

Board of Embalmers and Funeral Directors

House Agriculture and Development Subcommittee

*Jason Phillips, Budget Analyst
Legislative Service Commission*

April 3, 2007

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LSC Redbook
for the
Board of Embalmers and Funeral Directors

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April 3, 2007

Board of Embalmers and Funeral Directors

- Executive recommendation of \$628,641 for FY 2008 and \$646,602 for FY 2009
- Licenses nearly 7,000 embalmers, funeral directors, facilities, and crematories

OVERVIEW

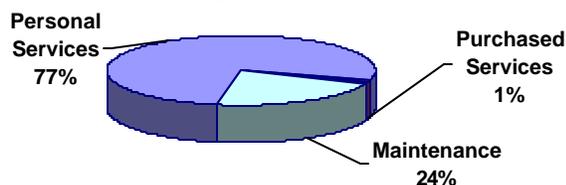
The Board of Embalmers and Funeral Directors is mandated by Chapter 4717. of the Revised Code to license and regulate the funeral profession in the state of Ohio. The Board carries out that mandate by licensing and regulating embalmers, funeral directors, funeral homes, crematories, and embalming facilities. In accordance with these duties, the Board monitors and qualifies apprentices for examination, approves continuing education for licensees, inspects facilities, investigates consumer complaints, and administers discipline. The Board is made up of seven members, five of which must be licensed embalmers and practicing funeral directors. One of the five members must be knowledgeable in the area of cremation. The other two members represent the public.

The Board of Embalmers and Funeral Directors is part of the Occupational Licensing and Regulatory Fund (Fund 4K9), a repository for license fees and other assessments collected by the state's professional and occupational licensing boards. Prior to the creation of the fund, appropriations for each licensing board were made from the GRF. This created some problems as some boards contributed more revenues than they expended and others had to be subsidized by the GRF since the revenues generated did not meet their expenditures. The 4K9 Fund eliminated these problems. The philosophy of the fund is that each board must generate enough revenues to cover their expenses. It is also quite common for the boards to develop a surplus in the fund to cover unforeseen economic hardships.

Executive Recommendation for FYs 2008-2009

The executive recommends funding of \$628,641 for FY 2008, representing an increase of 5.0% over FY 2007 appropriations of \$598,706. Increases in costs for payroll and state services expenses (such as building rent and IT) make up the bulk of the proposed FY 2008 increase. The executive recommended \$646,602 for FY 2009, which is a 2.9% increase from the FY 2008 recommendation. This increase is for mandated payroll increases. The pie chart below illustrates the Board's executive recommendation for FYs 2008-2009 by object code. Like many other licensing and regulatory boards, the vast majority of the Board's expenses are for personal services, such as payroll, health care, and fringe benefit costs.

FYs 2008-2009 Recommended Budget
By Object Code



Revenues and Expenditures

The table below illustrates the Board's revenue and expenditures from FY 2003 to FY 2006. The Board of Embalmers and Funeral Directors changed from an annual renewal cycle to a biennial renewal cycle in FY 2003. The Board's revenue for the FY 2005-2006 renewal period amounted to \$1,188,318 while expenditures were \$1,132,458, resulting in a net gain of \$55,860 for the two-year span. Increased revenue between the renewal cycles is attributable to an increase in various Board fees contained within the budget bill for FYs 2004-2005, Am. Sub. H.B. 95 of the 125th General Assembly. Expenditure increases can be attributed primarily to personal services expenses such as payroll and fringe benefit costs. The Board estimates revenue from its biennial renewal cycle to remain stable at approximately \$1,200,000.

| Revenues and Expenditures by Renewal Cycle | | |
|--|---------------|---------------|
| | FYs 2003-2004 | FYs 2005-2006 |
| Revenues | \$1,061,975 | \$1,188,318 |
| Expenditures | \$1,056,140 | \$1,132,458 |
| Net | \$5,827 | \$55,860 |

Summary of FYs 2008-2009 Budget Issues

The Board's main focus for the upcoming biennium is to maintain current service levels. To that end, the Board hopes to effectively address a serious situation occurring within the funeral profession concerning "preneed funeral contracts." These contracts are written agreements or contracts selling any funeral services, funeral goods, or any combination thereof to be used in connection with the funeral or final disposition of a dead human body, where payment for the goods or services is made either outright or on an installment basis, prior to the death of the person purchasing them or for whom they are purchased. Preneed funeral contracts may only be sold by a licensed funeral director. There are no firm estimates of the number of preneed contracts sold in the state in a given year, but some have put the figure at 200,000 to 300,000 annually.

