\$107,904,016	\$84,249,523	-21.9%	\$84,249,523	0.0%
Federal Special Revenue	\$2,603,771	\$2,685,729	3.2%	\$2,685,729	0.0%
State Special Revenue	\$74,053,531	\$85,430,840	15.4%	\$84,198,259	-1.4%
Liquor Control	\$401,137,136	\$14,507,316	-96.4%	\$9,689,196	-33.2%
TOTAL	\$585,698,455	\$186,873,408	-68.1%	\$180,822,707	-3.2%

*FY 2013 figures represent actual expenditures.

Budget by Functional Category

Table 2 shows the budget's funding allocations for the Department by functional category for the FY 2014-FY 2015 biennium. These categories correspond to the eight operating divisions within the Department, except for the Division of Financial Institutions and the Division of Securities, which are grouped together in this Greenbook. The Unclaimed Funds Program accounts for the greatest share of the budget, at \$143.5 million (39.0%) of the appropriations for FY 2014-FY 2015. Regulatory activities under the (1) Division of Industrial Compliance and Labor, (2) State Fire Marshal's Office, (3) Division of Financial Institutions and Division of Securities, as well as (4) Division of Real Estate and Professional Licensing combined account for \$159.1 million (43.3%) of the budget. Notice that, in contrast to prior budgets and as a result of the transfer of liquor merchandising to JobsOhio in FY 2013, the Division of Liquor Control accounts for only \$40.0 million (10.9%) of the budget for the FY 2014-FY 2015 biennium. Administration, including the regulation of video service providers, accounts for \$25.1 million (6.8%) of biennial appropriations.

Table 2. FY 2014-FY 2015 Budget by Functional Category (in millions)					
Functional Category	FY 2013*	FY 2014	FY 2015	Biennium Total	% Total of Budget
Unclaimed Funds	\$94.5	\$71.7	\$71.7	\$143.5	39.0%
Industrial Compliance & Labor	\$24.3	\$26.6	\$27.1	\$53.7	14.6%
State Fire Marshal	\$21.6	\$26.5	\$24.9	\$51.4	14.0%
Financial Institutions & Securities	\$20.2	\$22.6	\$22.6	\$45.2	12.3%
Liquor Control	\$408.1	\$22.5	\$17.5	\$40.0	10.9%
Administration	\$13.3	\$12.5	\$12.5	\$25.1	6.8%
Real Estate & Professional Licensing	\$3.8	\$4.4	\$4.4	\$8.8	2.4%
TOTAL	\$585.7	\$186.9	\$180.8	\$367.7	100%

Note: Individual amounts may not add to totals due to rounding.

*FY 2013 amounts represent actual expenditures.

Review of Liquor Enterprise Transfer to JobsOhio

House Bill 153 of the 129th General Assembly, the main operating budget bill for the FY 2012-FY 2013 biennium, authorized the transfer of the state's exclusive right to manage and control spirituous liquor distribution and sales and to sell spirituous liquor to the nonprofit JobsOhio. On February 1, 2013, the transfer was completed. Under the transaction, in exchange for a 25-year lease of the liquor enterprise to JobsOhio, the state received \$500.0 million for deposit into the GRF, and another \$830.0 million to pay off state debt previously backed by liquor profits. To finance this transaction, in January 2013, JobsOhio issued private revenue bonds totaling approximately \$1.57 billion in order to pay the state for the liquor merchandising franchise. Regardless of the financial terms of the transaction, the Department will retain its liquor permitting responsibilities.

COM Merchandising Duties

As part of the transfer agreement between the state and JobsOhio, the Division of Liquor Control entered into a contract, called the Operations Services Agreement, that retains the liquor merchandising infrastructure within the Division. The Division's budget for its merchandising branch is agreed upon biennially to align with state budget periods, but may be adjusted when necessary. Under the contract, JobsOhio payments are to be made quarterly and deposited into the Liquor Operating Services Fund (Fund 5LN0). Aside from the information technology (IT) costs described below, the Division's merchandising expenses are budgeted for approximately \$5.2 million in FY 2014 and \$5.0 million in FY 2015.

Replacement of Information Technology System

In December 2012, the Department of Commerce awarded a contract to Quick Solutions, Inc., a company based in Westerville, Ohio, to replace and modernize the Division of Liquor Control's IT, merchandising, and supply chain management system. This is the first major IT upgrade for the Division since 1985. The project is expected to result in real-time inventory control, significantly reduce paperwork, and improve communication between the Division and the 480 designated state liquor agencies across the state.

The Department paid approximately \$5.0 million to Quick Solutions, Inc. in FY 2013, for costs including equipment, software development, project management, as well as maintenance and support. Approximately \$8.7 million in FY 2014 and \$4.4 million in FY 2015 will be spent from Fund 5LN0 appropriation item 800645, Liquor Operating Services, to complete the majority of the project. As part of the contract between COM and JobsOhio, the nonprofit will pay money into Fund 5LN0 to cover the costs.

Regulation of Liquor Permits

As mentioned previously, the state retains full regulatory and enforcement responsibilities related to the manufacture and sale of spirituous liquor. These

responsibilities are unaffected by the liquor merchandising transfer, except that the funding source for these activities is different. The Division of Liquor Control's regulatory duties are now funded by a share of liquor permit fees, not liquor sales revenue as in the past. The permit fee revenue is transferred from the Undivided Liquor Permit Fund (Fund 7066) and subsequently distributed to the State Liquor Regulatory Fund (Fund 5LP0). The Division's costs for ongoing permitting responsibilities are projected to be \$8.0 million in FY 2014 and \$7.8 million in FY 2015.

JobsOhio Responsibilities

While the Division of Liquor Control continues operating the merchandising business much as it had done prior to the transfer, under the new arrangement JobsOhio deposits the liquor proceeds into a separate bank account outside of the state treasury. The current projections are that the liquor profits at JobsOhio's disposal for economic development will be in the range of \$100.0 million annually after payments to the state and debt service payments on the economic development bonds. As Ohio's nonprofit economic development arm, JobsOhio activities include marketing, business development incentives, operations, and equity investments in targeted industries.

H.B. 59 Statutory Changes with Fiscal Effects

Unclaimed Funds Law Changes

The budget allows for payment of interest to claimants so as to fulfill a settlement under *Sogg v. Zurz* concerning interest accrued on unclaimed funds. The resolution to the case, heard in the Ohio Supreme Court, involved a final settlement agreement of approximately \$15.0 million, the balance of which was paid by the state in FY 2013. H.B. 59 removes the current prohibition against the payment of interest on funds in the possession of the state, and specifies time frames and amounts of interest owed to claimants. In addition to the settlement amount, the Department estimates that future payments of interest could total around \$1.0 million annually.

Underground Storage Tank Revolving Loan Program

The budget bill creates the Underground Storage Tank Revolving Loan Program to be administered by the State Fire Marshal. Under the program, political subdivisions and community improvement corporations may be awarded low-interest loans to assess and/or rehabilitate underground storage tank sites that are either (1) abandoned or (2) owned by a person who is unable to pay the costs of the project. The program is seed-funded by money received into the Underground Storage Tank Administration Fund (Fund 6530) through an underground storage tank settlement and future loan repayments. The budget provides \$2.0 million for the program in both FY 2014 and FY 2015.

