

- Planned GRF transfers from liquor profits in the range of \$93 million in FY 2004 and \$85 million in FY 2005
- Increased fee revenues in FY 2004-2005 biennium

## Commerce, Department of

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### ROLE

The Department of Commerce is a multi-functional regulatory agency that emphasizes economic development, public safety, and oversight of the state's liquor, finance, real estate, and building industries. Commerce is organized into eight operating divisions and one administrative division. These divisions are: Financial Institutions, Industrial Compliance, Liquor Control, Real Estate and Professional Licensing, Securities, State Fire Marshal, Unclaimed Funds, Labor and Worker Safety, and Administration.

Agency In Brief					
Number of Employees*	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2004	2005	2004	2005	
985	\$495.7 million	\$523.2 million	\$4.3 million	\$4.4 million	Am. Sub. H.B. 95

\*Employee head count obtained from the Department of Administrative Services (DAS) payroll reports as of June 28, 2003.

### OVERVIEW

The Department of Commerce operates with the use of little General Revenue Funds, funding most programs by assessing fees and charges on the industries that it regulates. The Department also transfers profits and excess cash balances from these programs regularly to the GRF and other state agencies. The agency's FY 2004 appropriation, totaling \$495,663,973, is 1.64% more than FY 2003 spending of \$487,655,789. Fiscal year 2005 appropriations, totaling \$523,157,022, are 5.55% higher than FY 2004.

A large percentage of these appropriations are in the Liquor Control Fund Group, whose primary source of revenue is wholesale and retail spirituous liquor sales. In FY 2004, \$341 million is appropriated for liquor merchandising, increasing to \$353 million in FY 2005. A portion of the liquor profits is transferred to the GRF. The Department of Commerce estimates that these transfers will amount to approximately \$93 million in FY 2004 and \$85 million in FY 2005.

Another notable funding issue is an apparent shortfall in the FY 2004 appropriation for the State Fire Marshal's office. As enacted, the budget provides \$7,855,076 in funding for FY 2004, a 35% decrease over FY 2003 spending of \$12,043,907. It appears as though this cut was made in anticipation of the transfer of the State Fire Marshal's office to the Department of Public Safety, which was contemplated during budget hearings. Ultimately, the transfer was not included in the enacted budget; however, the planned FY 2004 funding for the office was not restored to the intended level. In order to adjust for this oversight, the Department of Commerce will need to obtain Controlling Board approval to restore the needed appropriation authority.

## BUDGET ISSUES

### *INCREASE IN FEES*

Am. Sub. H.B. 95 included many changes to existing fees and created new fees charged by the Department of Commerce. The fee increases apply to services provided by the Division of Industrial Compliance and the Division of Liquor Control.

#### **Industrial Compliance Fees**

The Division of Industrial Compliance, which regulates and licenses the state's building trades, assesses fees for a number of inspections. Am. Sub. H.B. 95 increases the fees for the following three services listed in the table below. Altogether, these increases will generate approximately \$2.18 million in additional revenue each year in the Industrial Compliance Operating Fund (Fund 556).

<b>Fee increases within the Division of Industrial Compliance</b>			
<b>Purpose</b>	<b>Old Fee Amount</b>	<b>New Fee Amount</b>	<b>Estimated Annual Revenue Gain</b>
Filing an Appeal with the Board of Building Standards	\$100 maximum	\$200 maximum	\$75,000
Annual Boiler Inspection	\$30	\$45	No gain*
Six Month Certificate of Operation for Elevator	\$105	\$200	\$2.1 million

\*Am. Sub. H.B. 95 merely codifies this increase, which was previously authorized by the Controlling Board.

