

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 description of the Commission's existing functions and an overview of the Commission's executive recommended budget for the FY 2014-FY 2015 biennium.
2. Analysis of Executive Proposal: Provides a summary of the executive budget recommendations for the 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

- Executive biennial budget splits funding 69% GRF, 31% non-GRF
- 90% of proposed biennial funding for payroll costs
- Over 11,000 financial disclosure forms processed in FY 2012

OVERVIEW

Agency Overview

The Ohio Ethics Commission administers, interprets, and enforces ethical conduct in state and local government, primarily under the Ohio Ethics Law (R.C. Chapter 102.). It has jurisdiction over all state and local government officials and employees, except legislators, judges, and their staffs.

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 21 full-time employees. Staff is assigned in whole or in part to five distinct programs: Advisory Opinions/Guidance, Education, Financial Disclosure, Investigations/Enforcement, and Program Management/Support.

Appropriation Overview

Table 1 below shows the recommended funding for the FY 2014-FY 2015 biennium. For FY 2014, the executive budget recommends a total appropriation of \$2,046,139, which represents an increase of 1.2% from the Commission's total FY 2013 expenditure estimate of \$2,022,111. For FY 2015, the executive budget recommends a total appropriation of \$2,022,556, which represents a decrease of 1.2% from the FY 2014 recommendation.

For the entire FY 2014-FY 2015 biennium, the executive recommendation sets the GRF/non-GRF split at 69%/31%, with the latter amount appropriated from money generated by financial disclosure filing fees and deposited in the General Services Fund Group. This funding split pretty much reflects the expected 70% GRF/30% non-GRF for the current FY 2012-FY 2013 biennium. Also of note is that, unlike the current FY 2012-FY 2013, the executive budget does not appropriate any money from the Casino Control Commission Fund (Fund 5HS0), a fund in the State Special Revenue Fund Group, to support the Commission's casino-related activities.

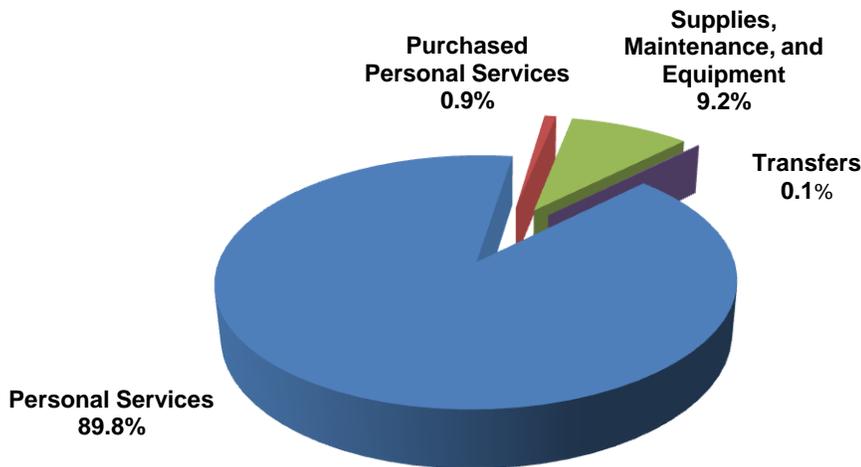
Fund Group	FY 2013*	FY 2014	% change, FY 2013-FY 2014	FY 2015	% change, FY 2014-FY 2015
General Revenue	\$1,409,751	\$1,409,751	0.0%	\$1,381,556	-2.0%
General Services	\$561,570	\$636,388	13.3%	\$641,000	0.7%
State Special Revenue	\$50,790	\$0	-100.0%	\$0	0.0%
Totals	\$2,022,111	\$2,046,139	1.2%	\$2,022,556	-1.2%

*FY 2013 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 2014-FY 2015 biennium. Nearly 90% 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 21 full-time staff positions. The remainder will be allocated for other operating expenses, items such as supplies and maintenance and purchased personal services.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2014-FY 2015



Programs

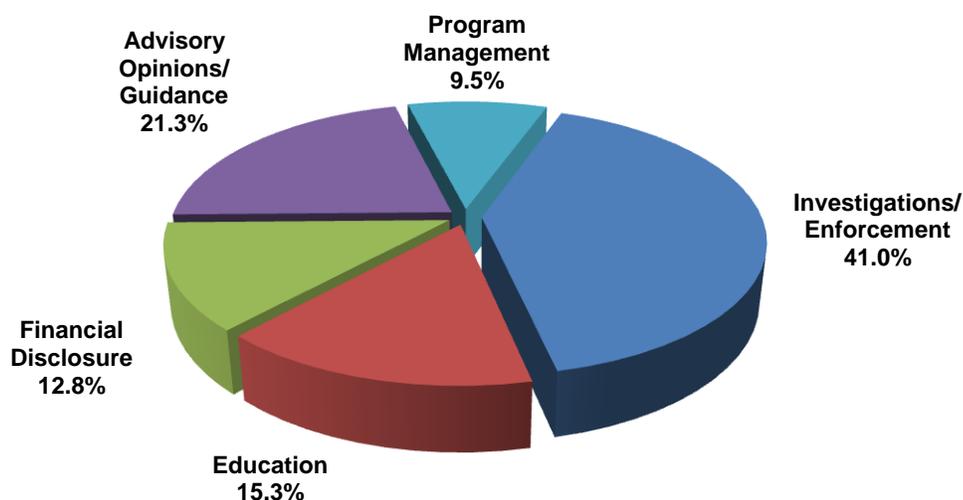
The Commission's services and activities can be grouped into five distinct program series as follows:

1. Investigations/Enforcement, 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 Opinions/Guidance, 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/Support, 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 2014 and 2015) by program series. The largest portion of that budget, 41.0%, will be allocated for the Investigations/Enforcement Program.

