

# Redbook

## LBO Analysis of Executive Budget Proposal

### Ohio Ethics Commission

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# LBO Redbook

## Ohio Ethics Commission

### Quick look...

- The Ohio Ethics Commission administers, interprets, and enforces ethical conduct, with jurisdiction over all state and local government officials and employees, except legislators, judges, and their staffs.
- Approximately 18,700 elected officials and 590,000 public employees fall under its authority.
- The Commission receives and processes approximately 10,000 financial disclosure statements annually.
- Biennial recommendation of \$5.6 million: \$2.8 million in each of FY 2024 and FY 2025.
  - GRF increase of 4.5% in FY 2024 and 0.7% in FY 2025 will enable the Commission to fill two vacant positions, increasing staffing levels from 18 to 20 full-time employees.
  - Sources of the budget: GRF (81.7%) and state non-GRF (18.3%).
  - Largest expense categories: personal services/payroll (92.6%), followed by supplies and maintenance (7.1%).

FY 2020 Actual	FY 2021 Actual	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
<b>GRF ALI 146321, Operating Expenses</b>					
\$1,881,845	\$1,816,925	\$1,733,095	\$2,191,365	\$2,288,900	\$2,305,100
% change	-3.4%	-4.6%	26.4%	4.5%	0.7%
<b>DPF Fund 4M60 ALI 146601, Operating Support</b>					
\$443,990	\$453,245	\$580,648	\$658,340	\$515,100	\$515,100
% change	2.1%	28.1%	13.4%	-21.8%	0.0%
<b>Total funding:</b>					
\$2,325,835	\$2,270,170	\$2,313,743	\$2,849,705	\$2,804,000	\$2,820,200
% change	-2.4%	1.9%	23.2%	-1.6%	0.6%

### Agency overview

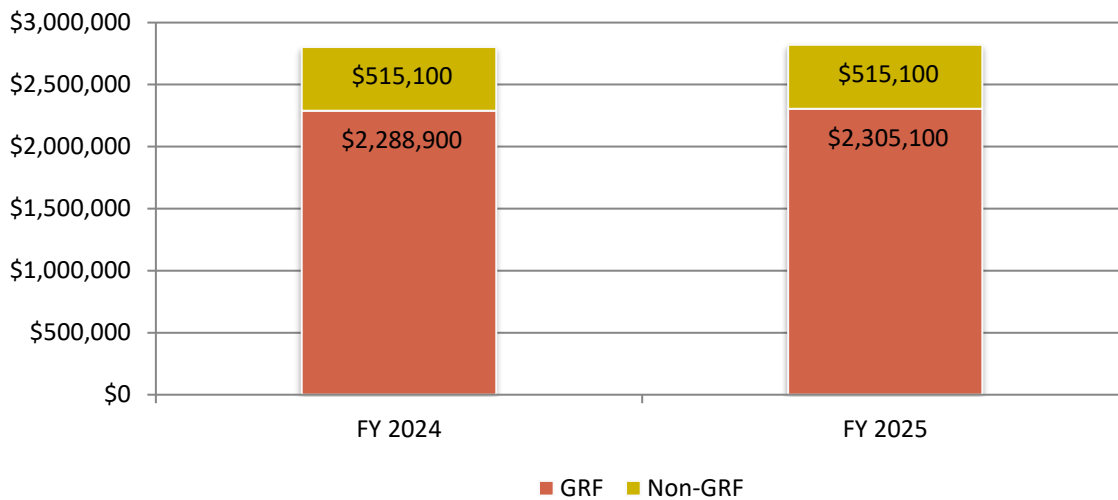
The Ohio Ethics Commission administers, interprets, and enforces ethical conduct in state and local government, primarily under the Ohio Ethics Law (R.C. Chapter 102). It has jurisdiction over all state and local government officials and employees, except legislators, judges, and their staffs. The Commission 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 18 full-time employees (current staffing level).

