

LSC Redbook

Analysis of the Executive Budget Proposal

**State Board of Embalmers and
Funeral Directors**

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ATTACHMENTS:

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

State Board of Embalmers and Funeral Directors

- Recommended funding of \$561,494 for FY 2012 and \$551,958 FY 2013
- Increased administrative duties related to S.B. 196 of the 127th General Assembly which regulates pre-need funeral contracts

OVERVIEW

Agency Overview

The Board of Embalmers and Funeral Directors (FUN) is required to license and regulate the funeral profession in the state of Ohio. The Board carries out this mandate by licensing and regulating embalmers, funeral directors, funeral homes, crematories, and embalming facilities. At the end of FY 2010, the Board oversaw 6,828 active licenses and approximately 1,200 funeral-related facilities.

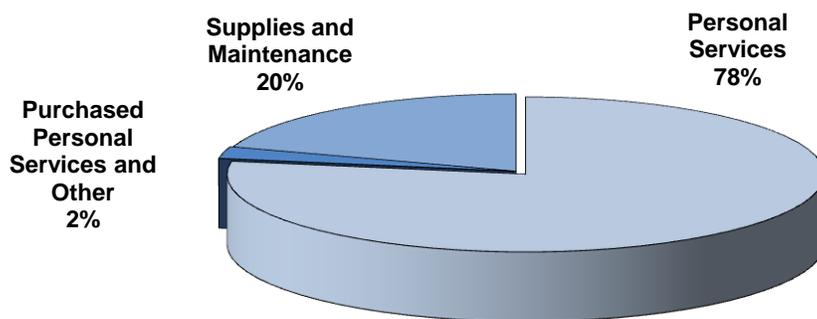
The Board's governing body consists of seven members, five of whom must be licensed embalmers and practicing funeral directors. One of the five members must be knowledgeable in the area of cremation. The other two members represent the public. Day-to-day operations are overseen by an executive director who is appointed by the Board. In addition to the executive director, FUN has five full-time, permanent employees. The full-time employees include two inspectors, two administrative assistants, and one certification-licensure examiner. The Board also employs a secretary who works on a temporary basis. The Board receives no GRF funding; rather, it is entirely supported by fees and other receipts deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90).

Appropriation Overview

The executive recommends appropriations of \$561,494 in FY 2012, a 13.2% reduction when compared to FY 2011 appropriations of \$646,562. The amount recommended for FY 2013 is \$551,958, a 1.7% decrease when compared to the FY 2012 recommendation. The Board indicates that appropriations at these levels could require the board to reduce certain nonlicensing service levels, including continuing education oversight, inspections, and investigations. Overall, current personnel costs for the board are approximately \$484,000 annually. Given FY 2012 funding of \$561,494, this leaves only about \$77,500 in FY 2012 for Central Service Agency charges, rent, utilities, and so forth. As a result, the Board will most likely have to find a way to reduce travel expenses related to inspections and investigations.

The table below shows the recommended funding for the FY 2012-FY 2013 biennium. As a regulatory agency, personnel costs are the Board's biggest expense, accounting for 78% of the executive budget recommendations for the biennium. A further 20% is slated for supplies and maintenance, and the remaining 2% is for purchased personal services, equipment, and other expenses.

**Chart 1: Biennial Executive Budget Recommendations
by Expense Category, FY 2012-FY 2013
(\$1.1 million)**



FUN receives support for some of its back-office tasks from the Central Service Agency (CSA) within the Department of Administrative Services. These services include help in budget development, fiscal processing, human resources, and so forth. FUN paid \$16,158 for these services in FY 2010 and expects to pay approximately \$16,958 in FY 2011. CSA charges for FY 2012-FY 2013, calculated before the publication of the Governor's Blue Book, are estimated to be approximately \$17,000 in each fiscal year.

The Board uses the eLicensing system, an online tool that allows for license applications and renewals to be processed and stored electronically. The Board incurred charges of \$2,755 in FY 2010 for its share of the system's operating costs. FUN stores approximately 11,880 records in the database, less than 1% of the system's current usage. Estimated eLicensing charges for FY 2012 and FY 2013 are expected to be approximately \$2,800.

Readers should note that the executive proposal includes \$2 million in FY 2012 and \$1 million in FY 2013 under the DAS budget to replace the eLicensing application with a new system, referred to as the Ohio Professionals Licensing System (OPLS). OPLS is intended to improve the security, stability, and functionality available to the system's users.

Fees and Fund 4K90

The Board issues nine primary licenses. Table 1 below illustrates the license types that the Board oversaw in FY 2010 and the associated fee.

License	Fee
Crematory	\$200
Embalmer Apprentice	\$10
Embalmer Registration	\$25
Embalmer	\$140
Embalming Facility	\$200
Funeral Director Apprentice	\$10
Funeral Director Registration	\$25
Funeral Director	\$140
Funeral Home	\$250

Fees collected by the Board are deposited in the Occupational Licensing and Regulatory Fund (Fund 4K90). Twenty-eight occupational licensing and regulatory boards and commissions, including FUN, use Fund 4K90 as an operating account to support their regulatory and oversight functions. The expectation is for every board to be self-sufficient, generating enough revenues to cover expenses.

FUN renews licenses in odd-numbered fiscal years. As can be seen in Table 2 below, this means that in renewal years revenue intake exceeds operating expenses. Correspondingly, in the off years, income lags operating expenses. However, as is the case with most boards that renew on a two-year cycle, there is generally a net positive balance over that span. For example, combined revenues from FY 2009-FY 2010 were \$1,224,938; expenditures for the same period were \$1,111,512, giving a net balance over that license period of \$113,426. Table 2 below shows FUN's revenue and expenditure history from FY 2006-FY 2010.

