

# Redbook

## LBO Analysis of Executive Budget Proposal

### State Board of Embalmers and Funeral Directors

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# LBO Redbook

## State Board of Embalmers and Funeral Directors

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### Quick look...

- The State Board of Embalmers and Funeral Directors oversees more than 7,200 licensees, including approximately 1,300 funeral homes and crematories, and 4,900 funeral directors and embalmers.
- The Board’s governing body consists of seven members: five licensed embalmers and practicing funeral directors and two members representing the public. Day-to-day operations are handled by an executive director and five full-time staff.
- The Board’s operations are primarily supported by license fees and related revenue. It also receives GRF funding to oversee the Indigent Burial and Cremation Program.
- The executive budget recommends funding of just over \$2.1 million in both FY 2022 and FY 2023.
  - This includes a GRF appropriation of \$1.0 million for subsidies under the Indigent Burial and Cremation Program.
  - Uses of the recommended \$4.3 million budget are as follows: 46.5% for subsidies for the Indigent Burial Program, 41.1% for personal services, and 12.2% for supplies and maintenance. The 0.3% remainder is for purchased personal services.

Fund Group	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
General Revenue	\$60,778	\$800,000	\$1,000,000	\$1,000,000
Dedicated Purpose	\$929,170	\$1,032,881	\$1,130,516	\$1,171,398
Total	\$989,948	\$1,832,881	\$2,130,516	\$2,171,398
% change	--	85.1%	16.2%	1.9%
<i>GRF % change</i>	--	1,216.3%	25.0%	0.0%

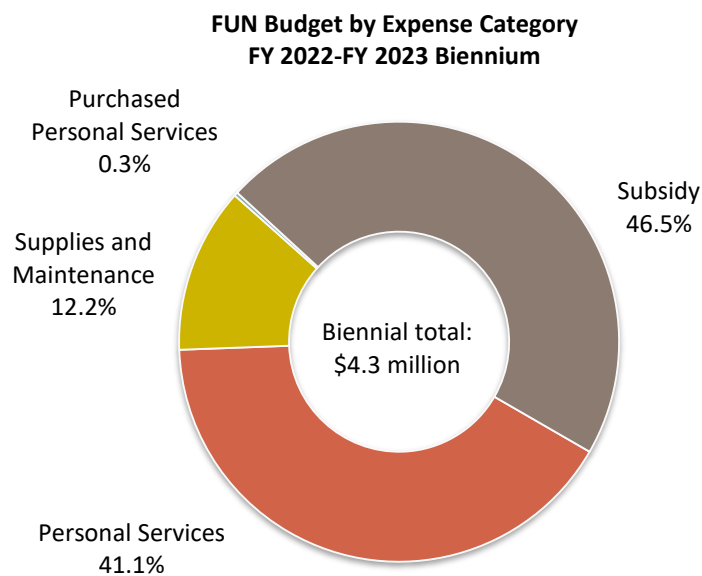
### Agency overview

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

seven other full-time staff, including three inspectors, two program administrators, one preneed compliance administrator, and one certification-licensure examiner.

## Analysis of FY 2022-FY 2023 budget proposal

Except for a GRF appropriation which is used to subsidize political subdivisions for part of their costs in burying indigent decedents, the Board's operations are supported entirely by license fees and other assessments that are deposited into the Occupational Licensing and Regulatory Fund (Fund 4K90) and appropriated under Fund 4K90 line item 881609, Operating Expenses. The executive recommends funding of just over \$2.1 million in FY 2022 and slightly less than \$2.2 million in FY 2023. This compares to anticipated spending of just over \$1.8 million in FY 2021.



The higher level of spending in the upcoming biennium is primarily related to the increased operational costs for the Board in three areas: oversight of preneed funeral contracts, oversight of the newly created cremation-related licenses, and running the Indigent Burial and Cremation Program.

H.B. 49 of the 132<sup>nd</sup> General Assembly, the main operating budget act for the FY 2018-FY 2019 biennium, contained several provisions related to preneed funeral contracts. Primarily, it required FUN to adopt rules regarding the sale of preneed funeral contracts as well as reporting of the sale of these contracts to the Board. The bill also established the Preneed Recovery Fund, a custodial account used to reimburse purchasers of preneed funeral contracts who have suffered financial loss as a result of misconduct in connection with the sale of the contract. The fund is supported by a \$10 fee on the sale of preneed funeral contracts. The current balance of the fund is approximately \$800,000. Since its implementation, FUN has paid approximately \$30,000 for seven claims from this fund. Finally, H.B. 49 established a new crematory operator license. In order to oversee these new operators, the Board hired an

additional inspector in FY 2020. Data for FY 2021 show that there are 592 active crematory operator licensees in Ohio.