## Analysis of FY 2024-FY 2025 budget proposal

Together, GRF line item 146321 and Dedicated Purpose Fund (DPF) Fund 4M60 line item 146601 support the Ohio Ethics Commission’s operations. Chart 1 below displays the GRF/non-GRF funding split for these costs. The executive recommended GRF appropriation in FY 2024 represents a 26.4%, or \$97,535, increase from the estimated GRF expenditures in FY 2023 (\$2,191,365) to help supplement Fund 4M60. The GRF/non-GRF funding split is projected at 77%/23% for FY 2023 and will increase to 82%/18% for FY 2024 and FY 2025. This increase will allow the Commission to use GRF funding to cover the 88% of personal service expenses (payroll) and DPF Fund 4M60 line item 146601 to support the majority of other operating expenses.

The Commission is currently operating with 18 full-time staff (FY 2023). The Commission expects that the GRF funding increase for the FY 2024-FY 2025 biennium will allow it to fill two additional positions, including a financial disclosure analyst and an advisory attorney, and maintain software licenses for a case management system while preserving the balance of the Ohio Ethics Commission Fund (Fund 4M60).

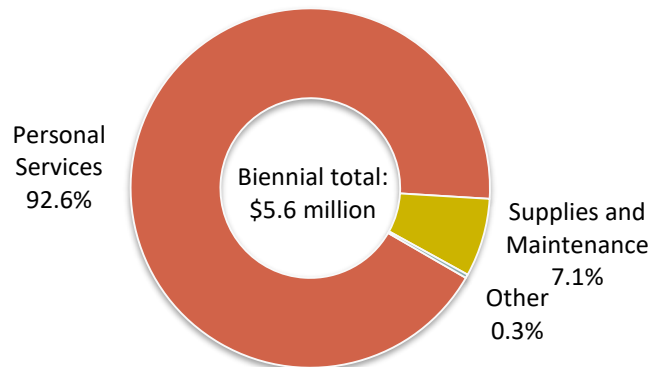
**Chart 1: Ethics Operating Expenses by Fund Group, FY 2024-FY 2025**



## Executive recommendations by expense category

Chart 2 below displays the \$5.6 million proposed budget for the biennium in terms of the manner in which this funding is allocated for operating expenses. These allocations may change over the course of the biennium, but historically, these percentages have remained relatively consistent from year to year. The largest category of expense is personal services (92.6%, or \$5.2 million), followed by supplies and maintenance (7.1%, or \$396,640). Other expenses including purchased personal services and transfers/nonexpense account for 0.3%, or \$18,200.

