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OHIO SENATE – GOVERNMENT OVERSIGHT & REFORM COMMITTEE

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Am. Sub. H.B. No. 96: Main Operating Budget for FY26-FY27
Budget Testimony of Executive Director Paul M. Nick

Chair Manchester, Vice Chair Brenner, Ranking Member Weinstein, and members of the Committee, my name is Paul Nick. I am the Executive Director of the Ohio Ethics Commission, and I appreciate the opportunity to testify before you about the Administration's budget recommendation for the Commission for the 2026 to 2027 biennium.

OVERVIEW OF THE COMMISSION

The bipartisan Ethics Commission has authority over approximately 18,700 elected officials and 590,000 public employees across Ohio at all levels of local and state government, from villages and townships to cities and counties; all officials and employees of each of the public schools, colleges, and universities in Ohio; each of the six constitutionally elected, statewide officeholders and their staff; and the appointed members and staff of all Ohio boards and commissions.

In addition to these public officials and employees, the Commission also has authority over individuals in the private and non-profit sectors who are required to comply with the Ethics Law when doing business with or being regulated by public agencies throughout Ohio, to avoid potential conflicts of interest and maintain public accountability.

DUTIES AND RESPONSIBILITIES

The Commission has five main responsibilities: rendering advice and guidance; providing education sessions; conducting confidential investigations; assisting the General Assembly on ethics-related legislation; and administering and enforcing the financial disclosure requirement.

Advice: The Commission employs three staff attorneys who collectively responded to the 147 written advisory opinion requests received by the Commission in 2024. (This number is in addition to the immediate guidance provided in response to over 1,500 e-mails and telephone calls the Commission received last year.) Each of these written requests was answered within 30-45 days of their receipt, and in most instances, much sooner. The median response time for opinion requests was 19 days. The Commission provides timely legal advice, helpful to public officials and their counsel, at no cost to the requester. In 2024, 18% of the requests were from state officials or employees, and the remaining 82% were from counties, cities, townships, villages, school districts, and other local government agencies.

Education: The Commission believes that both advice and education help to ensure compliance with the Ethics Law and to avoid a "gotcha" style enforcement. The Education program has two staff members – an administrator and one technology-based trainer. In calendar year 2024, more than 58,000 public officials and employees from state and local government completed a one hour, online Ethics course and

nearly 7,000 participated in one of the Commission’s webinars. The Commission has also produced several shorter, on-demand e-courses covering specific topics of interest to all public officials and employees, such as nepotism, revolving door, job seeking, filing financial disclosure statements, and gifts. We conducted 204 in person educational sessions that reached nearly 20,000 people, including state, county, and city agencies, public sector associations, and groups of public and private sector organizations.

Investigation: The Commission’s Investigation program ensures uniform, statewide enforcement of the criminal provisions of the Ethics Law by investigating alleged violations and referring matters for criminal prosecution when the facts merit it. This oversight helps fight occurrences of misuse of tax dollars often coming to light among the hundreds of requests that come to the Commission covering all sectors of government.

In 2024, the Commission employed three attorneys (one the Chief of the section), four special investigators, and a case management specialist who received and reviewed the 960 allegation inquiries we received and carried a docket of 174 active investigations. The Commission also closed 96 cases last year. Of the newly opened cases in 2024, 85% involved public officials and employees at the local level and 13% involved allegations against state officials or employees and members of the private sector. In addition, from 2023 to 2024, the Commission initiated 15 formal complaints against persons who failed to comply with the financial disclosure requirement (less than 0.5% of the total number of filers). Of these 15 complaints, 10 were referred for criminal prosecution due to noncompliance.

In conducting these investigations, the Commission frequently partners with the special prosecution units at the Ohio Attorney General and the Ohio Auditor of State, as well as other local and federal investigators and prosecutors.

