

Redbook

LBO Analysis of Executive Budget Proposal

State Board of Embalmers and Funeral Directors

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LBO Redbook

State Board of Embalmers and Funeral Directors

Quick look...

- The State Board of Embalmers and Funeral Directors oversees nearly 7,000 licensees, including approximately 1,300 funeral homes and crematories, and about 4,700 funeral directors and embalmers.
- The Board’s governing body consists of seven members: four licensed embalmers and practicing funeral directors, one licensed practicing funeral director, and two members representing the public. Day-to-day operations are handled by an executive director and eight full-time staff.
- The Board’s operations are primarily supported by license fees and related revenue. It also receives GRF funding to oversee the Indigent Burial and Cremation Program.
- The executive budget recommends funding of nearly \$2.3 million in each of FY 2024 and FY 2025.
 - This includes a GRF appropriation of \$1.0 million for subsidies under the Indigent Burial and Cremation Program.
 - Uses of the recommended budget, totaling just over \$4.5 million, are as follows: 44.0% for subsidies for the Indigent Burial and Cremation Program, 45.4% for personal services, and 10.1% for supplies and maintenance. The 0.5% remainder is for purchased personal services.

Fund Group	FY 2022 Actual	FY 2023 Estimate	FY 2024 Introduced	FY 2025 Introduced
General Revenue	\$674,339	\$1,000,000	\$1,000,000	\$1,000,000
Dedicated Purpose	\$1,124,224	\$1,200,372	\$1,272,500	\$1,274,764
Total	\$1,798,563	\$2,200,372	\$2,272,500	\$2,274,764
% change	--	22.3%	3.3%	0.1%
<i>GRF % change</i>	--	48.3%	0.0%	0.0%

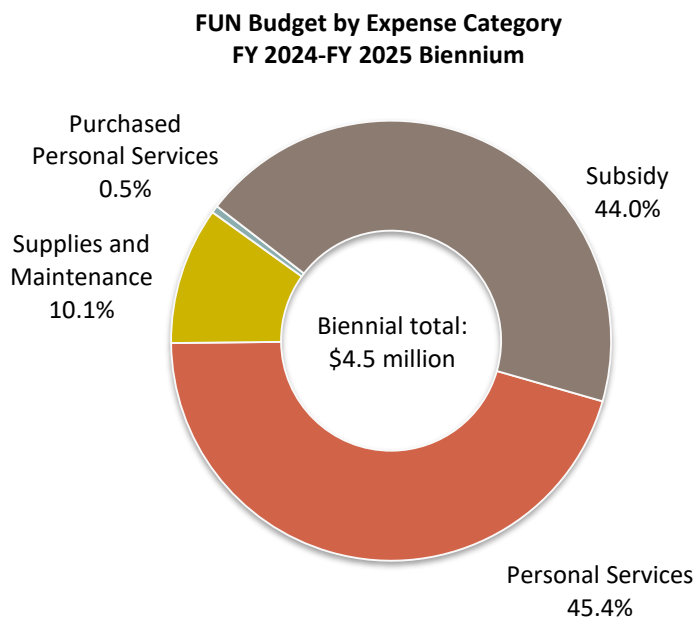
Agency overview

The State Board of Embalmers and Funeral Directors (FUN) regulates those involved with the death care industry across Ohio, including embalmers, funeral directors, funeral homes, and operators of crematory and embalming facilities. The seven-member Board meets regularly to review applications, issue licenses, review continuing education programs, and keep up to date on issues affecting the funeral business. The Board also monitors preneed funeral contracts and administers the Preneed Recovery Fund to compensate purchasers for losses they might have incurred due to fraud or business insolvency after buying a contract from a provider licensed by the Board. FUN also conducts disciplinary hearings stemming from complaints and investigations. Day-to-day operations are overseen by an executive director and eight other full-time staff, including

three inspectors, one administrative officer, one administrative professional, one program administrator, one preneed compliance administrator, and one certification-licensure examiner.

Analysis of FY 2024-FY 2025 budget proposal

Except for a GRF appropriation which is used to subsidize political subdivisions for part of their costs in burying indigent decedents, the Board's operations are supported entirely by license fees and other assessments that are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90) and appropriated under Fund 4K90 line item 881609, Operating Expenses. The executive recommends funding of nearly \$2.3 million in each of FY 2024 and FY 2025. This compares to anticipated spending of just over \$2.2 million in FY 2023.



Of the recommended budget for the FY 2024-FY 2025 biennium, \$2.0 million (44.0%) is slated for subsidies under the Indigent Burial and Cremation Program. Payroll costs for the nine full-time equivalents (FTEs) and board member compensation accounts for about \$2.1 million (45.4%) of the recommended budget. Just over \$459,000 (10.1%) is slotted for supplies and maintenance. As with other operating boards, included in these costs are rent, eLicensing system costs, and biennial financial audit costs. The remaining portion of the recommended funding, approximately \$24,500 (0.5%), is for purchased personal services.

The higher level of spending in the upcoming biennium is primarily related to the Indigent Burial and Cremation Program, payroll obligations, and inflation on goods and services. The FY 2022 and FY 2023 biennium experienced higher levels of spending due to the increased operational costs in three areas: oversight of preneed funeral contracts, oversight of the cremation-related licenses, and running the Indigent Burial and Cremation Program.

Preneed funeral contracts

H.B. 49 of the 132nd General Assembly, the main operating budget act for the FY 2018-FY 2019 biennium, contained several provisions related to preneed funeral contracts. Primarily,

it required FUN to adopt rules regarding the sale of preneed funeral contracts as well as reporting of the sale of these contracts to the Board. The bill also established the Preneed Recovery Fund, a custodial account used to reimburse purchasers of preneed funeral contracts who have suffered financial loss as a result of misconduct in connection with the sale of the contract. The fund is supported by a tiered fee schedule – \$10 until the fund is greater than \$2.0 million, \$5 until the fund is greater than \$3.0 million, and no fee – on the sale of preneed funeral contracts. The balance of the fund at the end of CY 2022 was nearly \$1.6 million. Since its implementation, FUN has paid approximately \$125,456 for 22 claims.