Chart 2: Biennial Executive Budget Recommendations by Program, FY 2014-FY 2015



¹The 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, which was implemented in 2012 for the purpose of reducing the Commission's need for GRF funding, is expected to generate approximately \$637,000 in FY 2014 and \$641,000 in FY 2015. 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.

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

Table 2. Schedule of Financial Disclosure Statement Fees	
Position	Current Fee
State Elected Office	\$95
State Board of Education	\$25
County Elected Office	\$60
City Elected Office	\$35
School Board Member	\$30
University or College Trustee	\$60
School District or ESC Superintendent, Treasurer, or Business Manager	\$30
State Official or Employee	\$60
Sanitary District Board Member	\$60
Voluntary Filer	\$60
Late Fee Penalty	
Per Day	\$10/day
Maximum Penalty	\$250

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 2014 and FY 2015 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 2014	FY 2015
General Revenue Fund				
GRF	146321	Operating Expenses	\$1,409,751	\$1,381,556
General Services Fund Group				
4M60	146601	Operating Expenses	\$636,388	\$641,000
Total Funding: Ethics Operations			\$2,046,139	\$2,022,556

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. The GRF line item will also be used to support the Commission's casino-related duties which include providing written and oral guidance to the Casino Control Commission, conducting ethics-related educational sessions, reviewing allegations for ethics law violations, and conducting investigations, if warranted.

Under the executive proposed budget, the GRF line item will cover about 68% of the Commission's total annual operating costs; the GSF line item will cover the remainder, or about 32%. 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 FTEs. 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 2012, the Commission received 403 allegations of unethical conduct and opened 58 investigations. It also referred, or had pending, criminal cases involving 28 matters throughout Ohio. Relative to its financial disclosure workload, the Commission averages approximately 11,000 to 11,500 filings per year. By April 2013, it is expected that filers will be able to submit their financial disclosure statements through a secure online portal on the Commission's website.

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

- In 2012, the Commission responded to over 200 requests for ethics advice and thousands of telephone calls seeking guidance on future actions.
- In 2011, the Commission presented 203 separate educational and informational sessions to more than 17,000 public and private-sector attendees.

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Ethics Commission

General Revenue Fund

GRF 146321 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$1,470,954	\$1,462,222	\$1,305,222	\$1,409,751	\$1,409,751	\$1,381,556
	-0.6%	-10.7%	8.0%	0.0%	-2.0%

Source: General Revenue Fund

Legal Basis: Section 285.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 283 of the 123rd G.A.)

Purpose: This line item is used to pay for the Commission's operating expenses (personal services, purchased personal services, supplies and maintenance, and equipment).

General Services Fund Group

4M60 146601 Operating Expenses

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$515,827	\$641,617	\$520,677	\$561,570	\$636,388	\$641,000
	24.4%	-18.8%	7.9%	13.3%	0.7%

Source: General Services Fund Group: (1) Financial disclosure filing fees ranging from \$25 to \$95 paid by certain public officials and employees, (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 cannot exceed \$250, and (3) investigative or other fees, costs, or other money received by the Commission as a result of court orders

Legal Basis: ORC 102.02(G)(2); Section 285.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. H.B. 285 of the 120th G.A.)

Purpose: This fund and related line item are statutorily restricted solely for expenses related to the operation and statutory functions of the Commission.

Ethics Commission

State Special Revenue Fund Group

5HS0 146602 Casino Investigation

FY 2010 Actual	FY 2011 Actual	FY 2012 Actual	FY 2013 Estimate	FY 2014 Introduced	FY 2015 Introduced
\$0	\$0	\$15,812	\$50,790	\$0	\$0
	N/A	N/A	221.2%	-100%	N/A

Source: State Special Revenue Fund Group: License fees paid by casino operators and 3% of the receipts from gross casino revenue tax

Legal Basis: ORC 3772.01(B) and 5753.03(A)(8); Section 285.10 of Am. Sub. H.B. 153 of the 129th G.A. (originally established by Am. Sub. S.B. 181 of the 128th G.A.)

Purpose: This line item is required to be used solely for the performance of the Commission's casino-related duties. Related temporary law reappropriates the unexpended, unencumbered balance of the line item's appropriation from FY 2011 to FY 2012, and similarly, from FY 2012 to FY 2013. For the FY 2014-FY 2015 biennium, the executive budget appropriates no money specifically for this purpose.

FY 2014 - FY 2015 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency			FY 2012	Estimate FY 2013	Introduced FY 2014	FY 2013 to FY 2014 % Change	Introduced FY 2015	FY 2014 to FY 2015 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
ETH Ethics Commission								
GRF	146321	Operating Expenses	\$ 1,305,222	\$ 1,409,751	\$ 1,409,751	0.00%	\$ 1,381,556	-2.00%
General Revenue Fund Total			\$ 1,305,222	\$ 1,409,751	\$ 1,409,751	0.00%	\$ 1,381,556	-2.00%
4M60	146601	Operating Expenses	\$ 520,677	\$ 561,570	\$ 636,388	13.32%	\$ 641,000	0.72%
General Services Fund Group Total			\$ 520,677	\$ 561,570	\$ 636,388	13.32%	\$ 641,000	0.72%
5HS0	146602	Casino Investigation	\$ 15,812	\$ 50,790	\$ 0	-100.00%	\$ 0	N/A
State Special Revenue Fund Group Total			\$ 15,812	\$ 50,790	\$ 0	-100.00%	\$ 0	N/A
Ethics Commission Total			\$ 1,841,711	\$ 2,022,111	\$ 2,046,139	1.19%	\$ 2,022,556	-1.15%