#### **Liquor Permit Fees**

The Division of Liquor Control issues 47 different types of permits, totaling about 24,000 liquor permits each year. Fees for all permit types have been increased for the FY 2004-2005 biennium. Permits costing \$300 or more are increased by 25%, and all permits less than \$300 are increased by 100%. For example, an A1 permit for beer manufacturers will now cost \$3,906, up from \$3,125. An A2 permit for wine manufacturers will now cost \$126, up from \$63. The Division of Liquor Control estimates an \$8.1 million increase in liquor permit fee revenue in FY 2004 and a \$12.1 million increase in FY 2005.

In addition to these increases, the biennial budget made changes to the way liquor permit fee revenue is distributed. The percentage of the liquor permit fees distributed from the Undivided Liquor Permit Fund to the GRF is increased from 29% to 45%; the percentage transferred to the Statewide Treatment and Prevention Fund (ODADAS) is decreased from 21% to 20%; and the percentage transferred to the local taxing districts is changed from 50% to an amount determined by the Superintendent of Liquor Control out of the remaining funds in the Undivided Liquor Permit Fund after distribution to the GRF and the Undivided Liquor Permit Fund.

The FY 2004-2005 biennial budget created one new liquor permit, an F-5 liquor permit for riverboats in an Ohio riverboat festival, and authorizes the Division of Liquor Control to sell at wholesale spirituous liquor in 50 milliliter sealed containers to any holder of certain liquor permits. The biennial budget also expands the authority of two existing liquor permits. The D-5i liquor permit, issued to a retail food establishment or food service operation, may now be issued in a municipal corporation or township with a population of 75,000 or less, rather than 50,000 or less. In addition, the D-5j liquor permit may now be

issued in a community entertainment district that is located in a township with a population of at least 40,000 or a municipal corporation with a population of at least 20,000 and other qualifying characteristics. These changes will potentially increase the number of liquor permits issued and sale of spirituous liquor, thus increasing liquor revenue and liquor permit revenue in the Undivided Liquor Permit Fund (Fund 066) and the Liquor Control Fund (Fund 043).

### ***TRANSFER OF FUNDS TO THE GRF***

The FY 2004-2005 biennial budget allows the Director of Budget and Management to transfer the following funds to the GRF: up to \$2 million from the Banks Fund (Fund 544); up to \$10 million from the Fire Marshal Fund (Fund 546); up to \$1 million from the Real Estate Fund (Fund 549); and up to \$1 million from the Industrial Compliance Fund (Fund 556). The budget also authorizes the Director of Budget and Management to request the transfer of up to \$25 million of the unclaimed funds that have been reported by holders of unclaimed funds to the GRF. 

**FY 2004 - 2005 Final Appropriation Amounts**

**All Fund Group**

**Line Item Detail by Agency**

**FY 2001:      FY 2002:      FY 2003:      FY 2004 Appropriations:      % Change 2003 to 2004:      FY 2005 Appropriations:      % Change 2004 to 2005:**

