

Greenbook
LSC Analysis of Enacted Budget

Department of Commerce

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Legislative Service Commission

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ATTACHMENT:

Budget Spreadsheet By Line Item

Department of Commerce

- Budget of \$410.0 million for the FY 2018-FY 2019 biennium
- Consolidation of Manufactured Homes Commission within Division of Industrial Compliance and Division of Real Estate and Professional Licensing
- New banking law governing banks, savings and loan associations, and savings banks

OVERVIEW

Agency Overview

The Department of Commerce (COM) is a multi-functional regulatory agency that performs a wide array of regulatory duties. The Department is organized into seven operating divisions that (1) regulate state-chartered financial institutions, (2) supervise the Ohio securities market, (3) provide plan review, construction site services, and regulatory services to ensure the safety of systems such as elevators and boilers and enforce Ohio's wage and hour laws, (4) issue liquor permits and, in conjunction with JobsOhio, manage the manufacture, distribution, and sale of all spirituous liquor in the state, (5) license individuals in the real estate industry and register foreign real estate property, (6) investigate the cause and origin of fires and explosions, analyze fire-related criminal evidence, train firefighters, and enforce the Ohio Fire Code, and (7) oversee the safekeeping and return of unclaimed funds. An eighth division provides leadership, direction, and support to the operating divisions. Overall, as of August 2017, the Department employed 794 people full-time and 123 people part-time.

Appropriation Overview

Table 1 shows the appropriations for the Department by fund group. Overall, the budget appropriates \$205.6 million in FY 2018, a 6.3% decrease compared to FY 2017 spending of \$219.5 million agency wide. For FY 2019, H.B. 49 appropriates \$204.4 million for agency operations.

Table 1. Appropriations by Fund Group, FY 2018-FY 2019					
Fund Group	FY 2017*	FY 2018	% change, FY 2017-FY 2018	FY 2019	% change, FY 2018-FY 2019
Dedicated Purpose	\$202,213,983	\$184,640,144	-8.7%	\$183,656,842	-0.5%
Internal Service Activity	\$14,183,445	\$17,823,990	25.7%	\$17,584,068	-1.4%
Federal	\$3,096,114	\$3,136,180	1.3%	\$3,136,180	0.0%
TOTAL	\$219,493,541	\$205,600,314	-6.3%	\$204,377,090	-0.6%

*FY 2017 figures represent actual spending.

The Department operates with no GRF moneys. Instead, most programs are funded primarily by fees and charges on the industries that the Department regulates. The merchandising responsibilities under the Division of Liquor Control are funded by payments from the nonprofit JobsOhio, as established by a contract between the two entities.

Budget by Functional Category

Table 2 shows the budget allocations for the Department by functional category for the FY 2018-FY 2019 biennium. These categories correspond to the eight operating divisions within the Department, except for the Division of Financial Institutions and the Division of Securities, which are grouped together in this Greenbook. This breakdown also shows funding for the newly established Medical Marijuana Control Program.

Overall, the Unclaimed Funds Program accounts for the greatest share of the budget, at \$156.0 million (38.0%) of spending for FY 2018-FY 2019. Regulatory activities under the (1) Division of Industrial Compliance and Labor, (2) State Fire Marshal's Office, (3) Division of Financial Institutions and Division of Securities, (4) Division of Real Estate and Professional Licensing, as well as the new (5) Medical Marijuana Control combined account for \$181.6 million (44.3%) of the FY 2018-FY 2019 budget. The Division of Administration accounts for \$36.2 million (8.8%) of spending. Finally, the Division of Liquor Control's liquor permitting and spirituous liquor franchise operations account for \$36.3 million (8.9%) of the total appropriations for the FY 2018-FY 2019 biennium.

Table 2. FY 2018-FY 2019 Budget by Functional Category (in millions)					
Functional Category	FY 2017	FY 2018	FY 2019	Biennium Total	% Total of Budget
Unclaimed Funds	\$103.8	\$78.0	\$78.0	\$156.0	38.0%
Industrial Compliance & Labor	\$26.5	\$30.6	\$30.5	\$61.1	14.9%
State Fire Marshal	\$29.4	\$28.3	\$28.3	\$56.6	13.8%
Financial Institutions & Securities	\$23.7	\$25.7	\$25.9	\$51.6	12.6%
Liquor Control	\$17.0	\$18.6	\$17.7	\$36.3	8.9%
Administration	\$14.5	\$18.2	\$18.0	\$36.2	8.8%
Real Estate & Professional Licensing	\$4.4	\$5.1	\$4.9	\$10.0	2.4%
Medical Marijuana Control	\$0.3	\$1.1	\$1.1	\$2.3	0.6%
TOTAL	\$219.5	\$205.6	\$204.4	\$410.0	100.0%

Note: Individual amounts may not add to totals due to rounding.

Budget Highlights

Consolidation of Manufactured Homes Commission

H.B. 49 abolishes the Manufactured Homes Commission effective January 21, 2018, and transfers its duties to COM, dividing these duties between the Division of Industrial Compliance and the Division of Real Estate and Professional Licensing. Additionally, the bill creates the Manufactured Homes Advisory Council to advise the Director of COM concerning the Director's duties in the regulation of manufactured housing in the state. The Commission is responsible for nearly 1,600 manufactured home parks across the state and licenses over 2,400 park owners, installers, dealers, brokers, and salespersons. The Commission employs five full-time staff. Overall, H.B. 49 appropriates \$137,525 in FY 2018 and \$400,000 in FY 2019 for COM to regulate the manufactured home industry.

Division of Industrial Compliance

The bill transfers most of the Commission's duties to the Division of Industrial Compliance. Specifically, the Division will be responsible for (1) licensing manufactured housing installers, (2) establishing uniform standards for installing manufactured housing, (3) reviewing design plans and periodic inspection of manufactured homes and manufactured home installation, (4) investigating complaints concerning violations of Ohio's Manufactured Homes Law, and (5) adopting rules to administer Ohio's Manufactured Homes Law.

To fund these new responsibilities, the bill abolishes the Manufactured Homes Commission Regulatory Fund (Fund 5MC0) used by the Commission and instead directs license fees for manufactured home park operators into the Industrial Compliance Operating Fund (Fund 5560), used by COM to oversee a number of industrial licensing programs. As part of this transition, the remaining cash balance in Fund 5MC0 is to be transferred to Fund 5560. Additionally, the bill directs fees for reviewing plans, conducting inspections, and issuing permits and conducting inspections for manufactured home parks located within a 100-year flood plain, from the Occupational Licensing and Regulatory Fund (Fund 4K90) into Fund 5560 instead. H.B. 49 appropriates \$82,452 in FY 2018 and \$240,294 in FY 2019 for these new responsibilities under existing COM appropriation item 800615, Industrial Compliance.

Division of Real Estate

The bill transfers the Commission's duties regarding manufactured housing dealers, brokers, and salespersons to the Division of Real Estate and Professional Licensing. To fund these responsibilities, the bill creates the Manufactured Homes Regulatory Fund (Fund 5SU0). The bill directs the license and enforcement fees for a manufactured housing broker, dealer, or salesperson to Fund 5SU0. These amounts are currently deposited into Fund 4K90. The budget appropriates \$54,800 in FY 2018 and

\$159,706 in FY 2019 for these oversight responsibilities under COM appropriation item 800649, Manufactured Homes Regulation. Finally, uncodified law in H.B. 49 allows the Director of Budget and Management, upon the written request of the Director of COM, to transfer up to \$200,000 in Fund 5560 to Fund 5SU0 in FY 2018 to support the Division's additional regulatory and licensing functions.

New Banking Law

H.B. 49 enacts a new Banking Law governing banks, savings and loan associations, and savings banks under the same statute and eliminates the separate law regulating savings and loan associations and savings banks. The bill expands the definition of "bank" to include savings and loan associations and savings banks. Additionally, the bill enacts provisions specifically addressing savings and loan associations and savings banks whose ownership structure, unlike banks, may not be represented by shares of stock.

The fiscal effects of the new Banking Law include consolidating the cost of the Division of Financial Institutions in administering the laws governing banks, savings and loan associations, and savings banks and the Money Transmitters Law under the existing Banks Fund (Fund 5440). It repeals the Revised Code section establishing the Savings Institution Fund (Fund 5450) that has been used to pay for overseeing savings and loan associations and savings banks. Fund 5450 receives annual assessments and other fees on savings and loan associations and savings banks based upon total assets. Under the bill, these assessments and other fees will be deposited into Fund 5440 beginning July 1, 2017. In FY 2017, approximately \$2.9 million was deposited into Fund 5450. As of July 2017, the fund balance stood at approximately \$989,000.

Additionally, the bill reinstates the authority of the Superintendent of Financial Institutions to (1) charge banks application fees and the costs of the Division's special or follow-up examinations and visitations and (2) annually assess banks, savings and loan associations, and savings banks for purposes of funding the operations of the Division. Specifically, the Superintendent is to assess, on an annual or periodic basis, each bank, savings and loan association, and savings bank that is subject to inspection and examination by the Superintendent. The assessment is to be based on the total assets of the particular institution as of December 31 of the prior year. This authority was previously repealed by H.B. 340 of the 131st General Assembly.