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the funding for each appropriation item in the Department of Commerce's budget. The line items are grouped into seven major categories, which largely follow the Department's divisional structure. For each category, a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation in H.B. 59. If the appropriation is earmarked, the earmarks are listed and described. The seven categories used in this analysis are as follows:

1. Unclaimed Funds;
2. Industrial Compliance and Labor;
3. State Fire Marshal;
4. Financial Institutions and Securities;
5. Liquor Control;
6. Administration; and
7. Real Estate and Professional Licensing.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

Categorization of COM's Appropriation Line Items for Analysis of H.B. 59		
Fund	ALI and Name	Category
General Services Fund Group		
1630	800620 Division of Administration	6: Administration
1630	800637 Information Technology	6: Administration
5430	800602 Unclaimed Funds – Operating	1: Unclaimed Funds
5430	800625 Unclaimed Funds – Claims	1: Unclaimed Funds
5F10	800635 Small Government Fire Departments	3: State Fire Marshal
Federal Special Revenue Fund Group		
3480	800622 Underground Storage Tanks	3: State Fire Marshal
3480	800624 Leaking Underground Storage Tanks	3: State Fire Marshal
State Special Revenue Fund Group		
4B20	800631 Real Estate Appraiser Recovery	7: Real Estate and Professional Licensing
4H90	800608 Cemeteries	7: Real Estate and Professional Licensing
4X20	800619 Financial Institutions	4: Financial Institutions and Securities
5440	800612 Banks	4: Financial Institutions and Securities
5450	800613 Savings Institutions	4: Financial Institutions and Securities
5460	800610 Fire Marshal	3: State Fire Marshal
5460	800639 Fire Department Grants	3: State Fire Marshal
5470	800603 Real Estate Education/Research	7: Real Estate and Professional Licensing
5480	800611 Real Estate Recovery	7: Real Estate and Professional Licensing
5490	800614 Real Estate	7: Real Estate and Professional Licensing
5500	800617 Securities	4: Financial Institutions and Securities
5520	800604 Credit Union	4: Financial Institutions and Securities
5530	800607 Consumer Finance	4: Financial Institutions and Securities
5560	800615 Industrial Compliance	2: Industrial Compliance and Labor
5FW0	800616 Financial Literacy Education	4: Financial Institutions and Securities
5GK0	800609 Securities Investor Education/Enforcement	4: Financial Institutions and Securities
5HV0	800641 Cigarette Enforcement	3: State Fire Marshal
5LP0	800646 Liquor Regulatory Operating Expenses	5: Liquor Control
5X60	800623 Video Service	6: Administration
6530	800629 UST Registration/Permit Fee	3: State Fire Marshal
6A40	800630 Real Estate Appraiser – Operating	7: Real Estate and Professional Licensing
Liquor Control Fund Group		
5LC0	800644 Liquor JobsOhio Extraordinary Allowance	5: Liquor Control
5LN0	800627 Liquor Operating Services	5: Liquor Control

Category 1: Unclaimed Funds

This category of appropriations provides for the safekeeping and return of moneys designated as "unclaimed." In the meantime, the Division of Unclaimed Funds uses a portion of reported unclaimed funds to support housing loan guarantees. The funds have also been used in recent years to support the operations of other state programs through transfers to the GRF.

Appropriations for Unclaimed Funds				
Fund	ALI and Name		FY 2014	FY 2015
General Services Fund Group				
5430	800602	Unclaimed Funds – Operating	\$7,737,546	\$7,737,546
5430	800625	Unclaimed Funds – Claims	\$64,000,000	\$64,000,000
General Services Fund Group Subtotal			\$71,737,546	\$71,737,546
Total Funding: Unclaimed Funds			\$71,737,546	\$71,737,546

Unclaimed Funds – Operating (800602)

This line item pays the operating and administrative expenses of the Division of Unclaimed Funds. The Division is comprised of administrative, claims processing, compliance, and accountability sections. The Division is a part of the Ohio Business Gateway, which allows businesses to electronically file reports and remit funds into the state's unclaimed funds account using the Automated Clearing House (ACH). This has increased unclaimed funds visibility and presumably resulted in higher amounts of funds reported to the state.

The budget funds the line item at \$7.7 million in each fiscal year of the biennium for the administrative expenses of the Division. These amounts are about \$3.5 million less than FY 2013 expenditures of \$11.2 million. Note, however, that a portion of the FY 2013 spending was for payments made to audit firms on a contingency basis to ensure that unclaimed funds were being reported appropriately to the Division. These audits have resulted in substantial additional collections under the Unclaimed Funds Program. After the increase in spending in FY 2013, the Department expects audit firm costs, and operating costs overall, to return to previous levels in FY 2014 and FY 2015.

Unclaimed Funds – Claims (800625)

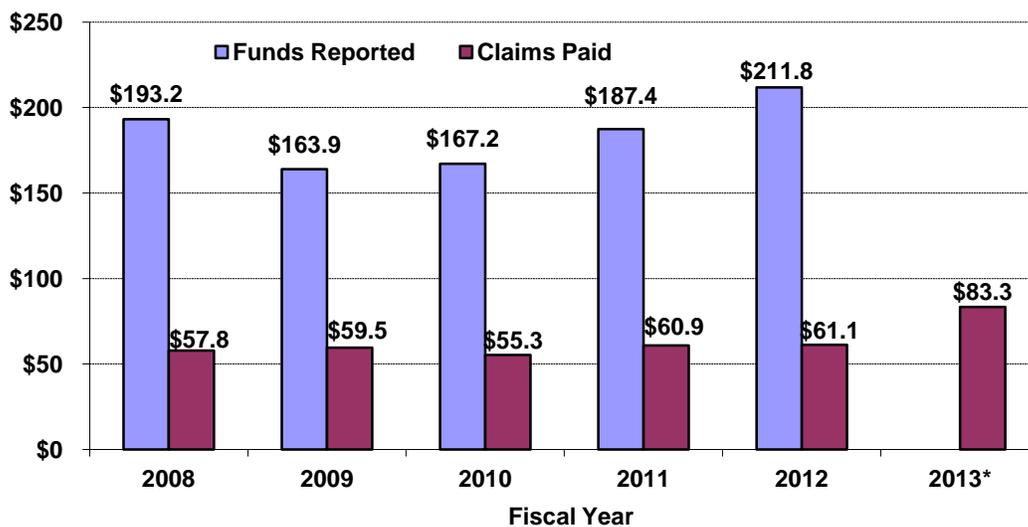
This line item pays claims from unclaimed funds reported pursuant to Chapter 169. of the Revised Code. The Unclaimed Funds Program is responsible for the safekeeping and return of moneys designated as "unclaimed" due to death, inadvertence, or forgetfulness. State law requires that these funds be reported to the state for safekeeping after the owners have left the funds unclaimed for a period of time, typically five years. The state acts as a custodian for the funds until the rightful

owners or their heirs claim them. Common sources of unclaimed funds include dormant checking and savings accounts, insurance proceeds, unclaimed wages and employment benefits, uncashed checks and money orders, undelivered stock and dividends, forgotten rent or utility deposits, and intangible contents of safe deposit boxes. The program relies on funds from the unclaimed funds custodial account under the Treasurer of State.

Until the rightful owner is located, unclaimed funds support economic development throughout Ohio. The Ohio Development Services Agency and the Ohio Housing Finance Agency use these resources to guarantee and fund low- and moderate-income housing programs. Unclaimed funds also guarantee performance bonds for the Minority Business Bonding Fund.

Chart 1 below summarizes the unclaimed funds reported and claims paid from FY 2008 to FY 2012. The chart also shows that \$83.3 million was paid in FY 2013, which is over \$22 million higher than any other fiscal year. However, please note that FY 2013 spending included \$13.8 million of the \$15 million settlement over the *Sogg v. Zurz* ruling in the Ohio Supreme Court concerning interest accrued on unclaimed funds. As discussed in the "**Statutory Changes with Fiscal Effects**" section of the **Overview**, the budget bill allows for payment of interest to claimants so as to fulfill the ruling under *Sogg v. Zurz*. Thus H.B. 59 removes the current prohibition against the payment of interest on funds in the possession of the state, and specifies time frames and amounts of interest owed to claimants. In addition to payments of actual unclaimed funds, the Department estimates that future payments of interest could total around \$1.0 million annually.

Chart 1: Unclaimed Funds Reported and Claimed (in millions)



*FY 2013 claims reported figure not available at time of Greenbook publication

With the expectation that claims to be paid in the upcoming biennium will return to levels prior to FY 2013, the budget provides funding of \$64.0 million in both FY 2014 and FY 2015. Because there is always the potential that claims made exceed the amount appropriated, the budget includes language appropriating the additional amounts as needed.

Category 2: Industrial Compliance and Labor

This category of appropriations funds the building code development, inspection, plan review, licensing, and permit services related to the commercial and residential construction industry. The Bureau of Wage and Hour Administration, which enforces the prevailing wage, minimum wage, and minor labor laws, is also included in this category.

Appropriations for Industrial Compliance and Labor				
Fund	ALI and Name		FY 2014	FY 2015
State Special Revenue Fund Group				
5560	800615	Industrial Compliance	\$26,612,520	\$27,104,205

Industrial Compliance (800615)

This line item primarily funds building code development, inspection, plan review, licensing, and permit services related to the commercial and residential construction industry, as well as the operations of the Bureau of Wage and Hour Administration, which enforces the prevailing wage, minimum wage, and minor labor laws. This line item is supported through fees assessed to the regulated entities. The budget provides \$26.6 million in funding in FY 2014, a 9.7% increase compared to FY 2013 spending of \$24.3 million. The FY 2015 appropriation is \$27.1 million, 1.9% higher than the amount for FY 2014. Funding levels for the various bureaus and programs under the auspices of the Division of Industrial Compliance and Labor are provided in Table 5 below.