**Report For: Main Operating Appropriations Bill**

**Version: Enacted**

**COM Commerce, Department of**

GRF	800-402	Grants-Volunteer Fire Departments	\$ 795,210	\$ 844,768	\$647,953	\$ 647,953	0.00%	\$ 647,953	0.00%
GRF	800-410	Labor and Worker Safety	---	\$ 3,550,430	\$3,224,492	\$ 3,700,040	14.75%	\$ 3,725,040	0.68%
GRF	800-412	Prevailing/Minimum Wage & Minors	\$ 2,131,006	\$ 254,001	\$0	\$ 0	N/A	\$ 0	N/A
GRF	800-413	OSHA Match	\$ 138,430	\$ 9,347	\$0	\$ 0	N/A	\$ 0	N/A
GRF	800-417	Public Employee Risk Reduction	\$ 1,217,323	\$ 91,111	\$0	\$ 0	N/A	\$ 0	N/A
<b>General Revenue Fund Total</b>			<b>\$ 4,281,969</b>	<b>\$ 4,749,657</b>	<b>\$ 3,872,445</b>	<b>\$ 4,347,993</b>	<b>12.28%</b>	<b>\$ 4,372,993</b>	<b>0.57%</b>
163	800-620	Division of Administration	\$ 4,701,654	\$ 5,825,516	\$5,419,460	\$ 3,385,803	-37.53%	\$ 3,490,056	3.08%
5F1	800-635	Small Government Fire Departments	---	---	\$180,491	\$ 250,000	38.51%	\$ 250,000	0.00%
163	800-637	Information Technology	---	---	\$0	\$ 2,753,299	N/A	\$ 2,772,924	0.71%
<b>General Services Fund Group Total</b>			<b>\$ 4,701,654</b>	<b>\$ 5,825,516</b>	<b>\$ 5,599,951</b>	<b>\$ 6,389,102</b>	<b>14.09%</b>	<b>\$ 6,512,980</b>	<b>1.94%</b>
348	800-622	Underground Storage Tanks	\$ 207,355	\$ 194,554	\$193,937	\$ 195,008	0.55%	\$ 195,008	0.00%
348	800-624	Leaking Underground Storage Tanks	\$ 1,395,236	\$ 1,285,423	\$1,317,395	\$ 1,850,000	40.43%	\$ 1,850,000	0.00%
349	800-626	OSHA Enforcement	\$ 1,095,491	\$ 1,412,598	\$1,401,951	\$ 1,527,750	8.97%	\$ 1,604,140	5.00%
<b>Federal Special Revenue Fund Group Total</b>			<b>\$ 2,698,082</b>	<b>\$ 2,892,575</b>	<b>\$ 2,913,283</b>	<b>\$ 3,572,758</b>	<b>22.64%</b>	<b>\$ 3,649,148</b>	<b>2.14%</b>
543	800-602	Unclaimed Funds-Operating	\$ 4,757,392	\$ 6,496,019	\$5,534,537	\$ 7,051,051	27.40%	\$ 7,051,051	0.00%
547	800-603	Real Estate Education/Research	\$ 244,020	\$ 166,689	\$183,515	\$ 250,000	36.23%	\$ 250,000	0.00%
552	800-604	Credit Union	\$ 2,034,057	\$ 2,255,632	\$2,261,608	\$ 2,613,356	15.55%	\$ 2,751,852	5.30%
4D2	800-605	Auction Education	\$ 25,761	---	\$0	\$ 0	N/A	\$ 0	N/A
553	800-607	Consumer Finance	\$ 1,789,601	\$ 2,070,555	\$2,442,459	\$ 3,764,279	54.12%	\$ 3,735,445	-0.77%
4H9	800-608	Cemeteries	\$ 239,718	\$ 254,988	\$251,266	\$ 273,465	8.83%	\$ 273,465	0.00%
4L5	800-609	Fireworks Training & Education	---	\$ 10,490	\$230	\$ 10,976	4,672.17%	\$ 10,976	0.00%
546	800-610	Fire Marshal	\$ 10,850,168	\$ 13,650,948	\$12,043,907	\$ 7,855,076	-34.78%	\$ 11,787,994	50.07%
548	800-611	Real Estate Recovery	\$ 26,667	---	\$10,000	\$ 100,000	900.00%	\$ 100,000	0.00%
544	800-612	Banks	\$ 4,742,339	\$ 5,479,110	\$5,448,545	\$ 6,657,997	22.20%	\$ 6,657,997	0.00%
545	800-613	Savings Institutions	\$ 2,048,627	\$ 2,575,319	\$2,711,672	\$ 2,765,618	1.99%	\$ 2,894,330	4.65%
549	800-614	Real Estate	\$ 2,677,505	\$ 2,798,339	\$3,015,799	\$ 3,586,754	18.93%	\$ 3,705,892	3.32%
556	800-615	Industrial Compliance	\$ 19,249,729	\$ 21,360,130	\$21,215,004	\$ 24,627,687	16.09%	\$ 25,037,257	1.66%
550	800-617	Securities	\$ 3,612,127	\$ 3,715,158	\$3,864,918	\$ 4,600,000	19.02%	\$ 4,800,000	4.35%
4X2	800-619	Financial Institutions	\$ 1,479,701	\$ 1,820,089	\$1,556,663	\$ 2,020,798	29.82%	\$ 2,200,843	8.91%