Medical Marijuana Control Program Repayments

H.B. 523 of the 131st General Assembly created the Medical Marijuana Control Program to be jointly overseen by COM and the State Board of Pharmacy (PRX). COM is to oversee the licensure of medical marijuana cultivators and processors as well as the licensure of laboratories that test medical marijuana, whereas PRX is to provide for the

licensure of retail dispensaries and the registration of patients and their caregivers. The program is to be fully operational by September 8, 2018.

On August 22, 2016, the Controlling Board approved a request to create the Medical Marijuana Control Program Fund (Fund 5SY0) and approved the transfer of \$1.8 million from the CB Emergency Purpose Fund (Fund 5KM0) to the fund. Of the amount transferred, \$923,077 went to COM under appropriation line item 800650, Medical Marijuana Control Program. This appropriation funded five new full-time employees (chief operating officer, administrative assistant, project manager, business analyst, and an attorney), purchased services, maintenance, and equipment for the program. H.B. 49 requires the Director of COM to consult with the Director of Budget and Management to determine a repayment schedule during the biennium to fully repay the FY 2017 transfer from Fund 5KM0 to Fund 5YS0. This repayment will be deposited into the GRF. According to COM, the repayment will likely be from license fees that are deposited into Fund 5YS0.

Additionally, note that on July 24, 2017, the Controlling Board approved a request to increase the appropriation for line item 800650, Medical Marijuana Control Program, by \$4.2 million in FY 2018 and \$180,000 in FY 2019. The appropriation will cover the expenses of the Seed-to-Sale computer system, eLicensing database, and possible hearing expenses initiated as a result of granting licenses. This funding will also be provided from Fund 5KM0 and funds will be repaid from license fees that are deposited into Fund 5SY0.

Other Statutory Changes

There are several statutory changes in H.B. 49 that have a minimal fiscal effect on the Department. Such changes include liquor permit changes, extending the fireworks license moratorium, boiler certificate of operation fees, and the method for assessing elevator fees related to inspections. A detailed description of each change and the fiscal effect can be found under the appropriate section in the "**Analysis of Enacted Budget.**"

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the funding for each appropriation item in the Department of Commerce's budget. The line items are grouped into eight major categories, which largely follow the Department's divisional structure. For each category, a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes affecting the appropriation in H.B. 49. If the appropriation is earmarked, the earmarks are listed and described. Any significant statutory changes or uncodified law that might have a fiscal effect on a division's operations are also discussed. The eight categories used in this analysis are as follows:

1. Unclaimed Funds;
2. Industrial Compliance and Labor;
3. State Fire Marshal;
4. Financial Institutions and Securities;
5. Liquor Control;
6. Administration;
7. Real Estate and Professional Licensing; and
8. Medical Marijuana Control.

To aid the reader in finding each item in the analysis, the following table shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order the line items appear in the budget bill.

Categorization of COM's Appropriation Line Items for Analysis of H.B. 49			
Fund	ALI and Name		Category
Dedicated Purpose Fund Group			
4B20	800631	Real Estate Appraiser Recovery	7: Real Estate and Professional Licensing
4H90	800608	Cemeteries	7: Real Estate and Professional Licensing
4X20	800619	Financial Institutions	4: Financial Institutions and Securities
5430	800602	Unclaimed Funds – Operating	1: Unclaimed Funds
5430	800625	Unclaimed Funds – Claims	1: Unclaimed Funds
5440	800612	Banks	4: Financial Institutions and Securities
5460	800610	Fire Marshal	3: State Fire Marshal
5460	800639	Fire Department Grants	3: State Fire Marshal
5470	800603	Real Estate Education/Research	7: Real Estate and Professional Licensing
5480	800611	Real Estate Recovery	7: Real Estate and Professional Licensing
5490	800614	Real Estate	7: Real Estate and Professional Licensing
5500	800617	Securities	4: Financial Institutions and Securities
5520	800604	Credit Union	4: Financial Institutions and Securities
5530	800607	Consumer Finance	4: Financial Institutions and Securities
5560	800615	Industrial Compliance	2: Industrial Compliance and Labor
5F10	800635	Small Government Fire Departments	3: State Fire Marshal
5FW0	800616	Financial Literacy Education	4: Financial Institutions and Securities
5GK0	800609	Securities Investor Education/Enforcement	4: Financial Institutions and Securities
5HV0	800641	Cigarette Enforcement	3: State Fire Marshal
5LC0	800644	Liquor JobsOhio Extraordinary Allowance	5: Liquor Control
5LN0	800627	Liquor Operating Services	5: Liquor Control
5LP0	800646	Liquor Regulatory Operating Expenses	5: Liquor Control
5SJ0	800648	Volunteer Peace Officers' Dependent Fund	3: State Fire Marshal
5SU0	800649	Manufactured Homes Regulation	7: Real Estate and Professional Licensing
5SY0	800650	Medical Marijuana Control Program	8: Medical Marijuana Control
5X60	800623	Video Service	6: Administration
6530	800629	UST Registration/Permit Fee	3: State Fire Marshal
6A40	800630	Real Estate Appraiser – Operating	7: Real Estate and Professional Licensing
Internal Service Activity Fund Group			
1630	800620	Division of Administration	6: Administration
1630	800637	Information Technology	6: Administration
Federal Fund Group			
3480	800622	Underground Storage Tanks	3: State Fire Marshal
3480	800624	Leaking Underground Storage Tanks	3: State Fire Marshal

Category 1: Unclaimed Funds

This category of appropriations provides for the safekeeping and return of moneys designated as "unclaimed" to their rightful owners. In the meantime, the Division of Unclaimed Funds uses a portion of reported unclaimed funds to support housing loan guarantees. The funds have also been used in recent years to support the operations of other state programs through transfers to the GRF.

Appropriations for Unclaimed Funds				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5430	800602	Unclaimed Funds – Operating	\$7,984,977	\$7,984,977
5430	800625	Unclaimed Funds – Claims	\$70,000,000	\$70,000,000
Total Funding: Unclaimed Funds			\$77,984,977	\$77,984,977

Unclaimed Funds – Operating (800602)

This line item pays the operating and administrative expenses of the Division of Unclaimed Funds. The Division is comprised of administrative, claims processing, compliance, and accountability sections. The Division is a part of the Ohio Business Gateway, which allows businesses to electronically file reports and remit funds into the state's unclaimed funds account using the Automated Clearing House (ACH). This has increased unclaimed funds visibility and presumably resulted in higher amounts of funds reported to the state. Approximately 75.0% of all claims initiated in FY 2016 were through the Division's "Online Treasure Hunt" web feature that allows people to search and make claims for money owed to them.

The budget funds this line item at nearly \$8.0 million in each fiscal year of the biennium to fund the administrative expenses of the Division, a decrease of 7.3% over FY 2017 spending for this purpose.

Unclaimed Funds – Claims (800625)

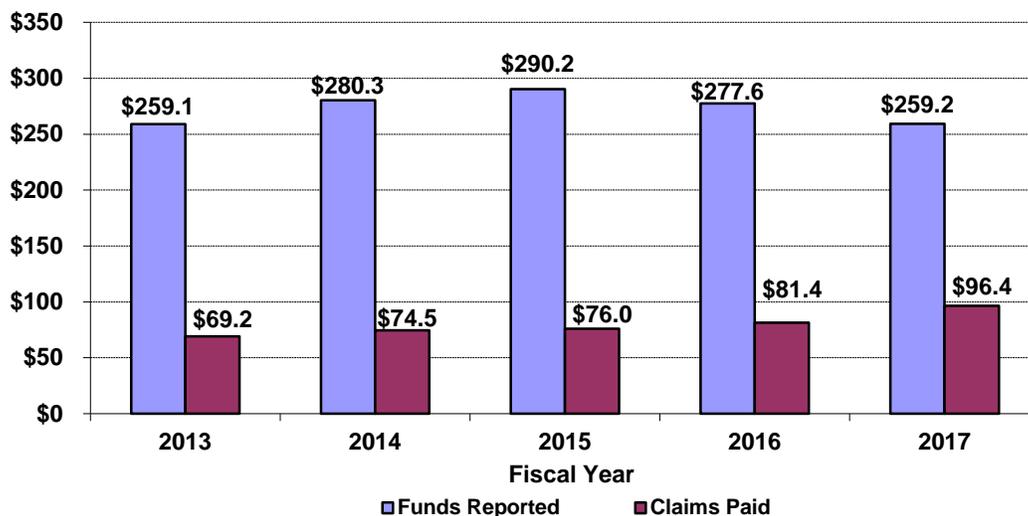
The budget provides funding of \$70.0 million in both FY 2018 and FY 2019 to pay unclaimed funds claims, a 26.5% decrease from FY 2017 spending for this purpose. Because there is always the potential that claims made exceed the amount appropriated, the budget includes language appropriating the additional amounts as needed.

