

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 2016-FY 2017 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 68% GRF, 32% non-GRF
- Nearly 90% of funding for payroll costs
- Executive recommendations support continuation of existing service and activity levels

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 20 full-time employees.

Appropriations Overview

Table 1 below shows the Commission's executive budget recommendations by fund group. The budget recommendations fully fund the Commission's request for a total of \$2,022,556 in each of FYs 2016 and 2017. Of the Commission's total biennial budget, the executive recommendations set the GRF/non-GRF split at 68%/32%, with the latter amount appropriated from moneys generated largely by financial disclosure filing fees. This funding split pretty much reflects the expected 72% GRF/28% non-GRF for the current FY 2014-FY 2015 biennium.

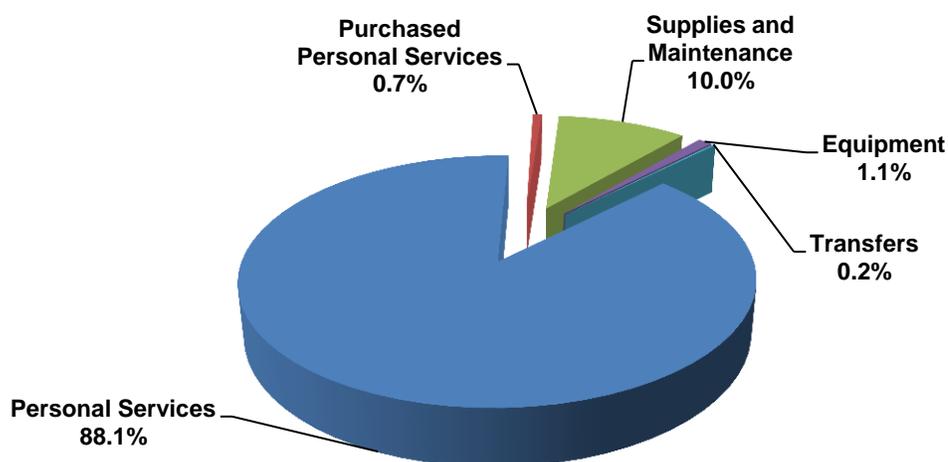
Fund Group	FY 2015*	FY 2016	% change, FY 2015-FY 2016	FY 2017	% change, FY 2016-FY 2017
General Revenue	\$1,381,556	\$1,381,556	0.0%	\$1,381,556	0.0%
Dedicated Purpose	\$641,000	\$641,000	0.0%	\$641,000	0.0%
TOTAL	\$2,022,556	\$2,022,556	0.0%	\$2,022,556	0.0%

*FY 2015 figures represent estimated expenditures.

Expense Categories

Chart 1 below summarizes, based on the executive recommendations, the types of expenses that the Commission expects to incur over the FY 2016-FY 2017 biennium. Nearly 90% of the 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, in approximate order of magnitude, supplies and maintenance, equipment, purchased personal services, and transfers.

Chart 1: Biennial Executive Budget Recommendations by Expense Category, FY 2016-FY 2017