**FY 2004 - 2005 Final Appropriation Amounts**

**All Fund Group**

<b>Line Item Detail by Agency</b>			<b>FY 2001:</b>	<b>FY 2002:</b>	<b>FY 2003:</b>	<b>FY 2004 Appropriations:</b>	<b>% Change 2003 to 2004:</b>	<b>FY 2005 Appropriations:</b>	<b>% Change 2004 to 2005:</b>
<b>COM Commerce, Department of</b>									
5K7	800-621	Penalty Enforcement	----	----	\$5,131	\$ 50,000	874.47%	\$ 50,000	0.00%
543	800-625	Unclaimed Funds-Claims	\$ 28,255,863	\$ 34,884,793	\$43,434,905	\$ 25,512,867	-41.26%	\$ 25,512,867	0.00%
5B8	800-628	Auctioneers	\$ 235,433	\$ 50,028	\$0	\$ 0	N/A	\$ 0	N/A
653	800-629	UST Registration/Permit Fee	\$ 1,068,824	\$ 900,403	\$1,068,093	\$ 1,353,632	26.73%	\$ 1,249,632	-7.68%
6A4	800-630	Real Estate Appraiser-Operating	\$ 495,864	\$ 506,065	\$521,369	\$ 658,506	26.30%	\$ 664,006	0.84%
4B2	800-631	Real Estate Appraisal Recovery	----	----	\$10,000	\$ 60,000	500.00%	\$ 60,000	0.00%
5B9	800-632	PI & Security Guard Provider	\$ 804,053	\$ 1,027,676	\$1,002,241	\$ 1,188,716	18.61%	\$ 1,188,716	0.00%
<b>State Special Revenue Fund Group Total</b>			<b>\$ 84,637,449</b>	<b>\$ 100,022,430</b>	<b>\$ 106,581,862</b>	<b>\$ 95,000,778</b>	<b>-10.87%</b>	<b>\$ 99,982,323</b>	<b>5.24%</b>
043	800-321	Liquor Control Operating	\$ 12,759,406	\$ 701,490	\$0	\$ 0	N/A	\$ 0	N/A
043	800-601	Merchandising	\$ 324,475,937	\$ 313,164,919	\$335,330,014	\$ 341,079,554	1.71%	\$ 353,892,432	3.76%
043	800-627	Liquor Control Operating	----	\$ 13,195,027	\$13,865,808	\$ 17,248,488	24.40%	\$ 15,981,346	-7.35%
043	800-633	Development Assistance Debt Service	----	\$ 15,993,211	\$16,069,417	\$ 23,277,500	44.86%	\$ 29,029,500	24.71%
861	800-634	Salvage & Exchange	\$ 84,655	----	\$0	\$ 0	N/A	\$ 0	N/A
043	800-636	Revitalization Debt Service	----	----	\$3,423,009	\$ 4,747,800	38.70%	\$ 9,736,300	105.07%
<b>Liquor Control Fund Group Total</b>			<b>\$ 337,319,998</b>	<b>\$ 343,054,647</b>	<b>\$ 368,688,248</b>	<b>\$ 386,353,342</b>	<b>4.79%</b>	<b>\$ 408,639,578</b>	<b>5.77%</b>
<b>Commerce, Department of Total</b>			<b>\$ 433,639,152</b>	<b>\$ 456,544,824</b>	<b>\$ 487,655,789</b>	<b>\$ 495,663,973</b>	<b>1.64%</b>	<b>\$ 523,157,022</b>	<b>5.55%</b>