The Board has reported complaints from consumers that have misconceptions about preneed contracts and where funeral directors deposited funds in business accounts rather than trust accounts. Preneed contracts concern multiple state agencies as the Division of Financial Institutions in the Department of Commerce regulates state-chartered financial institutions with whom the seller of the contract may place any moneys received pursuant to the contract,¹ the Board of Embalmers and Funeral Directors regulates the sellers, who must be funeral directors, and the Elder Protection Section of the Attorney General's Office assists local law enforcement agencies in preventing and prosecuting crimes against the elderly. Additionally, the Department of Insurance offers a limited preneed insurance license.

The Board notes that no state agency has ultimate jurisdiction in these cases. As such, the Board has established a committee to identify preneed contract problems, research the numbers and types of

¹ The seller of the preneed contract must deliver the moneys received and not returned to the purchaser to the trustee designated in the preneed funeral contract, which is required to be either a financial institution or a natural person not required to be licensed to do trust business. A natural person acting as trustee of a preneed funeral contract trust must be bonded by a corporate surety bond in an amount not less than 100% of the funds in all of the preneed funeral contract trusts the person serves as trustee.

complaints, research related laws of other states, work with other state agencies to consolidate preneed contract regulations and identify the agency to handle the model plan. The executive recommendation allows the Board to maintain its current staffing levels, which are necessary to process 2,400 annual preneed reports, which account for money that is trusted (not insurance). While Board staff collect the reports, the Board currently has little authority to enforce regulations concerning the contracts. Given these concerns, legislation may be offered that would empower the Board to more effectively regulate these contracts. This legislation would need to provide at least one additional staff member to focus on the contracts and may also include a recovery fund for injured consumers if an adequate funding source for these resources can be identified.

Staffing Levels

The Board plans to fill one vacancy in FY 2007, which is a secretary. A part-time employee is currently filling the position.

| Board of Embalmers and Funeral Directors Staffing Levels | | | | | | |
|---|-----------|-----------|-----------|-----------|------------------|-----------|
| Program Series/Division | 2004 | 2005 | 2006 | 2007 | Estimated | |
| | | | | | 2008 | 2009 |
| Board Members | 7 | 7 | 7 | 7 | 7 | 7 |
| Administrative Staff | 5 | 5 | 5 | 5 | 5 | 5 |
| Investigators | 2 | 2 | 2 | 2 | 2 | 2 |
| Totals | 14 | 14 | 14 | 14 | 14 | 14 |

FACTS AND FIGURES

Active Licenses

Currently the Board licenses over 6,900 embalmers, funeral directors, facilities, and others in the profession. Biennial renewal began October 2003. The total number of active licenses for FY 2006 grew 4.0% from FY 2005.

| Licenses by License Type, FY 2006 | |
|-----------------------------------|--------------|
| License Type | FY 2006 |
| Funeral Directors | 3,078 |
| Embalmers | 2,330 |
| Funeral Homes | 1,187 |
| Crematory | 92 |
| Funeral Director Registration | 77 |
| Funeral Director Apprentice | 72 |
| Embalmer Registration | 52 |
| Embalmer Apprentice | 49 |
| Embalming Facility | 3 |
| Total | 6,940 |

Fee Schedule

The most recent fee increase for the Board occurred in FY 2004 when the Board increased various fees as a result of language in the budget bill for the FY 2004-2005 biennium.