Programs

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

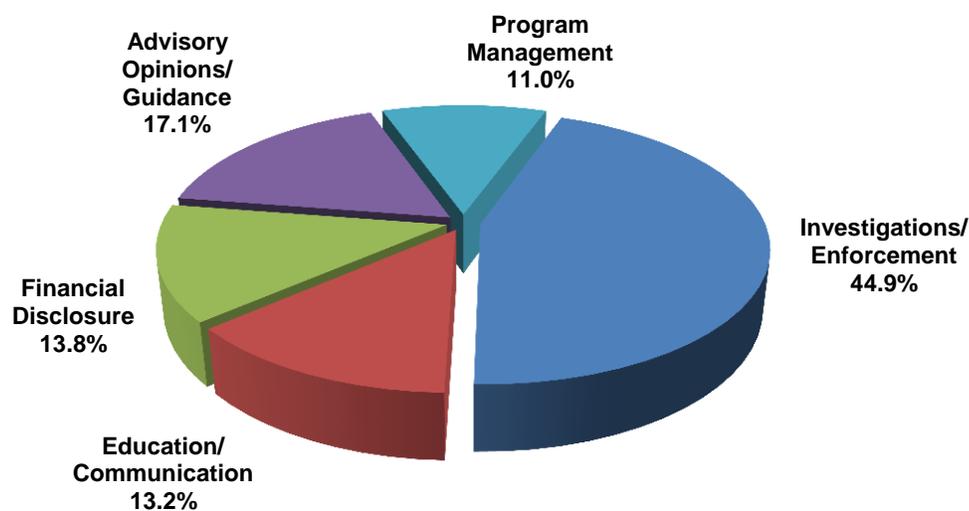
- **Investigations/Enforcement.** Investigates and refers for criminal prosecution, complaints and charges (allegations) of unethical misconduct committed by any public official or employee, or person doing business with the state.¹
- **Education/Communication.** Schedules, coordinates, and conducts ethics presentations and sessions and continuing legal education seminars.
- **Financial Disclosure.** Receives and reviews annual financial disclosure requirements, collects mandated fees, responds to public records requests, and maintains the financial disclosure database.

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

- **Advisory Opinions/Guidance.** Provides written legal advisory opinions providing guidance via telephone, emails, and website requests.
- **Program Management/Support.** Supports the general management and operational needs common to most state agencies, including 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 budget recommendations (FYs 2016 and 2017) by program. The largest portion of that budget, 44.9%, will be allocated for the Investigations/Enforcement Program.

Chart 2: Biennial Executive Budget Recommendations by Program, FY 2016-FY 2017



Workload Statistics

A selective summary of the Commission's investigations/enforcement, advisory opinions/guidance, financial disclosure, and education/communication workload is provided below.

Investigations/Enforcement

Table 2. Investigations/Enforcement Workload Statistics, FYs 2011-2014				
Activity	FY 2011	FY 2012	FY 2013	FY 2014
Allegations received	462	403	392	396
Active investigations/new investigations	202/51	204/58	173/57	180/44
Complaints initiated	141	79	102	79
Alternative dispute resolution settlements	8	13	12	27
Cases shared with prosecutors	30	25	5	18

Advisory Opinions/Guidance

- Handle roughly 3,000 to 4,000 telephone calls and 1,500 electronic requests for immediate guidance.
- Issue generally between 150 and 200 opinions each year.
- Answer most requests for advice within 15 days of receipt with a backlog of one to three requests at any given time, a reduction from FY 2010 when, at any given time, the Commission carried an average of 85 pending, unanswered requests.
- Review approximately 100 required conflict of interest statements annually.

Financial Disclosure

- Receive and process approximately 11,000 financial disclosure statements each year, including around 3,500 confidential filers (school district superintendents, treasurers, and business managers, and members of state boards and commissions who receive no compensation for their public service).
- Rolled out, in May 2013, an online filing system that is currently used by about 60% of filers.
- Maintain and update the online filing database.

Education/Communication

- Schedule, coordinate, and conduct approximately 200 ethics presentations each year throughout the state, including state and local agencies and jurisdictions, public sector associations, and public and private sector organizations.
- In FY 2014, developed and implemented seven "e-courses" as online education/outreach tools.

Financial Disclosure Filing Fees

Under existing law, the Commission collects primarily financial disclosure statement filing fees and secondarily court-ordered and other settlement moneys. All of these collections are deposited into 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.

From FYs 2012 through 2014, the fund collected, on average, \$617,692. For FYs 2015 through 2017, the Commission has estimated annual collections will total \$641,000. The Commission noted in its budget request submitted to the Office of Budget and Management a concern that, as use of its online financial disclosure statement filing

system increases, filers will be more likely to comply with filing deadlines and less money will be generated from late fees. From FYs 2012 through 2014, late fees generated around \$108,000 annually, close to 20% of the total amount of revenue deposited into Fund 4M60 annually.