Crematory operator licenses

Additionally, H.B. 49 established a new crematory operator license. In order to oversee these new operators, the Board hired an additional inspector in FY 2020. Data for FY 2023 show that there are 627 active crematory operator licensees in Ohio. H.B. 509 of the 134th General Assembly eliminates the crematory operator permit by December 31, 2024. Instead of the crematory operator permit, H.B. 509 requires a certificate of completion from a Board-approved crematory operation certification program to be filed with the Board, a condition for the state permit under current law.

Indigent Burial and Cremation Program

The Board also runs the Indigent Burial and Cremation Program from the Department of Job and Family Services. The program reimburses local governments for buying or cremating indigent decedents. These reimbursements may not exceed \$750 for a child or \$1,000 for an adult. That funding is included under GRF ALI 881500, Indigent Burial and Cremation Support. Since inheriting the program from the Ohio Department of Job and Family Services in 2019, the Board has satisfied 1,466 applications for financial help. In FY 2022, \$674,339 in subsidy payments were made to local governments, up from \$197,154 in 2021 and \$60,778 in 2020. The amount of subsidies issued so far in FY 2023, as of January 2023, is \$154,475. The Board has 89 applications outstanding as of January 2023.

Operating revenues and expenses

The Board is entirely supported by license fees and other receipts that are deposited into Fund 4K90. Table 1 below shows the ten license types that the Board oversees and the associated fee.

License Type	Fee
Crematory	\$400
Crematory Operator	\$150
Embalmer Apprentice	\$35
Embalmer	\$200
Embalming Facility	\$400
Funeral Director Apprentice	\$35
Funeral Director	\$200
Funeral Home	\$400
Courtesy Card Permit	\$200

Table 2 below shows the Board's revenue and expenditure history over the last three complete licensing cycles. Licenses are renewed in odd-numbered fiscal years. Consequently, revenue intake exceeds operating expenses in renewal years but lags operating expenses in nonrenewal years.

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
Revenue	\$1,279,829	\$124,840	\$1,331,284	\$106,466	\$1,364,260	\$322,425
Expenses	\$746,503	\$752,659	\$890,720	\$929,170	\$1,126,085	\$1,798,563
Net	\$533,326	-\$627,819	\$440,564	-\$822,704	\$238,175	-\$1,476,138

In the previous three renewal cycles, expenses exceeded revenues and the difference continues to grow. The FY 2017-FY 2018 renewal cycle produced a -\$94,493 net operating result, followed by -\$382,140 net operating result for the FY 2019-FY 2020 renewal period, and a -\$1,237,963 net result for the FY 2021-FY 2022 renewal period. The FY 2019-FY 2020 licensing cycle saw higher operating costs primarily for an additional staff member who is responsible for the oversight of preneed funeral contracts. Expenses continued to grow annually, mostly due to higher indigent burial program operating costs and personal services expenses.

Fee revenue in FY 2025 will drop, as H.B. 509 of the 134th General Assembly eliminates the crematory operator permit by December 31, 2024. Based on FY 2022 permitting data, FUN will incur a biennial estimated loss of roughly \$92,000 due to the loss of the crematory operator permit fee revenue. In FY 2022, there were 613 permits issued for crematory operators at \$150 per each two-year permit.

Expenditures for supplies and maintenance will decrease over this biennium. Beginning in FY 2024, the Board's eLicensing costs will no longer be paid directly by the Board. They will instead be paid by the Department of Administrative Services through new DAS Fund 4K90 ALI 100673, Ohio Professionals Licensing System.

Licenses and investigation and enforcement statistics

Table 3 below shows the number of active licenses issued by FUN for the FY 2021-FY 2022 licensing cycle as well as the number of licenses in FY 2023. Overall, the Board oversees nine license types. The vast majority of issuances are for just three license types: embalmers, funeral directors, and funeral homes. Together in FY 2022, these 5,822 licenses accounted for 83.4% of the 6,984 active licenses. In addition to the current categories listed in the table below, the Board also has funeral director and embalmer registration licenses. These licenses are closed once an apprenticeship is granted.

License Type	FY 2021	FY 2022	Percent Change	FY 2023	Percent Change
Crematory	154	167	8.4%	162	-3.0%
Certified Embalmer Apprenticeship	58	92	58.6%	110	19.6%
Certified Funeral Director Apprenticeship	166	244	47.0%	270	10.7%
Embalmer	1,948	1,998	2.6%	1,863	-6.8%
Embalming Facility	4	5	25.0%	5	0.0%
Funeral Director	2,611	2,694	3.2%	2,521	-6.4%
Funeral Home	1,104	1,130	2.4%	1,078	-4.6%
Crematory Operator*	543	627	15.5%	568	-9.4%
Courtesy Card Permit	22	27	22.7%	20	-25.9%
Total	6,610	6,984	5.4%	6,597	-5.5%

*H.B. 509 of the 134th General Assembly eliminates the crematory operator permit by December 31, 2024.

The Board carries out inspections of funeral homes, crematories, and embalming facilities and investigates consumer complaints related to the funeral profession. In FY 2021, the Board's three inspectors conducted 1,033 inspections among licensed facilities statewide. In FY 2022, 964 such investigations were conducted. Overall, fines and recoveries as a result of investigations and inspections totaled approximately \$1,000 during FY 2021 and \$5,000 in FY 2022.