	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Revenues	\$92,909	\$1,170,624	\$88,114	\$1,164,020	\$60,918
Expenditures	\$565,010	\$589,582	\$572,159	\$597,323	\$514,189
Net	(\$472,101)	\$581,041	(\$484,045)	\$566,697	(\$453,271)

Pre-need Funeral Contracts

S.B. 196 of the 127th General Assembly, which took effect on April 4, 2009, addressed fraud in the area of pre-need funeral contracts. These contracts enable

individuals to purchase funeral goods and services before their demise. As a result, the Board saw a steady increase in pre-need contract related complaints during the FY 2010-FY 2011 biennium. The Board indicates that, of the total 88 complaints the Board investigated during FY 2010, approximately 32 (36%) involved pre-need contracts.

With the enactment of S.B. 196, all pre-need funeral contracts are under the supervision of the Board, although the Department of Insurance retains jurisdiction over insurance providers who sell insurance policies that cover pre-need contracts. Currently, the Board collects a report from each funeral home that provides the terms of every pre-need funeral contract sold. Additionally, in an effort to exercise greater oversight over such contracts, during inspections two pre-need contracts are chosen at random and reviewed to ensure that the contract meets statutory requirements. It should be noted, however, that this review is not an audit of fiscal transactions or accounts associated with the contract. Conducting such detailed audits or reviewing every contract would require resources and expertise that the Board does not currently have.

A recent opinion issued by the Office of the Attorney General advises that the Department of Insurance and the Department of Financial Institutions have jurisdiction over complaints related to the fraudulent use of pre-need funds, but that the board may investigate such claims as they are related to general fraudulent and immoral behavior in the funeral profession. Ultimately, this means that FUN's disciplinary authority is limited to revoking licenses and issue fines.

ANALYSIS OF EXECUTIVE PROPOSAL

Governor's Recommended Amounts for the Embalmers and Funeral Directors Board				
Fund	ALI and Name		FY 2012	FY 2013
General Services Fund Group				
4K90	881609	Operating Expenses	\$561,494	\$551,958

Operating Expenses (881609)

Fund 4K90 line item 881609, Operating Expenses, is used to pay all of the Board's operating expenses. The recommended funding is \$561,494 in FY 2012, a 13.2% reduction from the FY 2011 appropriation of \$646,562. The recommended funding for FY 2013 is \$551,958, a reduction of 1.7% compared to the FY 2012 recommendation. The Board indicates that appropriations at these levels could result in the reduction of certain nonlicensing services, including continuing education oversight, inspections, and investigations. Overall, current personnel costs for the board are approximately \$484,000 annually. At the proposed FY 2012 funding level, this leaves approximately \$77,500 for expenses such as CSA charges, rent, utilities, and so on. One step the Board is likely to take is to reduce travel costs for inspections and investigations. Another potential outcome of the recommended budget is that the temporary secretary position responsible, for coordinating the Board's continuing education program, may be eliminated.

Licenses

Table 3 below shows the number of active licenses issued by the Board for FY 2009 and FY 2010. Overall, the Board oversees nine license types. The vast majority of these are for just three licenses: Embalmers, Funeral Directors, and Funeral Homes. Together in FY 2010, these 6,502 licenses accounted for (95.2%) of active licenses. The number of active licenses overseen in FY 2010 was 6,828, a 0.4% increase over FY 2009. Overall, the number of active licenses has been relatively steady in recent years.

License Type	FY 2009	FY 2010	% Change
Crematory	100	103	3.0%
Embalmer Apprentice	48	46	-4.2%
Embalmer Registration	43	37	-14.0%
Embalmer	2,280	2,294	0.6%
Embalming Facility	4	4	0.0%
Funeral Director Apprentice	65	71	9.2%
Funeral Director Registration	71	65	-8.5%
Funeral Director	3,016	3,028	0.4%
Funeral Home	1,176	1,180	0.3%
Total	6,803	6,828	0.4%

Investigation and Enforcement Statistics

As part of its oversight responsibilities, the Board conducts random inspections and investigates complaints concerning allegations of incompetent or unhygienic practices. These responsibilities are carried out by the Board's two full-time inspectors. During FY 2010, the Board inspected 817 funeral homes, 62 crematoriums, and five embalming facilities. These inspections resulted in 37 violations being issued. The Board investigated 88 complaints. As a result of these investigations and enforcement activities, the Board collected \$9,000 in forfeitures and \$14,100 in renewal penalty fees in FY 2010.

Enforcement Action	Amount
Funeral Home Inspections	817
Complaint Investigations	88
Crematorium Inspections	62
Embalming Facility Inspections	5
Administrative Hearings	5

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State Board of Embalmers and Funeral Directors

General Services Fund Group

4K90 881609 Operating Expenses

FY 2008	FY 2009	FY 2010	Estimate FY 2011	Introduced FY 2012	Introduced FY 2013
\$572,159	\$597,323	\$520,097	\$646,562	\$561,494	\$551,958
	4.4%	-12.9%	24.3%	-13.2%	-1.7%

Source: General Services Fund Group: License fees and other assessments collected by the state's professional and occupational licensing boards

Legal Basis: ORC 4717.02 and 4743.05 (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 State Board of Embalmers and Funeral Directors.

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					
FUN State Board of Embalmers and Funeral Directors								
4K90	881609	Operating Expenses	\$ 520,097	\$ 646,562	\$ 561,494	-13.16%	\$ 551,958	-1.70%
General Services Fund Group Total			\$ 520,097	\$ 646,562	\$ 561,494	-13.16%	\$ 551,958	-1.70%
State Board of Embalmers and Funeral Directors Total			\$ 520,097	\$ 646,562	\$ 561,494	-13.16%	\$ 551,958	-1.70%