

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, 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 LSC's Catalog of Budget Line Items (COBLI), which describes each line item's purpose, revenue, and expenditures, and the LSC budget spreadsheet, which summarizes each line item's recent expenditure and appropriations history.

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ATTACHMENTS:

- Catalog of Budget Line Items
- Budget Spreadsheet By Line Item

Ohio Ethics Commission

- Funding 63% GRF, 37% non-GRF
- Executive proposed budget reduces GRF reliance
- Fee collections more critical part of budget

OVERVIEW

Agency Overview

The Ohio Ethics Commission administers, interprets, and enforces ethical conduct in government under the Ohio Ethics Law, Revised Code (R.C.) Chapter 102., and other related R.C. provisions. 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 with the advice and consent of 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 handled by the Executive Director and 20 full-time employees. Staff are assigned in whole or in part to five distinct programs: Advisory Services, Education, Financial Disclosure, Investigations, and Administration. About 63% of the Commission's funding is drawn from the General Revenue Fund (GRF); the remaining 37% in non-GRF funding is generated by disclosure statement filing and late fees and court-ordered restitution for the cost of investigations.

Appropriation Overview

Table 1 below shows the recommended funding for the FY 2012-FY 2013 biennium. For each fiscal year, the executive budget recommends a total appropriation of \$2,237,144, which represents an increase of 6.4% from the Commission's total FY 2011 expenditure estimate of \$2,102,851. This increase is primarily attributable to the 49.5% increase in the proposed amount of non-GRF funding. Under the executive proposed budget, the split between the Commission's GRF and non-GRF fee-driven funding streams will shift somewhat. Currently, the GRF/non-GRF split is roughly 70%/30%. The executive recommendations realign the GRF/non-GRF split to approximately

60%/40%, thus reducing the Commission use of GRF funding and increasing its use of non-GRF money generated by financial disclosure filing fees.

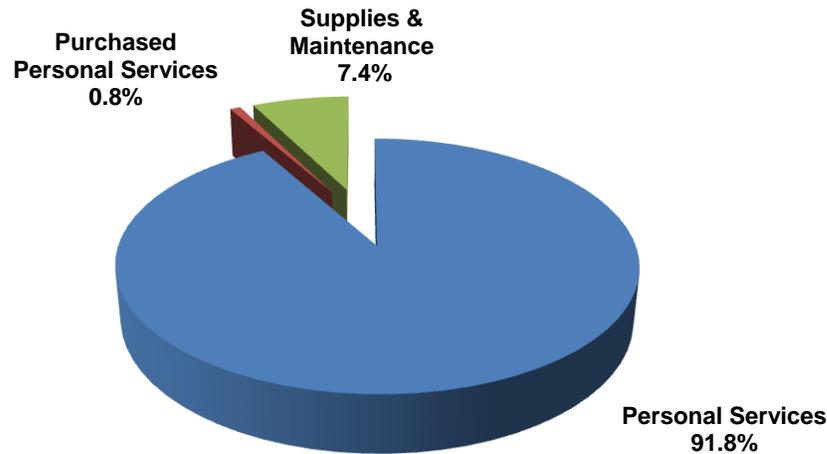
Fund Group	FY 2011*	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
General Revenue	\$1,513,908	\$1,409,751	-6.9%	\$1,409,751	0.0%
General Services	\$588,943	\$827,393	49.5%	\$827,393	0.0%
Totals	\$2,102,851	\$2,237,144	6.4%	\$2,237,144	0.0%

*FY 2011 figures represent estimated expenditures.

Expense Categories

Chart 1 below summarizes, based on the executive recommendations, the types of items on which the Commission plans to spend its appropriated moneys over the FY 2012-FY 2013 biennium. Nearly 92% of proposed biennial appropriations will be allocated for personal services, which represents the payroll-related expenses (salary and fringe benefits) associated with the equivalent of 20 full-time staff positions. The remainder will be allocated for other operating expenses, items such as supplies and maintenance and purchased personal services.