**Chart 2: Ethics Budget by Expense Category  
FY 2024-FY 2025 Biennium**

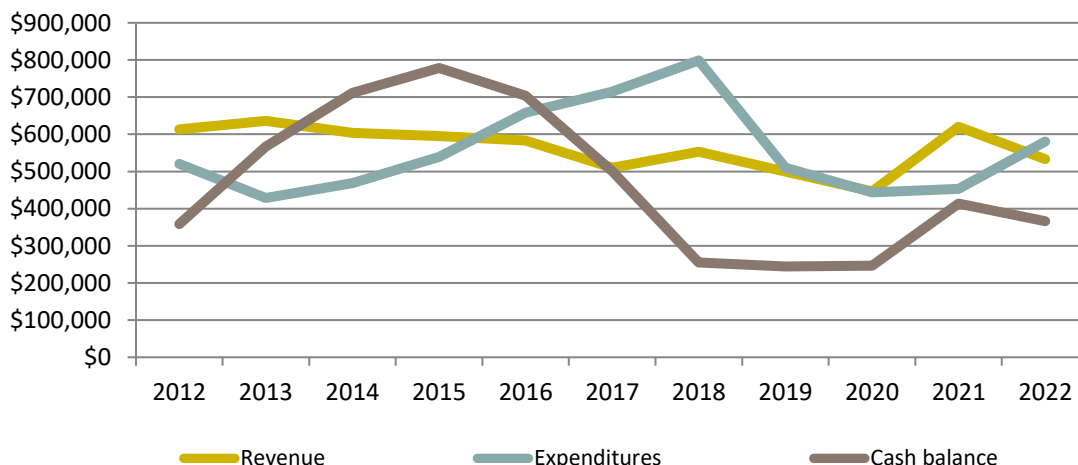


## Filing fees

The Commission collects primarily financial disclosure statement filing fees and secondarily court-ordered and other settlement moneys, credited to the Ohio Ethics Commission Fund (Fund 4M60). Revenue is used solely for expenses related to the operation and statutory functions of the Commission. At the end of FY 2023, Fund 4M60 is projected to have a net balance of approximately \$395,000. With the level of funding recommended under the executive budget, the balance would be slightly lower, around \$355,000 at the end of both FY 2024 and FY 2025. These totals remain consistent with the Commission’s efforts to keep Fund 4M60 cash balances at fiscal year-end no lower than 50% of its expected expenditures (\$515,100). This will prevent the Commission from having to increase filing fees to local and statewide financial disclosure filers.

As shown in Chart 3 below, from FY 2014 through FY 2016, the fund’s year-ending cash balance exceeded \$700,000. Starting with FY 2016 through FY 2019, expenditures exceeded revenues. The result has been a more or less steady decrease in the fund’s year-ending cash balance, which by the end of FY 2022 was \$365,913. The Commission aims at keeping its DPF cash balance no lower than between \$250,000 and \$300,000.

**Chart 3: Fund 4M60 Cash Balance, FY 2012-FY 2022**



The table below summarizes the Commission's current fee schedule. That schedule was implemented beginning in CY 2012 for sustaining dedicated purpose funding to supplement and reduce reliance on GRF funding. As noted, the GRF is the largest source of the Commission's budget. However, since the implementation of the fee schedule, fee revenue has declined due to a decrease in filers as a result of the consolidation of certain boards and commissions and fewer voluntary filers, as well as late fees. The decrease in late fee revenue is a result of the ease of filing in the online Financial Disclosure portal (implemented February 2013), which also enabled the Commission to quickly notify delinquent filers so that they do not accrue the maximum late fees. Currently, over 94% of financial disclosure statements are filed using the online filing portal. The number of persons failing to file timely statements remained below 0.5% of the total number of filers.

License Fees by Type	
License Type	Fee
State elected office holder or candidate	\$95
State board of education member or candidate	\$35
County elected office holder or candidate	\$60
City elected office holder or candidate	\$35
School district board of education member or candidate	\$30
Educational Service Center (ESC) governing board member	\$30
School district or ESC superintendent, treasurer, or business manager	\$30
All other filers	\$60
Late Fee Penalty	
Per day	\$10/day
Maximum penalty	\$250

## Workload statistics

A selective summary of the Commission's Advisory Opinions/Guidance, Financial Disclosure, Education/Communication, and Investigations/Enforcement workload for CY 2022 is below.

### Advisory Opinions/Guidance

- Provides written legal advisory opinions providing guidance via telephone, emails, and website requests.

- Employed two staff attorneys who collectively handled the 199 written advisory requests received by the Commission within 17 days, in addition to 1,624 telephone calls and 3,665 emails.
- Approximately 24% of the requesters were from state agencies, 24% from counties, and 30% from townships, villages, school districts, and other entities.
- Commonly requested advice: conducting outside business and employment (25%), revolving door (17%), and hiring/supervising family members (13%).

## **Education/Communication**

- Schedules, coordinates, and conducts ethics presentations and sessions and continuing legal education seminars.
- Creates and produces a new online e-course annually, viewed by over 50,000 public employees and officials.
- Conducted 172 in-person trainings (15,000 attendees) and offered 52 webinars (5,000 attendees).

## **Financial Disclosure**

- Receives and reviews annual financial disclosure requirements, collects mandated fees, responds to public records requests, and maintains the financial disclosure database.
- Received and processed more than 10,100 financial disclosure statements.
- Maintains an online filing system, rolled out in February 2013, currently used by over 94% of filers.

## **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.
- Received 432 information requests or allegations of wrongdoing, processed 1,122 intake calls, and conducted 157 investigations.
- Common issues: acting on matters that benefit an outside business or job, nepotism, regulators inspecting their own family's business, and public school district coaches, teachers, and board members selling goods or services to the school district.