The Unclaimed Funds Program is statutorily responsible for the safekeeping and return of moneys designated as unclaimed due to death, inadvertence, or forgetfulness. State law requires that these funds be reported to the state for safekeeping after the owners have left the funds unclaimed for a period of time, typically five years. The state acts as a custodian for the funds until the rightful owners or their heirs claim them. Common sources of unclaimed funds include dormant checking and savings accounts,

insurance proceeds, unclaimed wages and employment benefits, uncashed checks and money orders, undelivered stock and dividends, forgotten rent or utility deposits, and intangible contents of safe deposit boxes. These unclaimed funds are held in a custodial account under the Treasurer of State.

As the chart below shows, the program collected \$259.2 million and paid over 60,000 claims totaling \$96.4 million to current or former Ohio residents in FY 2017. The chart below summarizes the unclaimed funds reported and claims paid from FY 2013 to FY 2017.

Unclaimed Funds Reported and Claimed (in millions)



Until the rightful owner is located, unclaimed funds support economic development throughout Ohio. The Ohio Development Services Agency and the Ohio Housing Finance Agency use these resources to guarantee and fund low- and moderate-income housing programs. Unclaimed funds also guarantee performance bonds for the Minority Business Bonding Fund.

Category 2: Industrial Compliance and Labor

This category of appropriations funds the building code development, inspection, plan review, licensing, and permit services related to the commercial and residential construction industry and manufactured homes industry as proposed in H.B. 49. The Bureau of Wage and Hour Administration, which enforces the prevailing wage, minimum wage, and minor labor laws, is also included in this category. Under H.B. 49, the Division will now also be responsible for the regulation of the manufactured homes industry.

Appropriations for Industrial Compliance and Labor				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5560	800615	Industrial Compliance	\$30,582,452	\$30,478,277

Industrial Compliance (800615)

This line item primarily funds building code development, inspection, plan review, licensing, and permit services related to the commercial and residential construction industry and manufactured homes industry, as well as the operations of the Bureau of Wage and Hour Administration, which enforces the prevailing wage, minimum wage, and minor labor laws. This line item is supported through fees assessed to the regulated entities. The budget provides \$30.6 million in FY 2018 and \$30.5 million in FY 2019 to pay for the costs of overseeing the various regulatory and licensing functions operated by the Division of Industrial Compliance and Labor. Funding levels for the various bureaus and programs under the auspices of the Division of Industrial Compliance and Labor are provided in Table 3 below.

Program	FY 2018	FY 2019
Operations and Maintenance	\$11.3	\$11.5
Program Administration	\$8.5	\$8.1
Building Code Compliance	\$6.1	\$6.2
Building Code	\$2.4	\$2.2
Bureau of Wage and Hour Administration	\$1.1	\$1.2
Ohio Construction Industry Licensing Board	\$1.1	\$1.1
Manufactured Homes	\$0.1	\$0.2
TOTAL	\$30.6	\$30.5

Operations and Maintenance

The Operations and Maintenance Program oversees various industrial functions: (1) responsibility for the proper operation and maintenance of critical systems including boilers, elevators, and escalators, (2) inspections of bedding, upholstered furniture, and

ski lifts, and (3) licensure of steam engineers and boiler operators. The program performed approximately 61,000 elevator inspections, nearly 32,800 boiler inspections, and over 7,100 bedding and upholstered furniture inspections, and licensed over 9,900 boiler operators, steam engineers, and historical boilers.

The program is funded by fees on bedding items and registration, bedding laboratory analysis, elevator inspection and certification, boiler certification and inspection, and other such fees for steam engineers, historical boilers, and ski lifts. The amount slated for the Operations and Maintenance Program represents just over one-third of funding for the Division of Industrial Compliance. Specifically, these budgeted amounts are \$11.3 million in FY 2018 and \$11.5 million in FY 2019.

Statutory Change – Elevator and Boiler Fees

H.B. 49 eliminates the authority of the Superintendent of the Division of Industrial Compliance to charge an additional fee for elevators, escalators, and moving walks up to the original fee amount for a re-inspection when the previous attempted inspection was unsuccessful through no fault of the general inspector or the Division. Additionally, the provision adds a late fee equal to 25% of the inspection fee when the certificate of operation fee is not paid within 45 days after the certificate's expiration. It also allows the Superintendent to increase and establish inspection and certificate operation issuance fees to offset the costs incurred by the Division in administering and enforcing the Elevator Law. Lastly, in regard to boilers, H.B. 49 allows the Superintendent to establish fees to pay the costs necessary to fulfill the duties of the Division of Industrial Compliance in its oversight duties of boilers. As a result, these provisions may increase revenue from fees deposited into the Industrial Compliance Operating Fund (Fund 5560).

Program Administration

Program Administration oversees the general management and direction of the Division of Industrial Compliance activities on a daily basis. It is also responsible for the planning and future direction of the Division. The program provides administrative support through legal counsel, inspector dispatching operations and communications, automated computer programs for task management, and reporting and performance management. These expenses are covered by an administrative charge based on cumulative annual payroll assessed to all boards and sections within the Division.

Overall, \$8.5 million in FY 2018 and \$8.1 million in FY 2019 would be devoted to program oversight. The appropriation provides for the cost of automating all of the Division's inspection, permitting, licensing, and certification processes, including the provision of mobile devices to tie all field staff electronically to the new system's central dispatching capabilities. This has allowed more control over scheduling of field personnel and inspections.

Building Code Compliance

The Building Code Compliance Program, through the Bureau of Construction Compliance, inspects construction plans for all state buildings, commercial buildings, and residential buildings of four or more units not falling under the jurisdiction of a local certified building department to ensure that the structural design, electrical, and plumbing systems meet standards established by the Ohio Building Code. The program is responsible for inspecting buildings, plumbing, electrical wiring, pressure vessels, and pressure piping throughout the state. In FY 2016, the Bureau reviewed about 5,400 architectural plans and performed nearly 27,000 electrical, structural, and plumbing inspections. The program is funded by revenue from various fees, such as those for plan examination, pressure piping, and plumbing permits and inspections. This program is funded at \$6.1 million in FY 2018 and \$6.2 million in FY 2019.

Building Code

The Building Code Program supports the Board of Building Standards (BBS), which formulates and adopts rules governing building construction, repair, alteration, and maintenance to ensure building safety. BBS also certifies local building code enforcement departments and houses the Industrialized Unit Section, which regulates factory-built construction components (except for those regulated by the federal Department of Housing and Urban Development).

This program also supports the Board of Building Appeals, which reviews appeals of orders issued by the Department's Bureau of Construction Compliance or a certified city or county building department. The Board of Building Standards receives funding through a portion of the boiler certificate, elevator certificate, and plan review application fees, as well as a surcharge on the fee for certified building departments, among other sources. There is also a \$200 fee for each building appeal. Total funding for these boards is \$2.4 million in FY 2018 and \$2.2 million in FY 2019.

Bureau of Wage and Hour Administration

The Bureau of Wage and Hour Administration enforces the minimum wage and overtime, prevailing wage, and minor labor laws. The Bureau investigates complaints and, upon making determinations, collects back wages and penalties owed to workers. In FY 2016, the Bureau completed 764 investigations. Approximately 90.0% were minimum wage investigations, conducted on employers who allegedly did not pay

workers minimum wage or overtime. About 7.7% of the investigations were on prevailing wage rates, which are rates required to be paid to employees who work on public improvement construction projects as defined under R.C. 4115.03. Eighteen investigations in FY 2016 were related to wages paid to minors. Overall, \$1.1 million in FY 2018 and \$1.2 million in FY 2019 is budgeted for this program.

Ohio Construction Industry Licensing Board

The Ohio Construction Industry Licensing Board provides for the testing, licensing, and continuing education of electrical; heating, ventilation, and air conditioning (HVAC); hydronic; plumbing; and refrigeration commercial construction contractors. In FY 2016, the program issued around 18,300 licenses in the above trades. Of that amount, around 6,300 electrical, 4,500 plumbing, 4,300 HVAC, 1,800 hydronics, and 1,400 refrigerator contractors were licensed. The Board is funded by license examination, issuance, and renewal fees as well as various continuing education course approval and training provider fees. Funding for the Board is \$1.1 million in each fiscal year of the FY 2018-FY 2019 biennium.

Manufactured Homes

As mentioned in the "**Overview**," the budget abolishes the Manufactured Homes Commission effective January 21, 2018, and transfers its duties to COM, dividing these duties between the Division of Industrial Compliance and the Division of Real Estate and Professional Licensing. The Manufactured Homes Program under the Division of Industrial Compliance will (1) license manufactured housing installers, (2) establish uniform standards for installing manufactured housing, (3) review design plans and periodic inspection of manufactured homes and manufactured home installation, (4) investigate complaints concerning violations of Ohio's Manufactured Homes Law, and (5) adopt rules to administer Ohio's Manufactured Homes Law. The budget appropriates \$82,452 in FY 2018 (COM's costs after the program transfer on January 21, 2018) and \$240,294 in FY 2019 for this program.