Legislation: The Commission has responded to several recent legislative efforts during the past few years. For example, the Commission worked directly with the 134th General Assembly on an amendment to the Ethics Law that enhanced penalties for private sector vendors convicted of promising or giving anything of value to any public official or employee that could improperly influence them in the performance of their public duties. Now, if convicted, in addition to the standard penalties for a first-degree misdemeanor, these vendors can be debarred from participating in any public contract, at the state or local level, for a period of 2 years. The sentencing court may also impose an additional fine equal to the amount of the things of value improperly provided and may also assess against the vendor the Commission’s costs of investigation. Last year, the Commission also worked with the Public Utilities Commission of Ohio’s Nominating Council to require early personal financial disclosure of potential conflicts of interest by all PUCO Commissioner candidates.

The Ethics Law requires approximately 10,000 public officials, high-ranking public employees, and candidates for elected office from more than 1,300 agencies to file annual, personal financial disclosure statements with the Ethics Commission. These agencies include each of the state elected officers and their senior staff; all public college and university trustees and presidents; members of state boards and commissions, including all five retirement systems; all elected county and city officials (except for townships); and board members of public-school districts and Education Service Centers, as well as their superintendents and treasurers (except for community schools). Nearly 2,500 of the statements filed by public officials and employees are confidential by statute and are individually audited by staff. The Financial Disclosure program consists of one manager and one analyst (down from two analysts in prior biennia).

BUDGET REQUEST

The Commission receives funding from two sources: The State General Revenue Fund (GRF) and the Commission's Dedicated Purpose Fund (DPF).

The sources of DPF funding are primarily financial disclosure filing fees, penalties for those who file their forms late, the occasional court-ordered payments for the costs of the Commission's investigations, and a nominal fee from the Supreme Court, via an MOU, related to Commission staff helping to operate and maintain the Court's online filing portal. As noted in the LBO Red Book, current filing fees range from \$30 to \$95 and were last increased in 2012. Maximum late filing fee penalties of \$250 have remained unchanged since the inception of the Commission 50 years ago, in 1975.

During FY24 and FY25, the Commission, working with OBM staff, increased its reliance on funds in the DPF account to cover our operating expenses from the previous biennium, which directly impacts the amount of GRF funding we request. Unfortunately, our revenue sources into the DPF are unreliable, for two primary reasons.

First, there has been a steady drop in the number of persons who file annual disclosure statements. Previous biennia have seen approximate totals of 11,000 to 11,300 filers each year, depending on election cycles. Because of several factors, including agency and board consolidations and a reduction in the total number of state filers by several agencies, the number of current filers has dropped to an average of only 10,000 to 10,300 filers. (In filing year 2023, the number of statutory filers actually dropped below 10,000). This reduction in the number of filers (and the loss of filing fee revenues) has diminished the size of the Commission's DPF balance. Under the current Administration's budget recommendation, we project that by the end of FY27, the Commission's DPF will essentially be depleted.

Second, since rolling out our online filing portal in 2013, the Commission has seen a substantial reduction in the amount of late fees assessed and collected. We attribute this revenue decline to the speed with which staff is now able to electronically notify filers when their statements are late. This reduction in late fee collections has directly benefited many other state agencies by reducing their expenses, because R.C. 102.02 requires state agencies to pay the late filing fees of its current and past employees. However, this cost savings to others has severely reduced the Commission's revenues and balances in the DPF account that historically had supported almost one-third of the Commission's budget.

For the past several budget cycles, the Commission has operated with 19 total staff, which is below our staffing ceiling of 21 full-time equivalents. The Commission appreciates the Administration's longtime support of the Commission's work and its current recommendation to increase our GRF funding over the prior biennium amounts. At the recommended funding levels, the Commission should be able to maintain current staffing levels and services.

CONCLUSION

The bipartisan membership of the Ethics Commission understands that, like all other agencies supported by taxpayer funds, it must be frugal and diligent in ensuring that taxpayers receive the best service at the least cost. The Commission further believes that the duties and responsibilities assigned to it by the General Assembly are crucial to ensuring compliance and enforcement of high standards of integrity and conduct at all levels of state and local government.

Respected members of the Committee, thank you for the opportunity to testify this afternoon. I am happy to answer any questions you may have.