Program	FY 2014	FY 2015
Operations and Maintenance	\$9.0	\$9.1
Division Program Administration	\$6.7	\$7.1
Building Code Compliance	\$5.7	\$5.7
Building Code	\$2.8	\$2.7
Bureau of Wage and Hour Administration	\$1.2	\$1.2
Ohio Construction Industry Licensing Board	\$1.2	\$1.2
TOTAL	\$26.6	\$27.1

Note: Individual amounts may not add to totals due to rounding.

Fluctuations in funding for the programs listed above are primarily the result of economic factors affecting the construction-related industries regulated by funding under this line item. Seasonal conditions affect revenue receipt and operating needs. Over the FY 2014-FY 2015 biennium, the Department expects an improving economy to result in relatively stable spending and funding across the Division's programs.

Operations and Maintenance

The Operations and Maintenance Program oversees various industrial functions: (1) responsibility for the proper operation and maintenance of critical systems including boilers, elevators, and escalators, (2) inspections of bedding, upholstered furniture, and ski lifts, (3) licensure of steam engineers and boiler operators, and (4) registration of roller rinks. The program performs approximately 60,000 elevator inspections, almost 27,000 boiler inspections, and 7,000 bedding and upholstered furniture inspections annually, in addition to licensing over 11,000 boiler operators, steam engineers, and historical boilers. The program is funded by fees on bedding items and registration, bedding laboratory analysis, elevator inspection and certification, boiler certification and inspection, and other such fees for steam engineers, historical boilers, roller rinks, and ski lifts. The Operations and Maintenance Program has the largest budget of the Division's programs at around \$9.0 million in FY 2014 and \$9.1 million in FY 2015.

Division Program Administration

Program Administration oversees the general management and direction of the Division of Industrial Compliance activities on a daily basis. It is also responsible for the planning and future direction of the Division. The program provides administrative support through legal counsel, inspector dispatching operations and communications, automated computer programs for task management, and reporting and performance management. These expenses are covered by an administrative charge based on cumulative annual payroll assessed to all boards and sections within the Division.

COM expects to spend approximately \$6.7 million in FY 2014 and \$7.2 million in FY 2015 for Program Administration, amounts that are significantly smaller than the amount spent in this area in FY 2013. The higher FY 2013 costs provided the funding to automate all of the Division's inspection, permitting, licensing, and certification processes, including the provision of mobile devices to tie all field staff electronically to the new system's central dispatching capabilities. This has allowed more control over scheduling of field personnel and inspections, which should produce more efficient use of resources in FY 2014 and FY 2015.

Building Code Compliance

The Building Code Compliance Program, through the Bureau of Construction Compliance, inspects construction plans for all state buildings, commercial buildings, and residential buildings of four or more units not falling under the jurisdiction of a local certified building department to ensure that the structural design, electrical, and plumbing systems meet standards established by the Ohio Building Code. In FY 2012, the Bureau reviewed about 5,400 architectural plans and performed over 32,000 electrical, structural, and plumbing inspections. The program is funded by revenue from various fees, such as those for plan examination, pressure piping, and plumbing permits and inspections. Commercial construction is projected to maintain current

levels or increase slightly due to the gradually improving economy. This program is slated for funding of \$5.7 million in both FY 2014 and FY 2015.

Building Code

The Building Code Program supports the Board of Building Standards (BBS), which formulates and adopts rules governing building construction and maintenance to ensure building safety. BBS also certifies local building code enforcement departments and houses the Industrialized Unit Section, which regulates factory-built construction components (except for those regulated by the federal Department of Housing and Urban Development). This program also supports the Board of Building Appeals, which reviews appeals of orders issued by the Department's Bureau of Construction Compliance or a certified city or county building department.

The Board of Building Standards receives funding through a portion of the boiler certificate, elevator certificate, plan review application fees, as well as a surcharge on the fee for certified building departments, among other sources. The Board of Building Appeals receives revenue through a \$200 fee for each building appeal. Total funding for these boards is approximately \$2.8 million in FY 2014 and \$2.7 million in FY 2015.

Bureau of Wage and Hour Administration

The Bureau of Wage and Hour Administration enforces the minimum wage, prevailing wage, and minor labor laws. The Bureau investigates complaints and, upon making determinations, collects back wages and penalties owed to workers. In FY 2012, the Bureau completed 746 investigations. Approximately 62% were minimum wage investigations, conducted on employers who allegedly did not pay workers minimum wage or overtime. About 36% of the investigations were on prevailing wage rates, which are rates required to be paid to employees who work on public improvement construction projects as defined in Revised Code section 4115.03. Thirteen investigations in FY 2012 were related to wages paid to minors. Overall funding for the Bureau is approximately \$1.2 million in each fiscal year.

Statutory Change – Altering Prevailing Wage Calculation Index

H.B. 59 includes a change to the index used to calculate biennial changes to the threshold levels to determine whether a horizontal public improvement project is subject to Ohio's Prevailing Wage Law. In current law the U.S. Department of Commerce's *Bureau of the Census Implicit Price Deflator for Construction* is used as the index; however, the publication has gone out of existence. In its absence, the construction cost index published by the Engineering News-Record has been used. This provision allows the use of the latter source, or should the latter source itself cease to be published, a similar recognized industry index chosen by the Director in making these determinations.

Ohio Construction Industry Licensing Board

The Ohio Construction Industry Licensing Board provides for the testing, licensing, and continuing education of electrical; heating, ventilation, and air conditioning (HVAC); hydronic; plumbing; and refrigeration commercial construction contractors. The program oversaw around 18,000 active licenses in the above trades as of the end of FY 2012. Of that amount, around 6,200 electrical, 4,400 plumbing, 4,100 HVAC, 1,800 hydronics, and 1,400 refrigerator contractors were licensed in FY 2012. The Board is funded by license examination, issuance, and renewal fees as well as various continuing education course approval and training provider fees. Funding for the Board is approximately \$1.2 million in each fiscal year of the FY 2014-FY 2015 biennium.

Category 3: State Fire Marshal

The appropriations in this category fund the operations of the Office of the State Fire Marshal, which provides protection to the citizens of Ohio from the dangers of fire and explosions and protects the environment from releases of petroleum from underground storage tanks. The State Fire Marshal analyzes fire-related criminal evidence, enforces the Ohio Fire Code, investigates the cause and origin of fires and explosions, regulates underground storage tanks, trains firefighters, and provides fire safety education to businesses, industry, and the public.

Appropriations for State Fire Marshal				
Fund	ALI and Name		FY 2014	FY 2015
General Services Fund Group				
5F10	800635	Small Government Fire Departments	\$300,000	\$300,000
General Services Fund Group Subtotal			\$300,000	\$300,000
Federal Special Revenue Fund Group				
3480	800622	Underground Storage Tanks	\$1,129,518	\$1,129,518
3480	800624	Leaking Underground Storage Tanks	\$1,556,211	\$1,556,211
Federal Special Revenue Fund Group Subtotal			\$2,685,729	\$2,685,729
State Special Revenue Fund Group				
5460	800610	Fire Marshal	\$17,336,990	\$15,976,408
5460	800639	Fire Department Grants	\$2,198,802	\$2,198,802
5HV0	800641	Cigarette Enforcement	\$118,800	\$118,800
6530	800629	UST Registration/Permit Fee	\$3,831,888	\$3,612,588
State Special Revenue Fund Group Subtotal			\$23,486,480	\$21,906,598
Total Funding: State Fire Marshal			\$26,472,209	\$24,892,327

Small Government Fire Departments (800635)

This line item is used to fund the Small Government Fire Department Services Revolving Loan Program, which makes no-interest loans to small governments for up to 95% of the cost of firefighter equipment or the construction or renovation of fire department buildings. The Small Government Fire Departments Fund (Fund 5F10) is replenished by loan repayments. The budget funds the program at \$300,000 in each fiscal year.