Category 3: State Fire Marshal

The appropriations in this category fund the operations of the Office of the State Fire Marshal, which provides protection to the citizens of Ohio from the dangers of fire and explosions and protects the environment from releases of petroleum from underground storage tanks. The State Fire Marshal analyzes fire-related criminal evidence, enforces the Ohio Fire Code, investigates the cause and origin of fires and explosions, regulates underground storage tanks, trains firefighters, and provides fire safety education to businesses, industry, and the public. Additionally, it will provide monthly death benefits to survivors of volunteer peace officers killed in the line of duty and disability benefits to disabled volunteer peace officers.

Appropriations for State Fire Marshal				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5460	800610	Fire Marshal	\$17,297,687	\$17,297,687
5460	800639	Fire Department Grants	\$5,200,000	\$5,200,000
5F10	800635	Small Government Fire Departments	\$300,000	\$300,000
5HV0	800641	Cigarette Enforcement	\$27,324	\$27,324
5SJ0	800648	Volunteer Peace Officers' Dependent Fund	\$50,000	\$50,000
6530	800629	UST Registration/Permit Fee	\$2,301,714	\$2,301,714
Dedicated Purpose Fund Group Subtotal			\$25,176,725	\$25,176,725
Federal Fund Group				
3480	800622	Underground Storage Tanks	\$1,186,180	\$1,186,180
3480	800624	Leaking Underground Storage Tanks	\$1,950,000	\$1,950,000
Federal Fund Group Subtotal			\$3,136,180	\$3,136,180
Total Funding: State Fire Marshal			\$28,312,905	\$28,312,905

Fire Marshal (800610)

This line item provides the primary operating funds for the administration of the Office of the State Fire Marshal and programs operated by the State Fire Marshal. Additionally, H.B. 49 earmarks \$150,000 of appropriation item 800610 to provide a loan for fire training center equipment to a fire training center that received an appropriation in S.B. 310 of the 131st General Assembly (the capital budget act for the FY 2017-FY 2018 biennium). The State Fire Marshal Fund (Fund 5460) is the division's primary operating fund, and is supported by a 0.75% surcharge on fire insurance premiums, 20.0% of retaliatory (or "reciprocity") taxes on out-of-state insurance companies, and fees from fireworks licenses, building inspections, course fees, and federal and state grants.

The budget provides funding of \$17.3 million in both FY 2018 and FY 2019, a 9.4% decrease when compared to FY 2017 spending of approximately \$19.1 million for this line item. Funding by program and descriptions of those programs are provided in the table below.

Program	FY 2018	FY 2019
Program Administration	\$4.4	\$4.3
Ohio Fire Academy	\$3.2	\$3.0
Code Enforcement	\$3.5	\$3.5
Investigations	\$3.3	\$3.4
Fire Prevention	\$1.4	\$1.5
Forensic Lab	\$0.8	\$0.9
Testing and Registration	\$0.7	\$0.8
TOTAL	\$17.3	\$17.3

Program Administration

This program provides for the administration of the Office of State Fire Marshal and its eight operating bureaus. The program funds salaries and fringe benefits for administration, including senior staff, administrative and facility operations staff, and the Explosive and Pyrotechnics unit. The Explosives and Pyrotechnics unit provides training and annual licensing for Ohio's fire and law enforcement communities, shippers, manufacturers, and retailers. There are around 154 full-time permanent employees throughout the Office. The budget appropriates \$4.4 million in FY 2018 and \$4.3 million in FY 2019 for these purposes.

Ohio Fire Academy

The Ohio Fire Academy conducts fire-related training courses for firefighters and emergency responders across the state. The program also funds replacement of vehicles and specialized firefighting equipment. Training, which is conducted at the Academy facilities and onsite throughout the state, includes firefighting, antiterrorism response, and urban search and rescue. In FY 2016, over 12,000 emergency responders trained both on campus and off campus near their local department. The Academy maintains national accreditation for the various levels of firefighter training. The budget provides \$3.2 million in FY 2018 and \$3.0 million in FY 2019 for these purposes.

Code Enforcement

The Code Enforcement Program performs fire safety inspections at hotels, motels, hospitals, schools, nursing homes, new construction, and other buildings and events. It also enforces the Ohio Fire Code at fireworks facilities, manufacturers, and

exhibitions and conducts plan review and inspections for flammable and combustible liquid storage tanks not regulated by the Bureau of Underground Storage Tank Regulation or the local fire department. The program conducts approximately 15,000 fire safety inspections annually. The Department reports that its workload has been increasing in recent years due to inspections required for new construction of state buildings and universities, hotels, and nursing homes. Additionally, inspections have increased due to local fire departments reducing or eliminating fire investigation, training, and inspection staff. This responsibility then falls to the State Fire Marshal, increasing caseload. The budget appropriates \$3.5 million in both FY 2018 and FY 2019 for this program.

Investigations

The Investigations Program is responsible for investigating the cause, origin, and circumstances of fires, explosives, and fireworks incidents in Ohio. It is also responsible for the prosecution of persons believed to be guilty of arson or a similar crime. This program provides these services to any fire department or law enforcement agency in the state, as many small municipalities and townships do not have trained arson investigators to conduct such highly specialized investigations. In addition to routine investigations, the Fire and Explosion Investigation Bureau has three accelerant detection canine teams to assist in recovering evidence at arson crime scenes and operates the Major Incident Response Vehicle, which has sensitive and specialized communications equipment to be used in any type of disaster or fire, arson, or bombing incident. The program conducted approximately 800 fire and explosion investigations in FY 2016. H.B. 49 appropriates \$3.3 million in FY 2018 and \$3.4 million in FY 2019 for these investigatory activities.

Fire Prevention

The Fire Prevention Program creates fire safety publications and conducts fire safety education outreach at schools, senior centers, health care facilities, and other locations as requested. The program compiles and analyzes statistical data collected through the Ohio Fire Information Reporting System regarding the nature and causes of fires. The Fire Prevention Program also (1) operates the Public Fire Safety Decal Program for volunteer firefighters, (2) provides fire safety courses for health care facility certification, smoke alarms to high-risk families, support for special public recognition events, and support of fire safety fairs, and (3) trains local fire department personnel. The Fire Prevention Program conducted around 2,400 fire safety programs for 76,700 Ohioans in FY 2016. The budget provides \$1.4 million in FY 2018 and \$1.5 million in FY 2019 for this program.

Forensic Lab

The Forensic Lab Program provides scientific examination of ignitable liquids, fire debris, explosives, latent fingerprints, and general examination of any physical evidence involved in a suspected arson, fire explosive incident, or hazardous situation. The laboratory issues a written report including findings and opinions as to the nature of the situation. Laboratory examiners may be asked to testify in court about laboratory findings. During FY 2016, the laboratory examined 826 cases. The budget appropriates almost \$830,000 in FY 2018 and just over \$871,000 in FY 2019.

Testing and Registration

The Testing and Registration Bureau licenses companies and individuals in the fire protection industry; the hotel and motel business; fireworks exhibitors, manufacturers, wholesalers, and shippers; underground storage tank operators and those who install and inspect those tanks; and the certification requirements for reduced ignition propensity cigarettes. This program issued over 28,500 licenses in FY 2016, generating approximately \$2.8 million in fee revenue for various funds servicing State Fire Marshal operations. The budget allocates approximately \$740,000 in FY 2018 and \$763,000 in FY 2019 for this program.

Statutory Change – Fireworks License Moratorium

H.B. 49 extends the moratorium on fireworks manufacturer and wholesaler license to September 15, 2018. This will not have an effect on revenue from these licenses because it ensures that no new fireworks manufacturer and wholesaler licenses will be issued. As mentioned previously, fees from fireworks licenses are deposited into Fund 5460.

Fire Department Grants (800639)

This line item is used to provide grants to local fire departments to offset the cost of training and equipment. The budget provides \$5.2 million in each fiscal year, matching FY 2017 spending. Of the amount appropriated, \$1.7 million each fiscal year may be used for equipment and training grants. Under this grant program, volunteer fire departments; fire departments, joint fire districts, or local governments responsible for fire departments that serve one or more small municipalities or small townships; and local units of government responsible for the provision of fire protection services for small municipalities or small townships are eligible for the grants. These grants must be used to (1) purchase firefighting or rescue equipment or gear or similar items, (2) provide full or partial reimbursement for the documented costs of firefighter training, or (3) at the discretion of the State Fire Marshal, cover fire department costs for providing fire protection services in that grant recipient's jurisdiction. Grants for firefighting or rescue equipment, gear, or the provision of fire protection services are limited to \$15,000 per fiscal year unless an eligible entity serves a jurisdiction in which

the Governor declared a natural disaster during the preceding or current fiscal year in which the grant was awarded. In those cases, grants are limited to \$25,000 per fiscal year. Grants for reimbursement of firefighter training costs are limited to \$15,000 per fiscal year. Eligible entities may receive grants for both purposes. For each fiscal year, the State Fire Marshal will determine the total amounts to be allocated for each eligible purpose.