Chart 2: Biennial Executive Budget Recommendations by Expense Category, FY 2012-FY 2013



Programs

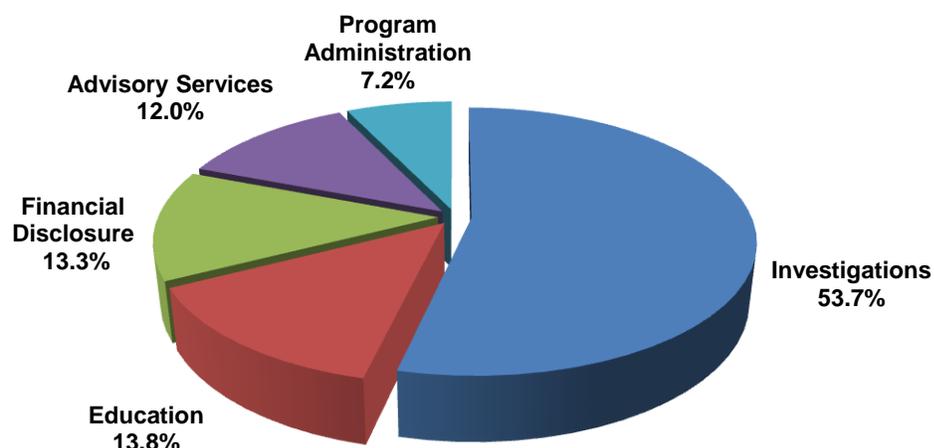
The Commission's services and activities can be grouped into five distinct program series as follows:

1. Investigations, which includes investigating, and referring for criminal prosecution, complaints and charges (allegations) of unethical misconduct

- committed by any public official or employee, or person doing business with the state;¹
2. Education, which includes, but is not limited to, scheduling, coordinating, and conducting ethics presentations and sessions and continuing legal education seminars, creating and distributing public information materials, and developing and distributing public service announcements and press releases;
 3. Financial Disclosure, which includes receiving and reviewing annual financial disclosure requirements, collecting mandated fees, responding to public records requests, and maintaining the financial disclosure database.
 4. Advisory Services, which involves providing written legal advisory opinions; providing guidance via telephone, e-mails, and web site requests; preparing informational materials; and participating in educational outreach efforts; and
 5. Program Management, which supports the general management and operational needs common to most state agencies, including, but not limited to, office rental space, office supplies, telecommunications services, equipment maintenance contracts, fuel, and maintenance of state vehicles.

Chart 2 below shows the Commission's total executive proposed budget recommendations (FYs 2012 and 2013) by program series. The largest portion of that budget, 53.7%, will be allocated for the Investigations Program.

Chart 1: Biennial Executive Budget Recommendations by Program, FY 2012-FY 2013



¹ The Ethics Law sets up separate ethics boards for governing the members and employees of the legislative and judicial branches of government.

Financial Disclosure Filing Fees

Under existing law, the Commission collects financial disclosure statement filing and late fees. The current fee schedule generates an average of approximately \$465,000 annually. This fee revenue is deposited in the state treasury to the credit of the Ohio Ethics Commission Fund (Fund 4M60), to be used solely for expenses related to the operation and statutory functions of the Commission. These fees were last raised in 2004 for the purpose of reducing the Commission's need for GRF funding.

The Commission's budget request notes that the use of the money in Fund 4M60 has increased in recent years in an effort to reduce its need for GRF funding. Given that Fund 4M60's annual revenues have remained fairly stable, the practical effect has been to slowly erode the fund's available cash balance. Absent changes in its revenue and expenditure activity, the Commission anticipates Fund 4M60 could be depleted before the end of FY 2013.

Table 2 below summarizes the Commission's current fee schedule.

Table 2. Schedule of Financial Disclosure Statement Fees	
Office	Current Fee
State Elected Office	\$65
State Board of Education	\$25
County Elected Office	\$40
City Elected Office	\$25
School Board Member	\$20
University or College Trustee	\$40
School District or ESC Superintendent, Treasurer, or Business Manager	\$20
State Official or Employee	\$40
Sanitary District Board Member	\$40
Ohio Livestock Care Standards Board	\$25
Voluntary Filer	\$40
Late Fee Penalty	
Per Day	\$10/day
Maximum Penalty	\$250

Transfer of Funds for Casino Control Commission Operations

Section 512.60 of H.B. 114 of the 129th General Assembly, the transportation and public safety budget bill, authorizes the Director of Budget and Management, in consultation with the Executive Director of the Casino Control Commission, to transfer, in each of FYs 2011 and 2012, GRF funds as are necessary for the initial operating expenses and casino investigations of the Ohio Ethics Commission and the Office of Inspector General. The transferred funds would be deposited to the credit of the Casino Control Commission Operating Fund (Fund 5H5O).

ANALYSIS OF EXECUTIVE PROPOSAL

This section provides a more detailed discussion of the appropriations that finance the Commission's duties and responsibilities. The recommended FY 2012 and FY 2013 appropriations for the Commission's two funding mechanisms are shown in Table 3 below.