Underground Storage Tanks (800622, 800624, and 800629)

These line items fund the Bureau of Underground Storage Tank Regulation (BUSTR), which regulates the installation, operation, maintenance, and removal of underground storage tank (UST) systems as well as the investigation and cleanup of petroleum products released from UST systems into the environment. BUSTR regulates

3,975 owners of approximately 22,600 registered UST systems. In FY 2012, the Bureau undertook over 4,000 operational compliance inspections of UST systems.

Appropriation item 800622, Underground Storage Tanks, provides the federal funds used for the regulation of underground storage tanks, including the permitting of tank installation, removal, upgrade, or major repair. Federal funding for this program requires a 25% state match. H.B. 59 provides funding of \$1.1 million in each fiscal year for these activities.

Appropriation item 800624, Leaking Underground Storage Tanks, provides the federal funds necessary to evaluate and clean up leaking underground storage tanks containing petroleum. Federal funding for this program requires a 10% state match. The appropriations for this line item are approximately \$1.6 million in each fiscal year, almost 11% above FY 2013 spending.

Appropriation item 800629, UST Registration/Permit Fee, also provides funding for underground storage tank regulation, but it is supported by annual tank registration fees and permits. This line item provides the state matching funds required for BUSTR's federal funding. In addition, the line item will fund the new Underground Storage Tank Revolving Loan Program, created in the budget bill. The program is allocated \$2.0 million in both FY 2014 and FY 2015 for low-interest loans to political subdivisions and community improvement corporations to rehabilitate abandoned underground storage tank sites. The budget provides approximately \$3.8 million in FY 2014 and \$3.6 million in FY 2015 in total for all these activities, reflecting the additional funding dedicated to the Underground Storage Tank Revolving Loan Program.

Fire Marshal (800610)

This line item provides the primary operating funds for the administration of the Office of the State Fire Marshal and programs operated by the State Fire Marshal. The State Fire Marshal Fund (Fund 5460) is the Division's primary operating fund. This fund is supported by a 0.75% surcharge on fire insurance premiums, 20% of retaliatory (or "reciprocity") taxes on out-of-state insurance companies, and fees from fireworks licenses, building inspections, course fees, and federal and state grants.

The budget provides FY 2014 funding of \$17.3 million, a 13.8% increase when compared to FY 2013 spending of \$15.2 million under this line item. The line item is appropriated \$15.9 million in FY 2015. The increased appropriations accommodate the replacement of obsolete information technology equipment, and the purchase of needed enterprise-wide software. The State Fire Marshal's mainframe computer failed in FY 2013, leaving the Ohio Fire Academy without key applications for three days. These applications include course registration and certification for first-responder training and administrative functions. Approximately \$2.0 million in FY 2014 and \$650,000 in FY 2015 will be used to make these IT upgrades. The other funding through this line

item will support the Office of State Fire Marshal, separated into eight programs. Seven programs are discussed below. BUSTR, the eighth program under the State Fire Marshal, was described previously in this section.

Program Administration

This program provides for the administration of the Office of State Fire Marshal and its eight operating bureaus. The program funds salaries and fringe benefits for administration, including senior staff, administrative and facility operations staff, and provides training and annual licensing for Ohio's fire and law enforcement communities, shippers, manufacturers, and retailers. There are around 166 full-time permanent employees throughout the Office.

Ohio Fire Academy

The Ohio Fire Academy conducts fire-related training courses for more than 17,000 emergency responders annually. The program also funds replacement of vehicles and specialized firefighting equipment. Training, which is conducted at the Academy facilities and on-site throughout the state, includes firefighting, antiterrorism response, and urban search and rescue. The Academy maintains national accreditation for the various levels of firefighter training. A decrease in funding for the Academy in the biennium can be at least partially attributable to decreased maintenance and grounds-keeping costs at their Reynoldsburg campus due to equipment shared with the Department of Agriculture, which owns property adjacent to the campus.

Code Enforcement

The Code Enforcement Program performs fire safety inspections at hotels, motels, hospitals, schools, nursing homes, new construction, and other buildings and events. It also enforces the Ohio Fire Code at fireworks facilities, manufacturers, and exhibitions and conducts plan review and inspections for flammable and combustible liquid storage tanks not regulated by the Bureau of Underground Storage Tank Regulation or the local fire department. The program conducts approximately 15,000 fire safety inspections annually, though the Department reports that its workload has been increasing in recent years due to local fire departments reducing or eliminating fire investigation, training, and inspection staff. Those responsibilities then fall to the State Fire Marshal, increasing caseload.

Investigations

The Investigations Program is responsible for investigating the cause, origin, and circumstances of fires, explosives, and fireworks incidents in Ohio. It is also responsible for the prosecution of persons believed to be guilty of arson or a similar crime. This program provides these services to any fire department or law enforcement agency in the state, as many small municipalities and townships do not have trained arson investigators to conduct such highly specialized investigations. In addition to routine

investigations, the Fire and Explosion Investigation Bureau has three accelerant detection canine teams to assist in recovering evidence at arson crime scenes and operates the Major Incident Response Vehicle, which has sensitive and specialized communications equipment to be used in any type of disaster or fire, arson, or bombing incident. The program conducted approximately 1,200 fire and explosion investigations, including 291 arsons, in calendar year 2011.

Fire Prevention

The Fire Prevention Program creates fire safety publications and conducts fire safety education outreach at schools, senior centers, health care facilities, and other locations as requested. The program compiles and analyzes statistical data collected through the Ohio Fire Information Reporting System regarding the nature and causes of fires. The Fire Prevention Program also (1) operates the Public Fire Safety Decal Program for volunteer firefighters, (2) provides fire safety courses for health care facility certification, smoke alarms to high-risk families, support for special public recognition events, support of fire safety fairs, and (3) trains local fire department personnel. The Fire Prevention Program conducted around 2,500 fire safety programs for 72,600 Ohioans and distributed almost 270,000 pieces of fire safety literature in FY 2012.

Forensic Lab

The Forensic Lab Program provides scientific examination of ignitable liquids, fire debris, explosives, latent fingerprints, and general examination of any physical evidence involved in a suspected arson, fire explosive incident, or hazardous situation. The laboratory issues a written report including findings and opinions as to the nature of the situation. Laboratory examiners may be asked to testify in court about laboratory findings. During FY 2012, the laboratory examined 748 cases consisting of 3,182 pieces of evidence.

Testing and Registration

The Testing and Registration Bureau licenses companies and individuals in the fire protection industry; the hotel and motel business; fireworks exhibitors and manufacturers, wholesalers, and shippers; and underground storage tank operators and those who install and inspect those tanks. This program issued over 42,000 licenses in FY 2012, generating \$2.5 million in fee revenue for various funds servicing State Fire Marshal operations.

Fire Department Grants (800639)

This line item is used to provide grants to local fire departments to offset the cost of training and equipment. H.B. 59 provides funding of about \$2.2 million in each fiscal year, representing increased funding of 29.7% compared to spending of \$1.7 million in FY 2013. The additional funding of around \$500,000 will go toward more grants for training courses offered by the State Fire Marshal.

Aside from the training earmark described in the next paragraph, the grant program will continue to provide funding to eligible fire departments as in prior fiscal years. Eligible recipients include volunteer fire departments; fire departments, joint fire districts, or local governments responsible for fire departments that serve one or more small municipalities or small townships; and local units of government responsible for the provision of fire protection services for small municipalities or small townships. The grants must be used to (1) purchase firefighting or rescue equipment or gear or similar items, (2) provide full or partial reimbursement for the documented costs of firefighter training, or (3) at the discretion of the State Fire Marshal, cover fire department costs for providing fire protection services in that grant recipient's jurisdiction. Grants for firefighting or rescue equipment, gear, or the provision of fire protection services are limited to \$15,000 per fiscal year unless an eligible entity serves a jurisdiction where the Governor declared a natural disaster during the preceding or current fiscal year in which the grant was awarded. In those cases, grants are limited to \$25,000 per fiscal year. Grants for reimbursement of firefighter training costs are limited to \$15,000 per fiscal year. Eligible entities may receive grants for both purposes. For each fiscal year, the State Fire Marshal will determine the total amounts to be allocated for each eligible purpose.