Another grant funded by this line item is the MARCS grant. Of the amount appropriated, up to \$3.0 million in each fiscal year can be used for MARCS grants. This grant program helps offset the costs that local fire departments incur for MARCS-related radio equipment and services and to promote the interoperability between fire responders. Eligible recipients are the same as fire equipment and training grants as mentioned above. However, grants are limited to \$50,000 in each fiscal year per grant recipient.

Lastly, up to \$1.0 million in each fiscal year may go towards the Firefighter I Training Grant Program. These grants are awarded to fire training schools to provide training to newly hired or volunteer firefighters at no cost to the local government. Fire training schools apply through the State Fire Marshal and are awarded on a first-come, first-served basis.

Small Government Fire Departments (800635)

This line item is used to fund the Small Government Fire Department Services Revolving Loan Program, which makes no interest loans to small governments for up to 95.0% of the cost of firefighter equipment or the construction or renovation of fire department buildings. The Small Government Fire Departments Fund (Fund 5F10) is replenished by loan repayments. The budget provides funding of \$300,000 in each fiscal year for these loans. To provide loan funding, H.B. 49 gives the Director of Budget and Management the authority, upon the request of the Director of Commerce, to transfer up to \$300,000 from Fund 5460 to Fund 5F10 for the purpose of this program.

Cigarette Enforcement (800641)

This line item is used to fund the functions of the Cigarette Enforcement Program, which certifies cigarettes as meeting reduced ignition propensity standards. Cigarettes passing the ignition propensity standards are not as likely to set fire to certain types of fabrics, such as upholstered furniture or mattresses. To be certified by the state, each cigarette manufacturer must (1) test cigarettes through a laboratory or an alternative testing method to ensure the cigarettes meet the standards specified in law, (2) indicate on the packaging that the cigarettes meet fire safety standards, and (3) submit written certification to the State Fire Marshal's Office within the Department of Commerce that each type of cigarette tested meets the standards. Manufacturers must recertify each type of cigarette every three years.

Currently, there are 1,140 brand families certified. "Brand family" refers to the various types of cigarettes, such as lights, menthols, 100s, and so forth, sold under the same trademark. To offset the State Fire Marshal's costs for administering the certification program, manufacturers pay a \$1,000 fee for each type of brand family included in an application. Proceeds from the fee are deposited into the Cigarette Enforcement Fund (Fund 5HV0). The budget appropriates \$27,324 for these purposes in each fiscal year of the FY 2018-FY 2019 biennium.

Underground Storage Tanks (800629, 800622, and 800624)

These line items fund the Bureau of Underground Storage Tank Regulation (BUSTR), which regulates the installation, operation, maintenance, and removal of underground storage tank (UST) systems as well as the investigation and cleanup of petroleum products released from UST systems into the environment. BUSTR regulates 3,642 owners of approximately 21,592 registered UST systems at 7,301 facilities. Additionally, the Bureau regulated the investigation and cleanup of approximately 3,700 suspected and confirmed releases of petroleum into the environment during FY 2016.

800629

Appropriation item 800629, UST Registration/Permit Fee, provides funding for underground storage tank regulation and is supported by annual tank registration fees and permits. This line item provides the state matching funds required for BUSTR's federal funding. The budget appropriates \$2.3 million in both FY 2018 and FY 2019, an increase of 18.6% from FY 2017 spending for this responsibility.

800622

Appropriation item 800622, Underground Storage Tanks, provides the federal funds used for the regulation of underground storage tanks, including the permitting of tank installation, removal, upgrade, or major repair. Federal funding for this program requires a 25% state match. The budget provides \$1.2 million in each fiscal year, a 29.5% increase from FY 2017 spending.

800624

Appropriation item 800624, Leaking Underground Storage Tanks, provides the federal funds necessary to evaluate and clean up leaking underground storage tanks containing petroleum. Federal funding for this program requires a 10.0% state match. The budget appropriates just under \$2.0 million in each fiscal year, a 10.6% decrease from FY 2017 spending on this function.

Volunteer Peace Officers' Dependent Fund (800648)

Appropriation item 800648, Volunteer Peace Officers' Dependent Fund, is used to provide monthly death benefits to survivors of volunteer, part-time, and reserve police officers, sheriffs' deputies, constables, and deputy marshals killed in the line of duty and disability benefits to such officers and deputies if they become disabled. Specifically, the benefit amounts are: (1) to surviving spouses, a lump-sum award of \$1,000 plus a \$300 benefit per month, (2) dependent children, a benefit of \$125 per month, and (3) to disabled volunteer peace officers, a disability benefit of \$300 per month. H.B. 49 appropriates \$50,000 in both FY 2018 and FY 2019 for this line item.

The Volunteer Peace Officers' Dependent Fund (Fund 5SJ0) was created in S.B. 11 of the 131st General Assembly and is funded by assessments collected from peace officer departments that are part of the fund. Each fund member is required to contribute an initial premium to Fund 5SJ0 depending on each member's assessed property valuation. The total initial premiums form what is referred to as the basic capital account for Fund 5SJ0. No further contributions are required from fund members until claims against Fund 5SJ0 have reduced its balance to 95% or less of its basic capital account. In that event, the Director of COM is required to certify additional premiums based on current property valuation.

Category 4: Financial Institutions and Securities

This category of appropriations provides oversight of state-chartered banks, credit unions, savings institutions, and various consumer finance organizations through the Division of Financial Institutions as well as securities and securities professionals through the Division of Securities. These line items fund programs that ensure the overall safety and soundness of these institutions and individuals and provide education regarding financial literacy, home mortgage lending practices, and securities investing to reduce the number of consumers falling victim to abusive practices.

Appropriations for Financial Institutions and Securities				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
4X20	800619	Financial Institutions	\$1,717,044	\$1,717,044
5440	800612	Banks	\$9,677,471	\$9,677,471
5500	800617	Securities	\$5,216,985	\$5,284,994
5520	800604	Credit Union	\$3,600,000	\$3,675,000
5530	800607	Consumer Finance	\$4,548,563	\$4,628,963
5FW0	800616	Financial Literacy Education	\$190,000	\$190,000
5GK0	800609	Securities Investor Education/Enforcement	\$682,150	\$682,150
Total Funding: Financial Institutions and Securities			\$25,632,213	\$25,855,622

Division of Financial Institutions

Financial Institutions (800619)

This line item provides centralized administrative support to the Division of Financial Institutions' various sections, which include Banks, Credit Union, and Consumer Finance. The executive staff, facilities management, front desk operations, and centralized records retention and administration are all funded out of this line item. The budget appropriates \$1.7 million in both FY 2018 and FY 2019 for these functions, a 2.0% increase compared to FY 2017 spending.

The Financial Institutions Fund (Fund 4X20) receives revenue from quarterly assessments on the Banks Fund (Fund 5440), the Credit Unions Fund (Fund 5520), and the Consumer Finance Fund (Fund 5530). Quarterly assessments are prorated among these operating funds based on the budgeted headcount for each fund.

Banks (800612)

This line item funds the regulation of state-chartered banks, trust companies, and money transmitters. As mentioned in the "**Overview**," this line item will also fund the regulation of state-chartered savings and loan associations and state-chartered savings banks that were previously funded under line item 800613, Savings Institutions. The budget appropriates \$9.7 million for this line item for each fiscal year of the FY 2018-FY 2019 biennium, a 47.0% increase from FY 2017 spending of \$6.6 million. The increase

is almost entirely attributable to the funding consolidation noted above whereby the Banks Fund (Fund 5440) will assume the costs of regulating state-chartered banks as well as state-chartered savings and loan associations and state-chartered savings banks. The vast majority of funding in this line item, about 90.5%, is programmed toward bank regulation. The balance of funding, \$920,000 per year, will go toward the cost of regulating money transmitters.

Banks

The Banks Program supervises 85 state-chartered banks and, under the bill, will now supervise 40 state-chartered savings and loan associations and state-chartered savings banks. As of June 30, 2016, state-chartered banks had almost \$165.1 billion in assets. As of June 30, 2016, state-chartered savings and loan associations and state-chartered savings banks had assets of approximately \$10.0 billion. The Banks Program does not have jurisdiction over federal thrifts or national banks. Its main responsibility is to review and approve new bank charters, mergers, branch ventures, and other activities. The program also determines the safety and soundness of each bank and monitors institution adherence to applicable laws and regulations through regular onsite field examinations and off-site surveillance and monitoring. Program staff coordinate supervisory activities with the applicable federal regulatory agencies, the Federal Reserve and the Federal Deposit Insurance Corporation (FDIC). While Banks Program staff coordinate with their federal counterparts, they also compete with them to maintain bank charters due to the dual regulatory environment within the financial services industry.

As mentioned in the "**Overview**," H.B. 340 of the 131st General Assembly eliminated the application fees and the annual assessments to banks, savings and loan associations, and savings banks on total assets. Instead, it allowed the Division of Financial Institutions to use cash transfers from the Unclaimed Funds Trust Fund to cover these regulatory costs. H.B. 49 reinstates these fees and assessments which will be deposited into Fund 5440. FY 2016 revenues from these sources (including application and license fees paid by money transmitters, which are discussed below) were \$10.1 million.

