LSC Redbook

Analysis of the Executive Budget Proposal

Ohio Ethics Commission

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READER'S GUIDE

The Legislative Service Commission prepares an analysis of the executive budget proposal for each agency. These analyses are commonly called "Redbooks." This brief introduction is intended to help readers navigate the Redbook for the Ohio Ethics Commission (ETH), which includes the following three sections.

1. Overview: Provides a brief description of the Commission and its main functions.
2. Analysis of Executive Proposal: Provides a summary of the executive budget recommendations for the two appropriation line items that fund the Commission's operations.
3. Attachments: Includes the catalog of budget line items (COBLI) for ETH, which briefly describes each line item, accompanied by an LSC budget spreadsheet.

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ATTACHMENTS:

Catalog of Budget Line Items
Budget Spreadsheet By Line Item

Ohio Ethics Commission

- Recommended funding of $4.5 million for the FY 2010-FY 2011 biennium
- Approximately 75.0% funded by GRF and 25.0% funded through filing fees and fines

OVERVIEW

Agency Overview

The Ohio Ethics Commission (ETH) administers, interprets, and enforces ethical conduct in government under the Ohio Ethics Law, Chapter 102. and related provisions of the Ohio Revised Code. The underlying mission of the Commission is to promote and enforce ethical conduct throughout state and local government through impartial and responsive education, advice, investigation, and financial disclosure processes. To fulfill its mission, the Commission has focused on educating public servants and providing them with information to create a baseline understanding of ethics law.

The Ethics Commission consists of six members who are appointed by the Governor and confirmed by the Senate. The political affiliation of the Commission is equally divided between the two major parties. Members are compensated $75 for each meeting, up to a maximum of $1,800 per year. Day-to-day operations are headed by an executive director. The Commission consists of five primary divisions: Advisory Services, Education, Financial Disclosure, Investigations, and Office Administration. Overall, the Commission employs 22 full-time employees (FTEs). About 75.0% of the Commission's funding comes from the General Revenue Fund (GRF); the remaining 25.0% comes from financial disclosure filing fees, late fees, and court-ordered restitution for the cost of investigations. The adjusted FY 2009 appropriation is approximately $2.3 million.

Appropriation Overview

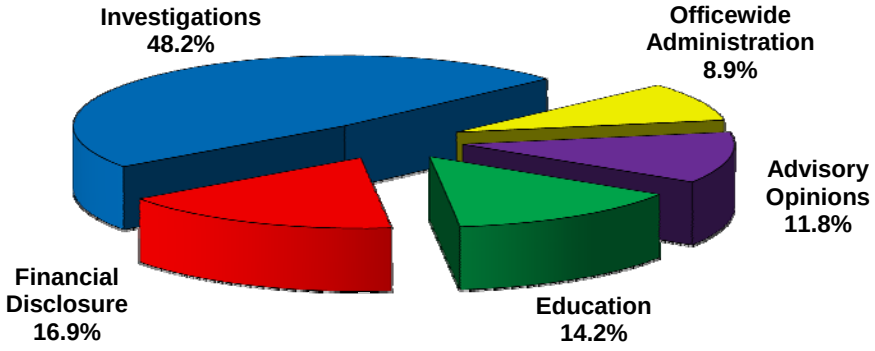
Table 1 below shows the recommended funding for the FY 2010-FY 2011 biennium. Proposed funding for FY 2010 is $2.2 million. This is a decrease of just over 1.0% from the adjusted FY 2009 appropriation. The recommended amount for FY 2011 is just under $2.3 million, an increase of 2.0% over the FY 2010 appropriation. Overall, 89.0% of the Commission's appropriation in each fiscal year is slated for payroll expenses.

Table 1. Executive Budget Recommendations by Fund Group, FY 2010-FY 2011					
Fund Group	**FY 2009***	**FY 2010**	**% change, FY 2009-FY 2010**	**FY 2011**	**% change, FY 2010-FY 2011**
General Revenue	$1,780,138	$1,682,020	(5.26%)	$1,682,120	.01%
General Services	$477,543	$544,543	14.3%	$588,943	8.2%
Total	**$2,257,681**	**$2,226,563**	**(1.2)%**	**$2,271,063**	**2.0%**

*FY 2009 figures represent adjusted appropriations.

Chart 1 below shows ETH's recommended appropriations based upon primary functions. As the chart illustrates, Investigations comprise the largest portion of ETH's funding at 48.2% of appropriations in each fiscal year. Financial Disclosure is the next largest portion of ETH's budget at 16.9%. These two areas account for 65.1% of the recommended appropriations. The Officewide Administration category below refers to recommended amounts for overall administrative costs.

Chart 1: Biennial Executive Budget Recommendations by Agency Division, FY 2010-FY 2011



Filing Fees

The table below shows the fees for various offices that must file annual disclosure statements with the Ethics Commission under section 102.02 of the Revised Code. In addition, there is a $10 per day late fee up to $250.