Earmark language in H.B. 59 temporary law allows up to \$500,000 in each fiscal year from the line item to be used to provide certain firefighter training classes at no cost to selected students. In prior fiscal years, these classes were paid for by local fire departments up front, then reimbursed by the State Fire Marshal as grants upon completion of the training. COM expects this earmark to allow fire departments to send more trainees, since they can avoid the requirement of up-front capital before the commencement of the training. The budget allows the State Fire Marshal to establish the qualification and selection process for such classes, and the State Fire Marshal stated that these dedicated grant funds will be targeted to volunteer firefighters with only 36 hours of training or less. The rest of the line item's grant funding will remain as reimbursable grants, described in the previous paragraph.

Cigarette Enforcement (800641)

The budget provides funding of \$118,800 in each fiscal year under Fund 5HB0 appropriation item 800641, Cigarette Enforcement. This line item is used to purchase the office equipment and supplies needed to carry out the cigarette enforcement program, which certifies cigarettes as meeting reduced ignition propensity standards. Cigarettes passing the ignition propensity standards are not as likely to set fire to certain types of fabrics, such as upholstered furniture or mattresses. To be certified by the state, each cigarette manufacturer must (1) test cigarettes through a laboratory or an alternative testing method to ensure the cigarettes meet the standards specified in law, (2) indicate on the packaging that the cigarettes meet fire safety standards, and

(3) submit written certification to the State Fire Marshal's Office that each type of cigarette tested meets the standards. Manufacturers must recertify each type of cigarette every three years.

Currently, there are five brand families certified. "Brand family" refers to the various types of cigarettes, such as lights, menthols, 100s, and so forth, sold under the same trademark. To offset the State Fire Marshal's costs for administering the certification program, manufacturers pay a \$1,000 fee for each type of brand family included in an application. The fee may be adjusted to up to \$2,500 per brand family annually to ensure revenue is sufficient to defray the costs of processing, testing, enforcing, and overseeing the activities required for cigarette enforcement. Proceeds from the fee are deposited into the Cigarette Enforcement Fund (Fund 5HV0).

Category 4: Financial Institutions and Securities

This category of appropriations provides oversight of state-chartered banks, credit unions, savings institutions, and various consumer finance organizations through the Division of Financial Institutions as well as securities and securities professionals through the Division of Securities. These line items fund programs that ensure the overall safety and soundness of these institutions and individuals and provide education regarding financial literacy, home mortgage lending practices, and securities investing to reduce the number of consumers falling victim to abusive practices.

Appropriations for Financial Institutions and Securities				
Fund	ALI and Name		FY 2014	FY 2015
State Special Revenue Fund Group				
4X20	800619	Financial Institutions	\$1,854,298	\$1,854,298
5440	800612	Banks	\$6,836,589	\$6,836,589
5450	800613	Savings Institutions	\$2,259,536	\$2,259,536
5500	800617	Securities	\$4,238,814	\$4,238,814
5520	800604	Credit Union	\$3,297,888	\$3,297,888
5530	800607	Consumer Finance	\$3,481,692	\$3,481,692
5FW0	800616	Financial Literacy Education	\$200,000	\$200,000
5GK0	800609	Securities Investor Education/Enforcement	\$432,150	\$432,150
Total Funding: Financial Institutions			\$22,600,967	\$22,600,967

Financial Institutions (800619)

Fund 4X20 appropriation item 800619, Financial Institutions, provides centralized administrative support to the Division of Financial Institutions' various sections, which include Banks, Credit Unions, Savings Institutions, and Consumer Finance. The executive staff, facilities management, front desk operations, and centralized records retention and administration are all funded out of this line item. There are currently around 120 employees under the Division. The Financial Institutions Fund (Fund 4X20), receives revenue from quarterly assessments on the Banks Fund (Fund 5440), the Savings Institutions Fund (Fund 5450), the Credit Unions Fund (Fund 5520), and the Consumer Finance Fund (Fund 5530). Quarterly assessments are prorated among these operating funds based on the budgeted headcount for each fund. H.B. 59 provides funding of \$1.9 million in both FY 2014 and FY 2015 for these services, a 45.4% increase compared to FY 2013 spending of slightly less than \$1.3 million.

Banks (800612)

This line item funds the regulation of state-chartered banks, trust companies, and money transmitters. The budget includes funding of \$6.8 million for this line item for each fiscal year of the FY 2014-FY 2015 biennium, an 18.2% increase above FY 2013

spending of \$5.8 million. The vast majority of funding in this line item, about 90%, is programmed toward bank regulation while the balance, about \$700,000 per year, funds the regulation of money transmitters.

Banks

Under the Banks Program, the Division of Financial Institutions supervises 95 state-chartered banks. The Division does not have jurisdiction over federal thrifts or national banks. Program staff review and approve new bank charters, mergers, branch ventures, and other activities. Their other responsibility is to determine the safety and soundness of each bank and monitor adherence to laws and regulations through regular on-site field examinations and off-site surveillance and monitoring. Program staff coordinate supervisory activities with the applicable federal regulatory agencies, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC).

The Banks Program is primarily funded by an annual assessment charged to state-chartered banks based on total assets as of the end of the prior calendar year. Application, examination, and investigation fees paid by banks also help fund the program. These fees are deposited into the Banks Fund (Fund 5440). FY 2013 revenues from these sources (including application and license fees paid by money transmitters, which are discussed below) were \$6.0 million.

Money Transmitters

The Money Transmitters Program provides for the licensing, supervision, and regulation of the 67 money transmitters operating within the state. The program's funding is derived from annual license fees and investigation fees for money transmitter licenses. The fee for a new money transmitter license is \$6,000 while the renewal fee is based on the transmitter's volume of business in the state.

Consumer Finance (800607)

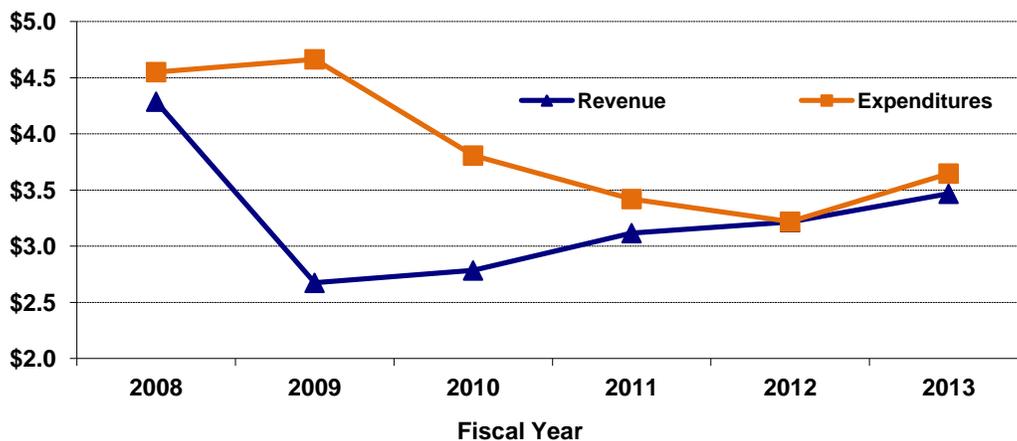
Funding for Fund 5530 appropriation item 800607, Consumer Finance, is \$3.5 million in FY 2014 and FY 2015, 4.6% below spending for FY 2013. This line item pays the costs associated with regulating the consumer finance or nondepository lending industries. A small portion of the line item (\$174,562 in FY 2014 and FY 2015) funds the Office of Consumer Affairs, which educates Ohioans on borrowing, refers borrowers to credit counseling services, receives complaints of alleged violations of Division-administered statutes, contacts the persons that are the subject of the complaint, and forwards possible violations for administrative action.

Entities regulated by the Division of Financial Institutions' Consumer Finance section include check cashing services, short-term lenders, small loan lenders, credit service organizations, insurance premium finance companies, mortgage brokers, loan originators, pawnbrokers, precious metals dealers, and mortgage lenders. The Consumer Finance section performs examinations of these licensees to ensure

compliance with statutory requirements and consumer protection, investigates complaints, and brings enforcement actions to address violations. As of the end of FY 2012, this section oversaw around 10,489 active licenses. These regulatory functions are funded through annual fees paid by the various consumer finance providers. The receipts are deposited into the Consumer Finance Fund (Fund 5530).

As seen in Chart 2 below, Fund 5530 has started to recover from a sharp drop in revenue in FY 2009. The improvement is attributable to growth in licenses issued under the Mortgage Broker Act. On the spending side, the program has reduced its staff in recent years and completed a review of all operations, resulting in changes that have reduced the overall cost of the program.