Money Transmitters

The Money Transmitters Program provides for the licensing, supervision, and regulation of the 88 money transmitters operating within the state. The program's funding is derived from annual license fees and investigation fees for money transmitter licenses. The fee for a new money transmitter license is \$6,000. The renewal fee is based on the transmitter's volume of business in the state.

Consumer Finance (800607)

This line item pays the costs associated with regulating the consumer finance or nondepository lending industries. A small portion of the line item (around \$208,000 and \$219,000 in FY 2018 and FY 2019) funds the Office of Consumer Affairs, which educates Ohioans on borrowing, refers borrowers to credit counseling services, receives complaints of alleged violations of Division-administered statutes, contacts the persons that are the subject of the complaint, and forwards possible violations for administrative action. Overall, the budget provides funding of \$4.5 million in FY 2018 under this line item, a 4.3% increase compared to FY 2017 spending. The budget appropriates \$4.6 million for this line item in FY 2019.

Entities regulated by the Division of Financial Institutions' Consumer Finance section include check cashing services, short-term lenders, small loan lenders, credit service organizations, insurance premium finance companies, mortgage brokers, loan originators, pawnbrokers, precious metals dealers, and mortgage lenders. The Consumer Finance section performs examinations of these licensees to ensure compliance with statutory requirements and consumer protection, investigates complaints, and brings enforcement actions to address violations. As of the end of FY 2016, this section oversaw around 18,000 licenses. These regulatory functions are funded through annual fees paid by various consumer finance providers. The receipts are deposited into the Consumer Finance Fund (Fund 5530).

Credit Union (800604)

The Credit Union Program monitors the financial safety and soundness of Ohio's state-chartered credit unions. The supervision and regulation of state-chartered credit unions includes onsite field examinations, off-site surveillance and monitoring, and coordination of supervisory activities with the appropriate federal agency, the National Credit Union Administration. While the program coordinates with its federal counterparts, the Division of Financial Institutions is also in competition for credit union charters as these institutions have the option to be regulated either by the state or by the federal government. The program supervised and regulated 139 state-chartered credit unions with total aggregated assets of \$18.7 billion as of the end of June 2016. While the number of state-chartered credit unions has declined because of an industry trend of mergers and acquisitions, total assets under supervision has increased, as has the complexity of these institutions' operations.

The program is funded by a semiannual assessment on the gross assets of credit unions, the revenue from which was approximately \$4.7 million in FY 2017. Actual spending in FY 2017 amounted to approximately \$3.6 million. H.B. 49 appropriates \$3.6 million in FY 2018 and \$3.7 million in FY 2019.

Financial Literacy Education (800616)

This line item is used to support various adult financial literacy education programs. At least half of the programs must be presented by or made available at public community colleges or state institutions of higher education throughout the state. The initial funding for these programs was provided through a transfer of 5.0% of the cash balance (just under \$500,000) from the Consumer Finance Fund (Fund 5530) to the Financial Literacy Education Fund (Fund 5FW0) in FY 2009. On an ongoing basis, Fund 5FW0 receives a small amount of revenue, amounting to 5.0% of all charges, penalties, and forfeitures received by Fund 5530. The budget provides \$190,000 for this program in each fiscal year of the FY 2018-FY 2019 biennium, an increase from FY 2017 spending of \$75,000.

Division of Securities**Securities (800617)**

This line item funds the Division of Securities, which regulates the sale of securities in Ohio, licenses securities professionals in Ohio who sell securities and provide advice about investing in securities, and promotes investor education. The budget provides \$5.2 million for this line item in FY 2018, an increase of 4.0% from FY 2017 spending of \$5.0 million. Funding for FY 2019 is \$5.3 million. These appropriations are supported by revenue from license application and renewal fees for various securities industry professionals and from securities registration and exemption filings that are deposited into the Division of Securities Fund (Fund 5500).

The Division pursues administrative sanctions against those persons and entities violating the securities laws and makes referrals for criminal prosecution. In FY 2016, the Division of Securities reviewed over 8,600 securities registration and exemption filings and licensed over 201,000 securities professionals and investment officers. Customarily, the income from fees collected each year is in excess of the total funding required to operate the Division. This allows for cash transfers of the excess to the GRF. In FY 2017, the amount transferred was \$10.0 million.

Securities Investor Education and Enforcement (800609)

This line item is used to pay the expenses of the Division of Securities relating to education or enforcement for the protection of securities investors and the public. The line item is funded with moneys received in settlement of any violation of the Securities Law. These sums are subsequently deposited into the Securities Investor Education and Enforcement Expense Fund (Fund 5GK0). To supplement this funding, Fund 5GK0 is periodically seeded with cash transfers from the Division of Securities Fund (Fund 5500). The budget provides \$682,150 for this line item in FY 2018 and FY 2019, an increase from FY 2017 spending of \$163,767.

Category 5: Liquor Control

This category of appropriations funds the control of the manufacture, distribution, pricing, and sale of alcoholic beverages in Ohio, functions overseen by the Division of Liquor Control. In FY 2013, the state transferred Ohio's exclusive liquor merchandising rights to JobsOhio, the state's private, nonprofit economic development corporation, for 25 years in exchange for an estimated \$1.3 billion. Under the transfer agreement, referred to as the Operating Services Agreement, JobsOhio became the state's sole purchaser and distributor of spirituous liquor, but contracted with the state to merchandise spirituous liquor and provide ongoing regulatory oversight of liquor sales. The state received payments from JobsOhio for these services. Under this arrangement, many of the costs the Division incurred in previous fiscal years are now paid for by JobsOhio, including (1) liquor inventory and shipping, and (2) liquor agency store commissions. Consequently, these costs are no longer part of the Division of Liquor Control's budget.

Appropriations for Liquor Control				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5LC0	800644	Liquor JobsOhio Extraordinary Allowance	\$276,817	\$276,817
5LN0	800645	Liquor Operating Services	\$8,810,087	\$8,352,353
5LP0	800646	Liquor Regulatory Operating Expenses	\$9,562,022	\$9,067,080
Total Funding: Liquor Control			\$18,648,926	\$17,696,250

Liquor Operating Services (800645)

This line item is used to pay for the cost of the Division's liquor merchandising operations under the Operating Services Agreement with JobsOhio. The Agreement calls for JobsOhio to make quarterly payments to cover these expenses. The Division's budget for liquor merchandising is agreed upon biennially to align with state budget periods, but may be adjusted when necessary after consulting with JobsOhio. Payments from JobsOhio are made quarterly and deposited into the Liquor Operating Services Fund (Fund 5LN0) to support the merchandising operations. This line item also funds the Liquor Modernization Project, a technology upgrade that began in CY 2015.

The Division's merchandising expenses is appropriated \$8.8 million in FY 2018, a 23.9% increase compared to FY 2017 spending of \$7.1 million. H.B. 49 provides approximately \$8.4 million for these merchandising expenses in FY 2019.

Liquor JobsOhio Extraordinary Allowance (800644)

This line item serves as a contingency account as part of the Operating Services Agreement with JobsOhio. As described above, the quarterly payments received from JobsOhio are deposited into the Liquor Operating Services Fund (Fund 5LN0).

However, 4.0% of these payments are set aside as a contingency and placed in a separate state fund, Fund 5LC0. Specifically, Fund 5LC0, line item 800644, Liquor JobsOhio Extraordinary Allowance, would be tapped to pay for any unanticipated costs that could not be covered by the quarterly payments from JobsOhio that are deposited into Fund 5LN0 and appropriated under line item 800645, Liquor Operating Services. This provides a stopgap until the Controlling Board authorizes additional appropriations from Fund 5LN0. The budget provides \$276,817 for this line item in both FY 2018 and FY 2019 for these contingency purposes.

Liquor Regulatory Operating Expenses (800646)

This line item pays for the Director of Liquor Control's permitting and compliance duties relating to the regulation of the state Liquor Control Law. The budget appropriates approximately \$9.6 million for these purposes in FY 2018, a decrease of about 2.0% compared to FY 2017 spending of \$9.8 million on these regulatory functions. The amount appropriated for FY 2019 is \$9.1 million.

The program (1) licenses the manufacture, distribution, and sale of all alcoholic beverages in Ohio, (2) issues new liquor permits, and (3) renews and transfers existing liquor permits. In FY 2016 the Division issued 1,619 new permanent permits and 6,972 temporary permits, and renewed 24,891 permits. Overall, the Division was responsible for licensing the operation of over 25,000 manufacturers, distributors, and retailers of alcoholic beverages throughout the state in FY 2016.

In contrast to the line items that support the cost of liquor merchandising, the line item is funded by liquor permit fee revenue received into the Undivided Liquor Permit Fund (Fund 7066) that is subsequently distributed to the State Liquor Regulatory Fund (Fund 5LP0). After accounting for permitting oversight costs covered under this line item and the operating costs of the Liquor Control Commission, excess Fund 5LP0 revenue is credited to the GRF. The excess amount deposited into the GRF in FY 2016 was \$9.5 million.