Table 3. Executive Recommended Amounts for Ethics Commission				
Fund	ALI and Name		FY 2012	FY 2013
General Revenue Fund				
GRF	146321	Operating Expenses	\$1,409,751	\$1,409,751
General Revenue Fund Subtotal			\$1,409,751	\$1,409,751
General Services Fund Group				
4M60	146601	Operating Expenses	\$827,393	\$827,393
General Services Fund Group Subtotal			\$827,393	\$827,393
Total Funding: Ethics Operations			\$2,237,144	\$2,237,144

Operating Expenses (GRF line item 146321, GSF line item 146601)

These two line items fund all of the Commission'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 executive proposed budget, the GRF line item will cover about 63% of the Commission's total annual operating costs; the GSF line item will cover the remainder, or about 37%. The recommended funding level for those two line items should be sufficient for the Commission to maintain existing activities and services, including the payroll costs of 21 full-time employees. The GSF line item's appropriation is supported by revenues derived from disclosure filing fees, late filing fees, and in some cases, court-ordered restitution to help defray the cost of certain investigations.

Operating Statistics

In FY 2010, the Commission received 500 allegations of unethical conduct and opened 181 investigations. It also referred, or had pending, criminal cases involving 34 matters throughout Ohio. Since FY 2000, the number of active investigations that the Commission manages in a given year has increased by 183%.

Relative to its financial disclosure workload, the Commission averages approximately 10,500 to 11,500 filings per year. This is a 30% increase over the past ten fiscal years. The increase in filings is mainly attributable to a larger number of filers over which the Commission has oversight. This includes new filings required of public

pension system investment staff, community-based corrections facilities, and members and directors of newly created state boards.

In terms of other activities and services performed by the Commission, highlights include:

- In 2010, the Commission responded to over 200 requests for ethics advice and thousands of telephone calls seeking guidance on future actions.
- In 2009, the Commission presented 195 separate educational and informational sessions to more than 15,000 public and private-sector attendees.

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Ethics Commission

General Revenue Fund

GRF 146321 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$1,659,310	\$1,728,312	\$1,470,954	\$1,513,908	\$1,409,751	\$1,409,751
	4.2%	-14.9%	2.9%	-6.9%	0.0%

Source: General Revenue Fund

Legal Basis: Section 283.10 of Am. Sub. H.B. 1 of the 128th G.A. (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

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$440,086	\$450,700	\$515,827	\$588,943	\$827,393	\$827,393
	2.4%	14.5%	14.2%	40.5%	0.0%

Source: General Services Fund Group: (1) Financial disclosure filing fees ranging from \$20 to \$65 paid by certain public officials and employees (subject to certain exceptions, elected officials at the state, county, and city levels, candidates for state, county, and city elective offices, school board members and candidates for school board in school districts with more than 12,000 students, superintendents, treasurers, and business managers for all school districts, upper-level state employees, including university presidents, and members of sovereign power state boards and commissions), (2) late filing fee of \$10 for each day that a required financial disclosure statement is not filed, except that the total amount of the late filing fee shall not exceed \$250, and (3) all moneys received from settlements under ORC 102.06(D); for the FY 2012-FY 2103 biennium, the executive budget proposes to increase all of these fees

Legal Basis: ORC 102.02(G)(2); Section 283.10 of Am. Sub. H.B. 1 of the 128th G.A. (originally established by Am. Sub. H.B. 285 of the 120th G.A.)

Purpose: All money credited to the fund and appropriated to this line item is used solely for expenses related to the operation and statutory functions of the Commission.

FY 2012 - FY 2013 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2010	Estimate FY 2011	Introduced FY 2012	FY 2011 to FY 2012 % Change	Introduced FY 2013	FY 2012 to FY 2013 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
ETH Ethics Commission								
GRF	146321	Operating Expenses	\$ 1,470,954	\$ 1,513,908	\$ 1,409,751	-6.88%	\$ 1,409,751	0.00%
General Revenue Fund Total			\$ 1,470,954	\$ 1,513,908	\$ 1,409,751	-6.88%	\$ 1,409,751	0.00%
4M60	146601	Operating Expenses	\$ 515,827	\$ 588,943	\$ 827,393	40.49%	\$ 827,393	0.00%
General Services Fund Group Total			\$ 515,827	\$ 588,943	\$ 827,393	40.49%	\$ 827,393	0.00%
Ethics Commission Total			\$ 1,986,781	\$ 2,102,851	\$ 2,237,144	6.39%	\$ 2,237,144	0.00%