Chart 2: Consumer Finance Fund Revenues and Expenditures
(in millions)



Securities (800617)

Fund 5500 appropriation item 800617, Securities, supports the Division of Securities, which regulates the sale of securities in Ohio, licenses securities professionals in Ohio who sell securities and provide advice about investing in securities, and promotes investor education. The Division pursues administrative sanctions against those persons and entities violating the securities laws in Ohio and makes referrals for criminal prosecution. In FY 2012, the Division of Securities reviewed over 6,200 securities registration and exemption filings and licensed over 175,000 securities professionals and investment officers. H.R. 4173, the Frank/Dodd Financial Reform Act of 2010, expanded the Division's oversight responsibilities beginning in FY 2012 by requiring the Division to be the primary regulator of Ohio investment advisors having up to \$100 million in assets under management. These responsibilities are accounted for in the budget.

H.B. 59 funds these activities at \$4.2 million in each fiscal year of the FY 2014-FY 2015 biennium. These appropriations are supported by revenue from license application and renewal fees for various securities industry professionals and from securities registration and exemption filings that are deposited into the Division of Securities Fund (Fund 5500). Customarily, the income from fees collected each year is in excess of the total funding required to operate the Division. This allows for cash transfers of the excess to the GRF. In the last several years, these GRF transfers have ranged between \$8 million and \$14 million annually; however, there was no transfer in FY 2013.

Credit Unions (800604)

Fund 5520 appropriation item 800604, Credit Unions, supports regulatory activities under the Credit Unions Program. The program is funded by a semiannual assessment on the gross assets of credit unions, the revenue from which was approximately \$2.7 million in FY 2013. Actual spending in FY 2013 amounted to \$2.9 million. The budget provides \$3.3 million in each year for this line item. The supervision and regulation of state-chartered credit unions includes on-site field examinations, off-site surveillance and monitoring, and coordination of supervisory activities with the appropriate federal agency, the National Credit Union Administration. While the program coordinates with its federal counterparts, the Division of Financial Institutions is also in competition for credit union charters as these institutions have the option to be regulated either by the state or by the federal government. The program supervised and regulated 166 state-chartered credit unions with total aggregated assets of \$14.7 billion as of the end of March 2012. While the number of state-chartered credit unions has declined because of an industry trend of mergers and acquisitions, total assets under supervision has increased, as has the complexity of these institution's operations.

Savings Institutions (800613)

The Savings Institutions Program is responsible for the supervision and regulation of 24 state-chartered savings and loan associations and 22 state-chartered savings banks. As of March 31, 2012, these institutions had combined assets of approximately \$10.0 billion. The program ensures the safety and soundness of these institutions and compliance with the law through regular examinations, surveillance and monitoring along with coordination and enforcement of supervisory actions. As with other regulated depository institutions, the Division of Financial Institutions is in competition with the federal government to maintain savings and loan associations and savings bank charters. The program is funded by annual assessments of the regulated institutions based on total assets of savings banks and savings and loan associations. These assessments generated \$2.3 million in FY 2013. The budget includes funding of

\$2.3 million in each fiscal year for these activities under Fund 5450 appropriation item 800613, Savings Institutions.

Securities Investor Education and Enforcement (800609)

This line item is used to pay the expenses of the Division of Securities relating to education or enforcement for the protection of securities investors and the public. The line item is funded with moneys received in settlement of any violation of the Securities Law that are deposited into Fund 5GK0. In order to support these education and enforcement efforts, Fund 5GK0 is periodically seeded with cash transfers from the Division of Securities Fund (Fund 5500). These funds are also used to investigate alleged violations of the Ohio Securities Act. H.B. 59 appropriates \$432,150 for this line item in FY 2014 and FY 2015, a 45.6% reduction compared to FY 2013 spending of \$794,151 for these purposes.

Financial Literacy Education (800616)

This line item is used to support various adult financial literacy education programs. At least half of the programs must be presented by or made available at public community colleges or state institutions of higher education throughout the state. The initial funding for these programs was provided through a transfer of 5% of the cash balance (approximately \$474,000) from the Consumer Finance Fund (Fund 5530) to the Financial Literacy Education Fund (Fund 5FW0) in FY 2009. And on an ongoing basis, Fund 5FW0 receives a small amount of revenue, amounting to 5% of all charges, penalties, and forfeitures received by Fund 5530. The budget provides \$200,000 for this program in each fiscal year of the FY 2014-FY 2015 biennium. No money was spent from the line item in FY 2013, and a total of \$73,940 has been spent over the last five fiscal years.

Category 5: Liquor Control

This category of appropriations funds the control of the manufacture, distribution, and sale of all alcoholic beverages in Ohio. As described above in the "Overview" section of this document, in FY 2013 the state transferred Ohio's exclusive liquor merchandising rights to JobsOhio for 25 years in exchange for an estimated \$1.3 billion. JobsOhio is now the state's sole purchaser and distributor of spirituous liquor. Consequently many of the costs in previous fiscal years are now paid for by JobsOhio, including (1) liquor merchandising costs such as inventory management and shipping, (2) liquor agency store commissions, and (3) payoff of debt on economic development and Clean Ohio Revitalization bonds.

Appropriations for Liquor Control				
Fund	ALI and Name		FY 2014	FY 2015
State Special Revenue Fund Group				
5LP0	800646	Liquor Regulatory Operating Expenses	\$7,988,921	\$7,844,537
State Special Revenue Fund Group Subtotal			\$7,988,921	\$7,844,537
Liquor Control Fund Group				
5LC0	800644	Liquor JobsOhio Extraordinary Allowance	\$209,279	\$198,097
5LN0	800645	Liquor Operating Services	\$5,231,967	\$4,952,417
Liquor Control Fund Group Subtotal			\$5,441,246	\$5,150,514
Total Funding: Liquor Control			\$13,430,167	\$12,995,051

Liquor Regulatory Operating Expenses (800646)

This line item pays for the Director of Liquor Control's permitting and compliance duties relating to the regulation of the state liquor control law. The program (1) licenses the manufacture, distribution, and sale of all alcoholic beverages in Ohio, (2) issues new liquor permits, and (3) renews and transfers existing liquor permits. In FY 2013 the Division issued 1,657 new permanent permits and 6,411 temporary permits, and renewed 24,341 permits. Overall, the Division was responsible for licensing the operation of over 25,000 manufacturers, distributors, and retailers of alcoholic beverages throughout the state in FY 2013.

Reflecting the new funding arrangement for liquor regulation, appropriation item 800646, Liquor Regulatory Operating Expenses, is supported by liquor permit fee revenue received into the Undivided Liquor Permit Fund (Fund 7066) that is subsequently distributed to the State Liquor Regulatory Fund (Fund 5LP0). After accounting for this line item's costs and the operating costs of the Liquor Control Commission under appropriation item 970601, Commission Operating Expense, excess Fund 5LP0 revenue is credited to the GRF. FY 2014 will be the first full fiscal year of spending from this line item. The budget provides approximately \$8.0 million in

FY 2014 for liquor regulation, an increase of about 15.4% when compared to FY 2013 spending of \$6.9 million on this activity.

Statutory Change – Definition of "Mixed Beverages"

H.B. 59 revises the definition of "intoxicating liquor" by specifying that the term includes all solids and confections which contain one-half of one percent of alcohol by volume (current law defines such items as intoxicating liquor if they contain any alcohol), and alters the definition of "mixed beverages" to also include "solids and confections" that are obtained by mixing any type of whiskey, neutral spirits, brandy, gin, or other distilled spirits with water, juice, or other flavorings and that contain between one-half percent and 21 percent of alcohol by volume. These broader definitions of "intoxicating liquor" and "mixed beverages" may lead to more products subject to the mixed beverage excise tax. Examples of products that may fall under the broadened definitions include candies with liqueurs or gelatinous liquor confections. Taxes are paid by the manufacturer, wholesale dealer, or retail dealer at \$1.20 per gallon. Mixed beverage excise taxes are deposited into the GRF.

Liquor Operating Services (800645)

Although JobsOhio technically has control of the state's liquor merchandising franchise for the next 25 years, the Division effectively continues its operations of merchandising, pursuant to a contract, called the Operations Service Agreement, between the Department of Commerce and JobsOhio. The Division's budget for its merchandising branch is agreed upon biennially to align with state budget periods, but may be adjusted when necessary after consulting with JobsOhio. Payments from JobsOhio are made quarterly and deposited into the Liquor Operating Services Fund (Fund 5LN0) to support the merchandising operations. The Division is provided with funding of around \$13.9 million in FY 2014 and \$9.3 million in FY 2015 for these purposes under Fund 5LN0 appropriation item 800645, Liquor Operating Services.