Statutory Change – Liquor Permits

H.B. 49 creates a new liquor permit and makes several liquor permit changes (listed below) that may result in a potential gain in liquor permit fee revenue that is deposited into Fund 7066 that is subsequently distributed to Fund 5LP0 used by the Division of Liquor Control (45%), the local taxing district where the permit is issued (35%), and the Statewide Treatment and Prevention Fund (Fund 4750) used by the Department of Mental Health and Addiction Services.

- New A-5 liquor permit: the bill authorizes a manufacturer of ice cream to manufacture and sell ice cream containing between 0.5% and 6% alcohol by volume if they obtain a new A-5 liquor permit. The bill specifies that the A-5 permit fee is \$1,000.

- D-5j liquor permit: the bill modifies the following conditions for certain community entertainment districts where a D-5j liquor permit may be issued: (1) decreases the minimum population of a municipal corporation in which a community entertainment district may be located from 5,000 to 3,000, and (2) increases the minimum investment in development and construction in the district from \$100.0 million to \$150.0 million. The D-5j permit fee is \$2,344.
- F-9 liquor permit: the bill allows an F-9 liquor permit to be issued to a nonprofit that operates or manages entertainment for a city park if the park property is the subject of an agreement between a municipal corporation, a national nonprofit that is a foundation, and an Ohio-based nonprofit for the purposes of hosting outdoor performing arts events or orchestral performances. The F-9 permit fee is \$1,700.

Additionally, H.B. 49 requires a person that transports beer or intoxicating liquor into Ohio for delivery (H liquor permit holder) to submit a monthly report to the Division of Liquor Control. As a result, this may lead to increased administrative costs for the Division to collect these reports. Any costs would be paid out of Fund 5LP0.

Category 6: Administration

This category of appropriations provides direction, administration, support, and coordination of the activities of the Department's operating divisions and to serve as a liaison to other government, corporate, and public entities.

Appropriations for Administration				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5X60	800623	Video Service	\$412,693	\$412,693
Dedicated Purpose Fund Group Subtotal			\$412,693	\$412,693
Internal Service Activity Fund Group				
1630	800620	Division of Administration	\$8,043,364	\$8,043,364
1630	800637	Information Technology	\$9,780,626	\$9,540,704
Internal Service Activity Fund Group Subtotal			\$17,823,990	\$17,584,068
Total Funding: Administration			\$18,236,683	\$17,996,761

Video Service (800623)

This line item supports the Video Service Authorization Program. This program reviews video service authorization. Video service authorizations are valid for ten years. The Department has authorized 42 video service franchises since the statewide program started in September 2007. This system, which permits video service areas to span multiple counties, municipalities, or townships, is being phased in to replace a licensing process under which cable television providers negotiated franchise agreements and fees with individual local governments. To compensate local governments for the forgone fee revenue that had been generated under the old agreements, a video service provider fee is paid to each municipality and township in which a provider offers video service. Applicants pay a \$2,000 fee to apply for and a \$100 fee to amend each authorization. These fees are deposited in the Video Service Authorization Fund (Fund 5X60). The budget provides \$412,693 in both FY 2018 and FY 2019, a 17.9% increase from FY 2017 spending in this area.

Division of Administration (800620)

H.B. 49 provides just over \$8.0 million in both FY 2018 and FY 2019 for this line item, a 6.7% increase of FY 2017 spending of \$7.5 million. This appropriation pays for the costs of administering, supporting, and coordinating the activities of the seven operating divisions of the Department. Functions associated with human resources, support services, fiscal operations, public information, employee training and development, legislative services, legal counsel, and the Director's office are funded through this line item. This line item is funded by assessments levied on the seven operating divisions, which are based on a percentage of the actual operating

appropriations of each of the individual funds used by the Department. Uncodified law in H.B. 49 requires the Office of Budget and Management to approve how these assessments are calculated on an annual basis. These assessments generated approximately \$7.2 million in FY 2017.

Information Technology (800637)

This line item funds the Information Technology Group (ITG), which is responsible for developing, maintaining, and protecting the Department's computer systems, network, electronic business applications, and electronic data. ITG provides (1) technical support via the Department of Commerce Help Desk, (2) direction to division staff on industry standards regarding the purchase of hardware and software, (3) development and maintenance of the Department's website, and (4) internal support for the creation and implementation of systems using new technology.

As with the appropriation item above, this line item is funded by the assessments levied on the seven operating divisions, which are based on a percentage of the actual operating appropriations of each of the seven divisions within the Department. The budget appropriates \$9.8 million in FY 2018, a 46.3% increase compared to FY 2017 spending of \$6.7 million. The budget provides \$9.5 million for this area in FY 2019.

Category 7: Real Estate and Professional Licensing

This category of appropriations provides funding for the licensure and regulation of real estate brokers, salespersons, appraisers; registers foreign real estate property; and registers and investigates complaints involving Ohio cemeteries. All of these activities are regulated by the Division of Real Estate and Professional Licensing.

Appropriations for Real Estate and Professional Licensing				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
4B20	800631	Real Estate Appraisal Recovery	\$35,000	\$35,000
4H90	800608	Cemeteries	\$343,249	\$295,244
5470	800603	Real Estate Education/Research	\$69,655	\$69,655
5480	800611	Real Estate Recovery	\$50,000	\$50,000
5490	800614	Real Estate	\$3,750,000	\$3,584,329
5SU0	800649	Manufactured Homes Regulation	\$54,800	\$159,706
6A40	800630	Real Estate Appraiser – Operating	\$778,175	\$722,672
Total Funding: Real Estate and Professional Licensing			\$5,080,879	\$4,916,606

Real Estate Recovery and Real Estate Appraisal Recovery (800611 and 800631)

These line items are used to reimburse persons that obtain a court judgment against a licensed or certified appraiser, real estate broker, or salesperson. The Real Estate Recovery Fund (Fund 5480) receives fines and civil penalties against persons participating in unlicensed activity. The Real Estate Appraiser Recovery Fund (Fund 4B20) is supported through a \$50 assessment on new real estate appraiser license/certification applications. The budget appropriates a combined total of \$85,000 for these line items in each year of the FY 2018-FY 2019 biennium. Uncodified law in H.B. 49 allows the Office of Budget and Management to transfer up to \$500,000 from Fund 5480 and up to \$250,000 from Fund 4B20 to the Division of Real Estate Fund (Fund 5490) during the biennium.

Cemeteries (800608)

This line item funds the registration of all active cemeteries in Ohio and the investigation of complaints or disputes involving registered cemeteries. Complaints against cemeteries are investigated and referred to the Ohio Cemetery Dispute Resolution Commission. The program also audits cemetery trust records, sets guidelines for cemetery maintenance, and provides education to consumers concerning their rights, responsibilities, and options when interacting with a cemetery. As of June 30, 2016, there were about 3,600 cemeteries registered. Burial permit fees are the main source of revenue for this program. During FY 2017, revenue to the Cemetery Registration Fund (Fund 4H90) from burial permits and cemetery registrations and

renewals were just under \$300,000. The budget includes funding of \$343,249 in FY 2018 and \$295,244 in FY 2019 for these activities.

Real Estate Education/Research (800603)

This line item is used to advance education and research in real estate by contracting with higher education institutions or a trade organization in the state to conduct real estate research. It also funds loans of up to \$2,000 to applicants for salesperson's licenses to help defray the cost of statutory education requirements. These activities are funded by \$1 from each real estate broker and salesperson application fee and \$3 from each real estate broker and salesperson license renewal fee. H.B. 49 appropriates \$69,655 in each fiscal year of the biennium for these education and research programs, a 17.3% decrease from FY 2017 spending of \$84,204 for these purposes.

Real Estate (800614)

This line item pays the costs associated with the licensing of real estate brokers and salespersons and those dealing in foreign real estate (properties located outside Ohio but marketed to Ohio residents). In addition, continuing education courses for such individuals are reviewed and approved and complaints are investigated. As of the end of FY 2016, over 38,000 brokers and salespersons were licensed by the Division of Real Estate and Professional Licensing. The budget appropriates approximately \$3.8 million in FY 2018 for these various oversight activities associated with the real estate profession. This is an increase in funding of 15.2% compared to FY 2017 spending of \$3.3 million. The appropriation for FY 2019 is just under \$3.6 million.

License fees that support the Division's regulatory responsibilities range from \$60 to \$175 and are deposited into the Real Estate Fund (Fund 5490). There is a three-year renewal cycle. The July 2017 balance in Fund 5490 is \$2.3 million.

Real Estate Appraiser – Operating (800630)

This line item funds the licensure and certification of all general and residential appraisers in the state. In addition, the line item funds the monitoring of applicant compliance with education; experience and testing requirements for each level of registration, license, or certification; and oversees the continuing education requirements of the industry. Other activities include the investigation of complaints against licensees and disciplinary hearings as required. As of the end of FY 2016, the program oversaw approximately 3,300 active real estate appraisers and real estate appraiser assistants in the state. The budget provides funding of \$778,175 in FY 2018 and \$722,672 in FY 2019 for these purposes.