| License Fees by License Type | |
|--|-------|
| License | Fee |
| Funeral Home – Initial and Renewal | \$250 |
| Crematory/Embalming Facility – Initial and Renewal | \$200 |
| Funeral Director/Embalmer – Initial and Renewal | \$140 |
| Funeral Director/Embalmer Registration | \$25 |
| Funeral Director/Embalmer – Apprentice | \$10 |

ANALYSIS OF EXECUTIVE PROPOSAL

Single Program Series

Operating Expenses

Purpose: License and regulate the professions of embalmer and funeral director and facilities including funeral homes and crematories

The following table shows the line items that are used to fund the Board of Embalmers and Funeral Directors as well as the Governor's recommended funding levels.

| Fund | ALI | Title | FY 2008 | FY 2009 |
|--|---------|--------------------|------------------|------------------|
| General Services Fund Group | | | | |
| 4K9 | 881-609 | Operating Expenses | \$628,641 | \$646,602 |
| General Services Fund Group Subtotal | | | \$628,641 | \$646,602 |
| Total Funding: State Board of Embalmers and Funeral Directors | | | \$628,641 | \$646,602 |

Program Description: In accordance with Chapter 4717. of the Revised Code, the Board of Embalmers and Funeral Directors licenses and regulates embalmers, funeral directors, funeral homes, and crematories and resolves complaints against any of those who are regulated.

Funding Source: GSF Fund 4K9

Line Items: 881-609, Operating Expenses

Implication of Executive Recommendation: The executive recommendation fully funds the Board of Embalmers and Funeral Directors' budget request, which allows the Board to meet increased payroll and fringe benefit costs for its current staff. The Board will likely be able to maintain current service levels at the recommended amounts.

Temporary and Permanent Law Provisions

Reinstatement Fee References under Embalmer, Funeral Director and Crematory License Law (R.C. 4717.07). A provision in permanent law corrects several erroneous reinstatement fee references found in the Embalmer, Funeral Director, and Crematory Licensing Law in order to clarify what is the appropriate fee to be collected in each case. Fiscal Effect: this provision will have no impact on the Board's revenue.

REQUESTS NOT FUNDED

The executive recommendation fully funds the Board of Embalmers and Funeral Directors' budget request at \$628,641 in FY 2008 and \$646,602 in FY 2009.

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General Services Fund Group

4K9 881-609 Operating Expenses

| 2004 | 2005 | 2006 | 2007 Estimate | 2008 Executive Proposal | 2009 Executive Proposal |
|-----------|-----------|-----------|------------------|----------------------------|----------------------------|
| \$499,150 | \$567,448 | \$565,010 | \$598,706 | \$628,641 | \$646,602 |
| | 13.7% | -0.4% | 6.0% | 5.0% | 2.9% |

Source: GSF: License fees and other assessments collected by the state's professional and occupational licensing boards

Legal Basis: ORC 4717.02 and 4743.05; Section 273.10 of H.B. 119 of the 127th G.A. (originally established by Am. Sub. H.B. 152 of the 120th G.A.)

Purpose: This appropriation is used to support general operating expenses, including payroll, supplies, and equipment for the Board of Embalmers and Funeral Directors.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

| <i>Fund</i> | <i>ALI</i> | <i>ALI Title</i> | <i>2006</i> | <i>Estimated 2007</i> | <i>Executive 2008</i> | <i>% Change 2007 to 2008</i> | <i>Executive 2009</i> | <i>% Change 2008 to 2009</i> |
|---|------------|--------------------|-------------------|---------------------------|---------------------------|----------------------------------|---------------------------|----------------------------------|
| <i>FUN Embalmers and Funeral Directors, State Board of</i> | | | | | | | | |
| 4K9 | 881-609 | Operating Expenses | \$ 565,010 | \$598,706 | \$ 628,641 | 5.0% | \$ 646,602 | 2.9% |
| General Services Fund Group Total | | | \$ 565,010 | \$ 598,706 | \$ 628,641 | 5.0% | \$ 646,602 | 2.9% |
| Total All Budget Fund Groups | | | \$ 565,010 | \$ 598,706 | \$ 628,641 | 5.0% | \$ 646,602 | 2.9% |