The Board was also responsible for assuming the duties of the Indigent Burial and Cremation Program from the Department of Job and Family Services. That funding is included under GRF appropriation item 881500, Indigent Burial and Cremation Support, under the Board's budget. Specifically, this appropriation item is used to issue reimbursements to local government entities for the costs of providing cremation or burial services for indigent deceased persons. These reimbursements may not exceed \$750 for a child or \$1,000 for an adult. The program started in December 2019, and so far has satisfied 129 applications for financial help. In FY 2020, \$60,778 in subsidy payments were made to local governments. The amount of subsidies issued so far in FY 2021, as of February 2021, is \$18,561. The Board has 419 applications outstanding as of February 2021.

Of the recommended budget for the FY 2022-FY 2023 biennium, \$2.0 million (46.5%) is slated for subsidies under the Indigent Burial and Cremation Program. Payroll costs for the eight full-time equivalents (FTEs) and Board member compensation accounts for about \$1.8 million (41.1%) of the recommended budget. Just over \$523,000 (12.2%) is slotted for supplies and maintenance. As with other operating boards, included in these costs are rent, eLicensing system costs, and biennial financial audit costs. The remaining portion of the recommended funding, approximately \$11,550 (0.3%) is for purchased personal services.

## Operating revenues and expenses

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

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

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

nonrenewal years. In the previous three renewal cycles, expenses exceeded revenues in all but the FY 2015-FY 2016 renewal cycle in which revenues exceeded expenditures by \$27,227. The FY 2017-FY 2018 renewal cycle produced a -\$94,493 operating result, followed by a -\$382,140 net result for the FY 2019-FY 2020 renewal period. In particular, the FY 2019-FY 2020 licensing cycle saw higher operating costs primarily for an additional staff member who is responsible for the oversight of preneed funeral contracts. However, fee increases included in H.B. 166, the operating budget for the current FY 2020-FY 2021 biennium, may resolve these operating deficits going forward. The higher fees, along with an assumed 2% increase in licensure, could result in total revenues of \$2.0 million during a renewal cycle, eliminating the operating deficit.

**Table 2. Revenues and Expenditures, FY 2015-FY 2020**

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenue	\$1,308,217	\$94,965	\$1,279,829	\$124,840	\$1,331,284	\$106,466
Expenses	\$710,807	\$665,148	\$746,503	\$752,659	\$890,720	\$929,170
Net	\$597,410	-\$570,183	\$533,326	-\$627,819	\$440,564	-\$822,704

## Licenses and investigation and enforcement statistics

Table 3 below shows the number of active licenses issued by FUN for the FY 2019-FY 2020 licensing cycle as well as the number of licenses in FY 2021. Overall, the Board oversees nine license types. The vast majority of issuances are for just three license types: embalmers, funeral directors, and funeral homes. Together in FY 2020, these 6,066 licenses accounted for 85.2% of the 7,118 active licenses. In addition to the current categories listed in the table below, the Board also has Funeral Director and Embalmer Registration licenses. These licenses are closed once an apprenticeship is granted.

**Table 3. Active Licenses by Type, FY 2019-FY 2021 (as of February 2021)**

License Type	FY 2019	FY 2020	Percent Change	FY 2021	Percent Change
Crematory	148	158	6.8%	160	1.3%
Embalmer/Funeral Home Apprentice	300	307	2.3%	356	16.0%
Embalmer	2,030	2,110	3.9%	2,117	0.3%
Embalming Facility	4	3	-25.0%	3	0.0%
Funeral Director	2,688	2,804	4.3%	2,819	0.5%
Funeral Home	1,134	1,152	1.6%	1,156	0.3%
Crematory Operator	442	561	26.9%	592	5.5%
Courtesy Card Permit	17	23	35.3%	24	4.3%
<b>Total</b>	<b>6,763</b>	<b>7,118</b>	<b>5.2%</b>	<b>7,227</b>	<b>1.5%</b>

The Board carries out inspections of funeral homes, crematories, and embalming facilities and investigates consumer complaints related to the funeral profession. In FY 2019, the Board's two inspectors conducted 838 inspections among licensed facilities statewide. In FY 2020, 761 such investigations were conducted. Overall, fines and recoveries as a result of investigations and inspections totaled approximately \$28,000 during FY 2019 and \$23,000 in FY 2020.