Manufactured Homes Regulation (800649)

This line item funds the new responsibilities of regulating manufactured housing dealers, brokers, and salespersons as a result of the consolidation of the Manufactured Homes Commission within COM. To fund these new responsibilities, H.B. 49 creates the Manufactured Homes Regulatory Fund (Fund 5SU0). The bill directs the license and enforcement fees for a manufactured housing broker, dealer, or salesperson to Fund 5SU0. The budget provides \$54,800 in FY 2018 and \$159,706 in FY 2019 for these oversight responsibilities under appropriation item 800649, Manufactured Homes Regulation.

Additionally, uncodified law in H.B. 49 allows the Director of Budget and Management, upon the written request of the Director of COM, to transfer up to \$200,000 in Fund 5560 to Fund 5SU0 in FY 2018 to support the Division's additional regulatory and licensing functions.

Category 8: Medical Marijuana Control

This category of appropriations funds the Medical Marijuana Control Program which was created in H.B. 523 of the 131st General Assembly. In particular, that act required COM to license and regulate medical marijuana cultivators, processors, and laboratories that test medical marijuana. The program will be fully operational by September 8, 2018.

Appropriations for Medical Marijuana Control Program				
Fund	ALI and Name		FY 2018	FY 2019
Dedicated Purpose Fund Group				
5SY0	800650	Medical Marijuana Control Program	\$1,121,279	\$1,135,692

Medical Marijuana Control Program (800650)

H.B. 49 appropriates \$1.1 million in both FY 2018 and FY 2019 for this line item. The funding will be used to cover the administrative costs of the Medical Marijuana Control Program. License and enforcement fees will be deposited into the Medical Marijuana Control Fund (Fund 5SY0). Additionally, COM is allowed to establish a "closed-loop payment processing system" and establish and maintain a database to monitor medical marijuana from its seed source through its cultivation, processing, testing, and dispensing. In order to fulfill these responsibilities, COM has five full-time employees under this program. The appropriations will allow for two additional full-time employees.

As mentioned in the "**Overview**," the program was initially funded by a transfer of \$923,077 in FY 2017 from the CB Emergency Purpose Fund (Fund 5KM0). H.B. 49 requires the Director of COM to consult with the Director of Budget and Management to determine a repayment schedule during the biennium to fully repay the FY 2017 transfer from Fund 5KM0 to Fund 5YS0. This repayment will be deposited into the GRF. The repayment will likely be from license fees that are deposited into Fund 5YS0.

Please note that on July 24, 2017, the Controlling Board approved a request to increase the appropriation for this line item by \$4.2 million in FY 2018 and \$180,000 in FY 2019. The appropriation will cover the expenses of the Seed-to-Sale computer system, eLicensing database, and possible hearing expenses initiated as a result of granting licenses. This funding will also be provided from Fund 5KM0 and funds will be repaid from license fees that are deposited into Fund 5SY0.

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
Report For Main Operating Appropriations Bill								
					Version: As Enacted			
COM Department of Commerce								
4B20	800631	Real Estate Appraisal Recovery	\$0	\$0	\$ 35,000	N/A	\$ 35,000	0.00%
4H90	800608	Cemeteries	\$ 277,775	\$ 279,566	\$ 343,249	22.78%	\$ 295,244	-13.99%
4X20	800619	Financial Institutions	\$ 1,343,296	\$ 1,683,140	\$ 1,717,044	2.01%	\$ 1,717,044	0.00%
5430	800602	Unclaimed Funds-Operating	\$ 8,661,256	\$ 8,615,640	\$ 7,984,977	-7.32%	\$ 7,984,977	0.00%
5430	800625	Unclaimed Funds-Claims	\$ 80,678,365	\$ 95,167,890	\$ 70,000,000	-26.45%	\$ 70,000,000	0.00%
5440	800612	Banks	\$ 9,508,828	\$ 6,610,338	\$ 9,677,471	46.40%	\$ 9,677,471	0.00%
5450	800613	Savings Institutions	\$ 4,760,197	\$ 2,228,692	\$ 0	-100.00%	\$ 0	N/A
5460	800610	Fire Marshal	\$ 16,106,353	\$ 19,083,153	\$ 17,297,687	-9.36%	\$ 17,297,687	0.00%
5460	800639	Fire Department Grants	\$ 5,190,000	\$ 5,200,000	\$ 5,200,000	0.00%	\$ 5,200,000	0.00%
5470	800603	Real Estate Education/Research	\$ 24,141	\$ 84,204	\$ 69,655	-17.28%	\$ 69,655	0.00%
5480	800611	Real Estate Recovery	\$ 40,100	\$ 0	\$ 50,000	N/A	\$ 50,000	0.00%
5490	800614	Real Estate	\$ 3,081,088	\$ 3,293,986	\$ 3,750,000	13.84%	\$ 3,584,329	-4.42%
5500	800617	Securities	\$ 4,150,033	\$ 4,999,040	\$ 5,216,985	4.36%	\$ 5,284,994	1.30%
5520	800604	Credit Union	\$ 3,052,898	\$ 3,551,079	\$ 3,600,000	1.38%	\$ 3,675,000	2.08%
5530	800607	Consumer Finance	\$ 3,228,400	\$ 4,362,728	\$ 4,548,563	4.26%	\$ 4,628,963	1.77%
5560	800615	Industrial Compliance	\$ 24,555,961	\$ 26,459,428	\$ 30,582,452	15.58%	\$ 30,478,277	-0.34%
5F10	800635	Small Government Fire Departments	\$ 115,314	\$ 0	\$ 300,000	N/A	\$ 300,000	0.00%
5FW0	800616	Financial Literacy Education	\$ 78,600	\$ 75,000	\$ 190,000	153.33%	\$ 190,000	0.00%
5GK0	800609	Securities Investor Education/Enforcement	\$ 94,869	\$ 163,767	\$ 682,150	316.54%	\$ 682,150	0.00%
5HV0	800641	Cigarette Enforcement	\$ 54,649	\$ 45,685	\$ 27,324	-40.19%	\$ 27,324	0.00%
5LC0	800644	Liquor JobsOhio Extraordinary Allowance	\$ 30,838	\$ 59,899	\$ 276,817	362.14%	\$ 276,817	0.00%
5LN0	800645	Liquor Operating Services	\$ 7,329,342	\$ 7,130,474	\$ 8,810,087	23.56%	\$ 8,352,353	-5.20%
5LP0	800646	Liquor Regulatory Operating Expenses	\$ 8,373,602	\$ 9,836,909	\$ 9,562,022	-2.79%	\$ 9,067,080	-5.18%
5SJ0	800648	Volunteer Peace Officers' Dependent Fund	\$ 0	\$ 0	\$ 50,000	N/A	\$ 50,000	0.00%
5SU0	800649	Manufactured Homes Regulation	\$ 0	\$ 0	\$ 54,800	N/A	\$ 159,706	191.43%

FY 2018 - FY 2019 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2016	FY 2017	Appropriation FY 2018	FY 2017 to FY 2018 % Change	Appropriation FY 2019	FY 2018 to FY 2019 % Change
COM Department of Commerce								
5SY0	800650	Medical Marijuana Control Program	\$0	\$ 285,834	\$ 1,121,279	292.28%	\$ 1,135,692	1.29%
5X60	800623	Video Service	\$ 344,322	\$ 350,099	\$ 412,693	17.88%	\$ 412,693	0.00%
6530	800629	UST Registration/Permit Fee	\$ 1,731,092	\$ 1,941,578	\$ 2,301,714	18.55%	\$ 2,301,714	0.00%
6A40	800630	Real Estate Appraiser-Operating	\$ 633,445	\$ 705,855	\$ 778,175	10.25%	\$ 722,672	-7.13%
Dedicated Purpose Fund Group Total			\$ 183,444,766	\$ 202,213,983	\$ 184,640,144	-8.69%	\$ 183,656,842	-0.53%
1630	800620	Division of Administration	\$ 6,774,567	\$ 7,513,599	\$ 8,043,364	7.05%	\$ 8,043,364	0.00%
1630	800637	Information Technology	\$ 6,039,062	\$ 6,669,847	\$ 9,780,626	46.64%	\$ 9,540,704	-2.45%
Internal Service Activity Fund Group Total			\$ 12,813,629	\$ 14,183,445	\$ 17,823,990	25.67%	\$ 17,584,068	-1.35%
3480	800622	Underground Storage Tanks	\$ 916,515	\$ 916,024	\$ 1,186,180	29.49%	\$ 1,186,180	0.00%
3480	800624	Leaking Underground Storage Tanks	\$ 1,886,104	\$ 2,180,089	\$ 1,950,000	-10.55%	\$ 1,950,000	0.00%
Federal Fund Group Total			\$ 2,802,619	\$ 3,096,114	\$ 3,136,180	1.29%	\$ 3,136,180	0.00%
Department of Commerce Total			\$ 199,061,014	\$ 219,493,541	\$ 205,600,314	-6.33%	\$ 204,377,090	-0.59%