Table 3 below summarizes the Commission's current fee schedule. That schedule was implemented in 2012 for the purpose of reducing the Commission's need for GRF funding.

Table 3. Schedule of Financial Disclosure Statement Fees	
Position	Current Fee
State Elected Office	\$95
State Board of Education	\$35
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 2016 and FY 2017 appropriations for the Commission's two funding mechanisms are shown in the table below.

Executive Recommended Amounts for Ethics Commission				
Fund	ALI and Name		FY 2016	FY 2017
General Revenue Fund				
GRF	146321	Operating Expenses	\$1,381,556	\$1,381,556
Dedicated Purpose Fund Group				
4M60	146601	Operating Expenses	\$641,000	\$641,000
Total Funding: Ethics Commission			\$2,022,556	\$2,022,556

Operating Expenses (GRF line item 146321, DPF 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 budget recommendations, the GRF line item will cover about 68% of the Commission's total annual operating costs; the DPF line item will cover the remainder, or 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.

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Ethics Commission

General Revenue Fund

GRF 146321 Operating Expenses

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$1,305,222	\$1,412,786	\$1,410,850	\$1,381,556	\$1,381,556	\$1,381,556
	8.2%	-0.1%	-2.1%	0.0%	0.0%

Source: General Revenue Fund

Legal Basis: Section 279.10 of Am. Sub. H.B. 59 of the 130th 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.

Dedicated Purpose Fund Group

4M60 146601 Operating Support

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$520,677	\$428,607	\$468,965	\$641,000	\$641,000	\$641,000
	-17.7%	9.4%	36.7%	0.0%	0.0%

Source: Dedicated Purpose Fund Group: (1) Financial disclosure filing fees paid by certain public officials and employees, (2) late filing fees, and (3) investigative or other fees, costs, or other money received by the Commission as a result of court orders and from settlements

Legal Basis: ORC 102.02(G)(2); Section 279.10 of Am. Sub. H.B. 59 of the 130th G.A. (originally established by Am. Sub. H.B. 285 of the 120th G.A.)

Purpose: This line item is used for expenses related to the operation and statutory functions of the Commission.

5HS0 146602 Casino Investigation

FY 2012 Actual	FY 2013 Actual	FY 2014 Actual	FY 2015 Estimate	FY 2016 Introduced	FY 2017 Introduced
\$15,812	\$91,772	\$0	\$0	\$0	\$0
	480.4%	-100%	N/A	N/A	N/A

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

Legal Basis: Discontinued line item (originally established by Am. Sub. S.B. 181 of the 128th G.A.)

Purpose: This line item contained one-time money used to educate and advise state and local officials and staff, as well as casino operators and their staffs, subsequent to the enactment of Ohio's Casino Control Law.

FY 2016 - FY 2017 Introduced Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2014	Estimate FY 2015	Introduced FY 2016	FY 2015 to FY 2016 % Change	Introduced FY 2017	FY 2016 to FY 2017 % Change
Report For Main Operating Appropriations Bill			Version: As Introduced					
ETH Ethics Commission								
GRF	146321	Operating Expenses	\$ 1,410,850	\$ 1,381,556	\$ 1,381,556	0.00%	\$ 1,381,556	0.00%
General Revenue Fund Total			\$ 1,410,850	\$ 1,381,556	\$ 1,381,556	0.00%	\$ 1,381,556	0.00%
4M60	146601	Operating Support	\$ 468,965	\$ 641,000	\$ 641,000	0.00%	\$ 641,000	0.00%
Dedicated Purpose Fund Group Total			\$ 468,965	\$ 641,000	\$ 641,000	0.00%	\$ 641,000	0.00%
Ethics Commission Total			\$ 1,879,815	\$ 2,022,556	\$ 2,022,556	0.00%	\$ 2,022,556	0.00%