Information Technology Modernization Project

This line item funds an IT modernization project begun in FY 2013, and involves updating the IT component of the Division's accounting, merchandising, and supply chain management system. The upgrades entail replacing an existing 30-year-old computer system. Approximately \$5.0 million was spent in FY 2013 to initiate the project. Overall, the Department has estimated that the total cost of the project will be approximately \$20.0 million, and around \$13.1 million is allocated to be spent from the line item in the FY 2014-FY 2015 biennium to cover project costs. The IT system is expected to "go live" in October 2014. Approximately \$1.8 million will be spent from FY 2016 to FY 2018 to complete the project.

Liquor JobsOhio Extraordinary Allowance (800644)

This line item serves as a contingency account as part of the Department's contract with JobsOhio. As established in the Operations Service Agreement between the two entities, in addition to the total estimated expenditures from line item 800645, 4.0% of those costs are to be paid by JobsOhio to the Department. The funds are kept in a separate fund, Fund 5LC0, to be used only in the event that extraordinary expenses arise. For example, if liquor merchandising costs rise unexpectedly near the end of a fiscal year and are projected to exceed the appropriation for merchandising operations under line item 800645, this funding could be tapped as a stopgap until the Controlling Board can approve increased appropriations. H.B. 59 includes funding of \$557,974 for this line item in FY 2014 and \$372,661 in FY 2015. The line item was created by the Controlling Board in FY 2013.

Category 6: Administration

This category of appropriations provides direction, administration, support, and coordination of the activities of the Department's operating divisions and to serve as a liaison to other government, corporate, and public entities.

Appropriations for Administration				
Fund	ALI and Name		FY 2014	FY 2015
General Services Fund Group				
1630	800620	Division of Administration	\$6,200,000	\$6,200,000
1630	800637	Information Technology	\$6,011,977	\$6,011,977
General Services Fund Group Subtotal			\$12,211,977	\$12,211,977
State Special Revenue Fund Group				
5X60	800623	Video Service	\$337,224	\$337,224
State Special Revenue Fund Group Subtotal			\$337,224	\$337,224
Total Funding: Administration			\$12,549,201	\$12,549,201

Division of Administration (800620)

The budget provides \$6.2 million in each fiscal year for this line item, a 2.3% increase compared to FY 2013 spending. This appropriation pays for the costs of administering, supporting, and coordinating the activities of the seven operating divisions of the Department. Functions associated with human resources, support services, fiscal operations, public information, employee training and development, legislative services, legal counsel, and the Director's office are funded through this line item. This line item is funded by assessments levied on the seven operating divisions, which are based on a percentage of the actual operating appropriation of each of the individual funds used by the Department that are deposited into the Division of Administration Fund (Fund 1630). Uncodified law in the budget requires the Office of Budget and Management to approve how these assessments are calculated on an annual basis. These assessments generated approximately \$12.1 million and \$14.2 million per fiscal year in FY 2012 and FY 2013, respectively.

Information Technology (800637)

This line item funds the Information Technology Group (ITG), which is responsible for developing, maintaining, and protecting the Department's computer systems, network, electronic business applications, and electronic data. ITG provides (1) technical support via the Department of Commerce Help Desk, (2) direction to Division staff on industry standards regarding the purchase of hardware and software, (3) development and maintenance of the Department's web site, and (4) internal support for the creation and implementation of systems using new technology.

As with the appropriation item above, Fund 1630 appropriation item 800637, Information Technology, is funded by the assessments levied on the seven operating divisions, which are based on a percentage of the actual operating appropriation of each of the seven divisions within the Department. H.B. 59 funds the line item at \$6.0 million in each fiscal year for these IT operations.

Video Service (800623)

This line item supports the Video Service Regulation Program under which the Division of Administration reviews video service authorization applications. Video service authorizations are valid for ten years. The Department has authorized 46 video service franchises since the statewide program started in September 2007. This system, which permits video service areas to span multiple counties, municipalities, or townships, is being phased in to replace a licensing process under which cable television providers negotiated franchise agreements and fees with individual local governments. To compensate local governments for the forgone fee revenue that had been generated under the old agreements, a video service provider fee is paid to each municipality and township in which a provider offers video service. Applicants pay a \$2,000 fee to apply for and a \$100 fee to amend each authorization. These fees are deposited in the Video Service Authorization Fund (Fund 5X60). The budget provides \$337,224 for this regulatory function in both fiscal years of the FY 2014-FY 2015 biennium, 7.6% below FY 2013 spending for the Video Service Regulation Program.

Statutory Change – Video Service Provider Disconnection and Billing Authority

The budget bill makes a few changes to requirements on video service providers that do not affect state revenues or expenditures. These changes include (1) permitting a video service provider to disconnect video service to a subscriber without notice if disconnection is necessary to prevent the use of video service through fraud, in addition to reasons permitted under continuing law, (2) requiring video service providers to establish billing due dates of at least 14 days after bills are issued, and (3) shortening the grace period for video service disconnection for nonpayment from 45 days to 14 days, and expressly permitting disconnection if only part of a billed amount is past due.

Category 7: Real Estate and Professional Licensing

This category of appropriations provides licensure and regulation of real estate brokers, salespersons, appraisers; registers foreign real estate property; and registers and investigates complaints involving Ohio cemeteries.

Appropriations for Real Estate and Professional Licensing				
Fund	ALI and Name		FY 2014	FY 2015
State Special Revenue Fund Group				
4B20	800631	Real Estate Appraiser Recovery	\$35,000	\$35,000
4H90	800608	Cemeteries	\$266,688	\$266,688
5470	800603	Real Estate Education/Research	\$69,655	\$69,655
5480	800611	Real Estate Recovery	\$50,000	\$50,000
5490	800614	Real Estate	\$3,310,412	\$3,310,412
6A40	800630	Real Estate Appraiser – Operating	\$672,973	\$672,973
Total Funding: Real Estate and Professional Licensing			\$4,404,728	\$4,404,728

Real Estate (800614)

This line item pays the costs associated with the licensing of real estate brokers and salespersons and those dealing in foreign real estate (properties located outside Ohio but marketed to Ohio residents). In addition, continuing education courses for such individuals are reviewed and approved and complaints are investigated. As of the end of FY 2012, over 34,800 brokers, salespersons, and appraisers were licensed by the Division of Real Estate and Professional Licensing.

The line item is funded by license fees paid by real estate brokers and salespersons. License income dropped in FY 2009 and FY 2010 as a result of the depressed housing market in those years that reduced the work opportunities for individuals in the real estate profession. Various fees on real estate brokers and salespersons were subsequently increased in H.B. 1 of the 128th General Assembly, the main operating budget act for FY 2010-FY 2011. As a result, revenue deposited into the Real Estate Operating Fund (Fund 5490) rose to \$3.0 million in FY 2011 and appears to have stabilized at a level sufficient to cover ongoing operating costs. The budget provides funding of approximately \$3.3 million in both FY 2014 and FY 2015 for real estate licensure oversight.

Statutory Change – Real Estate Brokers and Salespersons License Requirements

H.B. 59 makes some changes to permanent law for people applying for a real estate broker or salesperson license. Specifically, H.B. 59 exempts an individual from the requirement that he or she must have completed classroom instruction in real estate appraisal if the person holds a valid Ohio real estate appraiser license and certificate. This change may result in a minimal increase in real estate broker and salesperson

license applications and issuances. Any additional revenue from exams and licenses would be deposited into Fund 5490.

Real Estate Appraiser – Operating (800630)

This line item funds the licensure and certification of all general and residential appraisers in the state. In addition, the line item funds the monitoring of applicant compliance with education; experience and testing requirements for each level of registration, license, or certification; and oversees the continuing education requirements of the industry. Other activities include the investigation of complaints against licensees and disciplinary hearings as required. As of the end of FY 2012, the program oversaw approximately 3,000 active real estate appraisers and real estate appraiser assistants in the state. The budget funds these operations with almost \$673,000 in FY 2014 and FY 2015, a decrease of approximately 7.5% compared to FY 2013 spending of around \$728,000.