Table 2. Fees for Financial Disclosure Statements

Position	Amount
State elected office	$65
State Board of Education	$25
County elected office	$40
City elected office	$25
School board	$20
University/college trustee	$40
School district, ESC Superintendent, Treasurer, or Business Manager	$20
State official or employee	$40
Sanitary board member	$40
Voluntary filer	$40

ANALYSIS OF EXECUTIVE PROPOSAL

Funding for the Commission's operations are provided through the two appropriations listed in the table below.

Governor's Recommended Amounts for Ethics Operations				
Fund		**ALI and Name**	**FY 2010**	**FY 2011**
General Revenue Fund				
GRF	146321	Operating Expenses	$1,682,020	$1,682,120
		General Revenue Fund Subtotal	***$1,682,020***	***$1,682,120***
General Services Fund Group				
4M60	146601	Operating Expenses	$544,543	$588,943
		General Services Fund Group Subtotal	***$544,543***	***$588,943***
Total Funding: Ethics Operations			**$2,226,563**	**$2,271,063**

Operating Expenses (146321, 146601)

These line items fund all of ETH's operations, which include oversight of Ohio's ethics laws dealing with financial disclosure, conducting investigations, providing advisory opinions, and offering education on ethics issues to public officials. Under the proposed funding for the FY 2010-FY 2011 biennium, GRF appropriation item 146321, Operating Expenses, would bear about 75.0% of total operating costs. The recommended funding would support 22 FTEs.

Appropriation item 146601, Operating Expenses, within the Ethics Commission Fund (Fund 4M60), would account for the remaining 25.0% of the Commission's funding in FY 2010 and FY 2011. This funding consists of revenues derived from disclosure filing fees, late filing fees, and in some cases, court-ordered restitution to help defray the cost of certain investigations. The fund receives an average of approximately $450,000 in fee revenue each fiscal year. As of March 2, 2009, the cash balance of Fund 4M60 was approximately $386,000.

Operating Statistics

Concerning investigations, the Commission received 498 allegations in FY 2007, an increase of 7.0% from the 463 allegations received in FY 2006. ETH also managed 136 active investigations in FY 2007. Overall, the number of active investigations managed in a given year has increased 183% since FY 2000. ETH's Investigations area also referred 14 of the 19 cases stemming from the Bureau of Workers' Compensation investigation for prosecutions that resulted in convictions.

In the Financial Disclosure area, the Commission averages approximately 10,500 to 11,500 filings every fiscal year. This is a 30.0% increase over the past ten fiscal years. The increase in filings is mainly attributable to a larger number of filers that ETH is responsible for overseeing. This includes new filings required of public pension system investment staff, community-based correction facilities, and members and directors of newly created state boards.

In terms of advisory opinions issued, the Commission closed 279 cases in FY 2008, an increase of 10% from the previous year. Since FY 1999 requests for advice have increased 145%. During that same period, telephone inquiries increased by 20%, to average roughly 3,000 per year. In FY 2007, ETH made approximately 300 e-mail responses to advice requests via the agency's web site. Finally, ETH conducted 253 separate educational sessions in FY 2007, with approximately 20,000 attendees. This is an increase of approximately 7,000 attendees (53%) from the approximately 13,000 attendees in FY 2006.

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General Revenue Fund

GRF 146321 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$1,475,574	$1,761,183	$1,659,310	$1,780,138	**$1,682,020**	**$1,682,120**
	19.4%	-5.8%	7.3%	**-5.5%**	**0.0%**

Source: GRF

Legal Basis: ORC 102.05 (originally established by Am. Sub. H.B. 283 of the 123rd G.A.)

Purpose: This line item is used to pay personnel, maintenance, and equipment costs of the Commission.

General Services Fund Group

4M60 146601 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
$334,642	$389,015	$440,086	$477,543	**$544,543**	**$588,943**
	16.2%	13.1%	8.5%	**14.0%**	**8.2%**

Source: GSF: Financial disclosure filing fees and late filing fees from public officials are the main source of revenue for this fund. Additional deposits may include limited court ordered restitution resulting from costs of investigations. Am. Sub. H.B. 95, the budget act of the 125th G.A., raised all financial disclosure filing fees.

Legal Basis: ORC 102.02(G)(2) (originally established by Am. Sub. H.B. 285 of the 120th G.A.)

Purpose: Moneys in this line item are used to supplement GRF funding for operations and statutory functions of the Commission.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

Fund	ALI	ALI Title	2008	2009	As Introduced 2010	% Change 2009 to 2010	As Introduced 2011	% Change 2010 to 2011
ETH Ethics Commission								
GRF	146321	Operating Expenses	$ 1,659,310	$ 1,780,138	$ 1,682,020	-5.5%	$ 1,682,120	0.0%
General Revenue Fund Total			**$ 1,659,310**	**$ 1,780,138**	**$ 1,682,020**	**-5.5%**	**$ 1,682,120**	**0.0%**
4M60	146601	Operating Expenses	$ 440,086	$ 477,543	$ 544,543	14.0%	$ 588,943	8.2%
General Services Fund Group Total			**$ 440,086**	**$ 477,543**	**$ 544,543**	**14.0%**	**$ 588,943**	**8.2%**
Total All Budget Fund Groups			***$ 2,099,395***	***$ 2,257,681***	***$ 2,226,563***	***-1.4%***	***$ 2,271,063***	***2.0%***