Cemeteries (800608)

This line item funds the registration of all active cemeteries in Ohio and the investigation of complaints or disputes involving registered cemeteries. Complaints against cemeteries are investigated and referred to the Ohio Cemetery Dispute Resolution Commission. The program also audits cemetery trust records, sets guidelines for cemetery maintenance, and provides education to consumers concerning their rights, responsibilities, and options when interacting with a cemetery. There are about 3,500 cemeteries registered. Burial permit fees are the main source of revenue for this program. During FY 2013, revenue to the Cemetery Registration Fund (Fund 4H90) from burial permits and cemetery registrations and renewals amounted to slightly over \$279,000. The budget includes funding of almost \$266,700 each fiscal year for cemetery oversight, a 22.6% increase over FY 2013 spending of around \$217,500 in this area.

Real Estate Education/Research (800603)

This line item is used to advance education and research in real estate by contracting with higher education institutions or a trade organization in the state to conduct real estate research. It also funds loans of up to \$800 to applicants for salespersons' licenses to help defray the cost of statutory education requirements. These activities are funded through the Real Estate Education and Research Fund (Fund 5470), and is supported by \$1 from each real estate broker and salesperson application fee. The budget provides \$69,655 in each fiscal year of the biennium for these education and research programs. FY 2013 spending totaled about \$26,300 for these purposes.

Real Estate Recovery and Real Estate Appraisal Recovery (800611 and 800631)

These line items are used to reimburse persons that obtain a court judgment against a licensed or certified appraiser, real estate broker, or salesperson. The Real Estate Recovery Fund (Fund 5480) receives fines and civil penalties against persons participating in unlicensed activity. The Real Estate Appraiser Recovery Fund (Fund 4B20) is supported through a \$50 assessment on new real estate appraiser license/certification applications. The budget provides a total of \$85,000 for these line items in each year of the FY 2014-FY 2015 biennium.

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FY 2014 - FY 2015 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: Enacted					
COM Department of Commerce								
1630	800620	Division of Administration	\$ 6,078,330	\$ 6,063,858	\$ 6,200,000	2.25%	\$ 6,200,000	0.00%
1630	800637	Information Technology	\$ 4,691,836	\$ 6,914,862	\$ 6,011,977	-13.06%	\$ 6,011,977	0.00%
5430	800602	Unclaimed Funds-Operating	\$ 6,800,142	\$ 11,204,955	\$ 7,737,546	-30.95%	\$ 7,737,546	0.00%
5430	800625	Unclaimed Funds-Claims	\$ 61,081,168	\$ 83,331,842	\$ 64,000,000	-23.20%	\$ 64,000,000	0.00%
5F10	800635	Small Government Fire Departments	\$ 300,000	\$ 388,500	\$ 300,000	-22.78%	\$ 300,000	0.00%
General Services Fund Group Total			\$ 78,951,476	\$ 107,904,016	\$ 84,249,523	-21.92%	\$ 84,249,523	0.00%
3480	800622	Underground Storage Tanks	\$ 1,372,354	\$ 1,201,315	\$ 1,129,518	-5.98%	\$ 1,129,518	0.00%
3480	800624	Leaking Underground Storage Tanks	\$ 1,732,012	\$ 1,402,456	\$ 1,556,211	10.96%	\$ 1,556,211	0.00%
3DF0	800606	Federal Stimulus - Underground Storage Tank	\$ 2,041,112	\$ 0	\$ 0	N/A	\$ 0	N/A
Federal Special Revenue Fund Group Total			\$ 5,145,478	\$ 2,603,771	\$ 2,685,729	3.15%	\$ 2,685,729	0.00%
4B20	800631	Real Estate Appraisal Recovery	\$ 0	\$ 0	\$ 35,000	N/A	\$ 35,000	0.00%
4H90	800608	Cemeteries	\$ 217,819	\$ 217,514	\$ 266,688	22.61%	\$ 266,688	0.00%
4X20	800619	Financial Institutions	\$ 1,533,721	\$ 1,275,325	\$ 1,854,298	45.40%	\$ 1,854,298	0.00%
5440	800612	Banks	\$ 5,408,707	\$ 5,783,818	\$ 6,836,589	18.20%	\$ 6,836,589	0.00%
5450	800613	Savings Institutions	\$ 2,162,137	\$ 2,123,608	\$ 2,259,536	6.40%	\$ 2,259,536	0.00%
5460	800610	Fire Marshal	\$ 15,010,486	\$ 15,240,737	\$ 17,336,990	13.75%	\$ 15,976,408	-7.85%
5460	800639	Fire Department Grants	\$ 1,691,933	\$ 1,695,282	\$ 2,198,802	29.70%	\$ 2,198,802	0.00%
5470	800603	Real Estate Education/Research	\$ 12,476	\$ 26,317	\$ 69,655	164.68%	\$ 69,655	0.00%
5480	800611	Real Estate Recovery	\$ 69,000	\$ 17,589	\$ 50,000	184.27%	\$ 50,000	0.00%
5490	800614	Real Estate	\$ 2,780,422	\$ 2,788,585	\$ 3,310,412	18.71%	\$ 3,310,412	0.00%
5500	800617	Securities	\$ 3,759,561	\$ 3,652,946	\$ 4,238,814	16.04%	\$ 4,238,814	0.00%
5520	800604	Credit Union	\$ 2,626,898	\$ 2,872,850	\$ 3,297,888	14.79%	\$ 3,297,888	0.00%
5530	800607	Consumer Finance	\$ 3,218,562	\$ 3,647,667	\$ 3,481,692	-4.55%	\$ 3,481,692	0.00%
5560	800615	Industrial Compliance	\$ 24,077,965	\$ 24,259,631	\$ 26,612,520	9.70%	\$ 27,104,205	1.85%

Prepared by the Legislative Service Commission

FY 2014 - FY 2015 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2012	FY 2013	Appropriation FY 2014	FY 2013 to FY 2014 % Change	Appropriation FY 2015	FY 2014 to FY 2015 % Change
COM Department of Commerce								
5FW0	800616	Financial Literacy Education	\$ 0	\$0	\$ 200,000	N/A	\$ 200,000	0.00%
5GK0	800609	Securities Investor Education/Enforcement	\$ 764,971	\$ 794,151	\$ 432,150	-45.58%	\$ 432,150	0.00%
5HV0	800641	Cigarette Enforcement	\$ 60,421	\$ 60,941	\$ 118,800	94.94%	\$ 118,800	0.00%
5LP0	800646	Liquor Regulatory Operating Expenses	\$ 0	\$ 6,920,534	\$ 7,988,921	15.44%	\$ 7,844,537	-1.81%
5X60	800623	Video Service	\$ 294,596	\$ 365,088	\$ 337,224	-7.63%	\$ 337,224	0.00%
6530	800629	UST Registration/Permit Fee	\$ 1,866,842	\$ 1,583,369	\$ 3,831,888	142.01%	\$ 3,612,588	-5.72%
6A40	800630	Real Estate Appraiser-Operating	\$ 630,077	\$ 727,579	\$ 672,973	-7.51%	\$ 672,973	0.00%
State Special Revenue Fund Group Total			\$ 66,186,594	\$ 74,053,531	\$ 85,430,840	15.36%	\$ 84,198,259	-1.44%
5LC0	800644	Liquor JobsOhio Extraordinary Allowance	\$ 0	\$0	\$ 557,974	N/A	\$ 372,661	-33.21%
5LN0	800645	Liquor Operating Services	\$ 0	\$ 4,634,909	\$ 13,949,342	200.96%	\$ 9,316,535	-33.21%
7043	800601	Merchandising	\$ 505,497,073	\$ 350,340,702	\$ 0	-100.00%	\$ 0	N/A
7043	800627	Liquor Control Operating	\$ 13,990,442	\$ 5,342,443	\$ 0	-100.00%	\$ 0	N/A
7043	800633	Development Assistance Debt Service	\$ 44,719,257	\$ 28,636,963	\$ 0	-100.00%	\$ 0	N/A
7043	800636	Revitalization Debt Service	\$ 17,342,232	\$ 12,182,120	\$ 0	-100.00%	\$ 0	N/A
Liquor Control Fund Group Total			\$ 581,549,004	\$ 401,137,136	\$ 14,507,316	-96.38%	\$ 9,689,196	-33.21%
Department of Commerce Total			\$ 731,832,551	\$ 585,698,455	\$ 186,873,408	-68.09%	\$ 180,822,707	-3.24%