

Redbook

LBO Analysis of Executive Budget Proposal

Ohio Ethics Commission

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LBO Redbook

Ohio Ethics Commission

Quick look...

- The Ohio Ethics Commission administers, interprets, and enforces ethical conduct, with jurisdiction over all state and local government officials and employees, except legislators, judges, and their staffs.
- Approximately 18,700 elected officials and 590,000 public employees fall under its authority.
- The Commission receives and processes approximately 10,000 financial disclosure statements annually.
- Biennial recommendation of \$5.1 million: \$2.5 million in FY 2022 and \$2.6 million in FY 2023.
 - Flat GRF funding recommendations of \$1.9 million in each fiscal year.
 - Sources of the budget: GRF (76%) and state non-GRF (24%).
 - Major expenses: 92% for personal services (wages, salaries, benefits, and various other payroll-related charges).

FY 2018 Actual	FY 2019 Actual	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
GRF ALI 146321, Operating Expenses					
\$1,457,245	\$1,745,873	\$1,881,845	\$1,821,515	\$1,946,515	\$1,946,515
% change	19.8%	7.8%	-3.2%	6.9%	0.0%
DPF Fund 4M60 ALI 146601, Operating Support					
\$798,766	\$509,798	\$443,990	\$620,513	\$585,539	\$645,443
% change	-36.2%	-12.9%	39.8%	-5.6%	10.2%
Total funding:					
\$2,256,011	\$2,255,671	\$2,325,835	\$2,442,028	\$2,532,054	\$2,591,958
% change	0.0%	3.1%	5.0%	3.7%	2.4%

Agency overview

The Ohio Ethics Commission administers, interprets, and enforces ethical conduct in state and local government, primarily under the Ohio Ethics Law (R.C. Chapter 102). It has jurisdiction over all state and local government officials and employees, except legislators, judges, and their staffs.

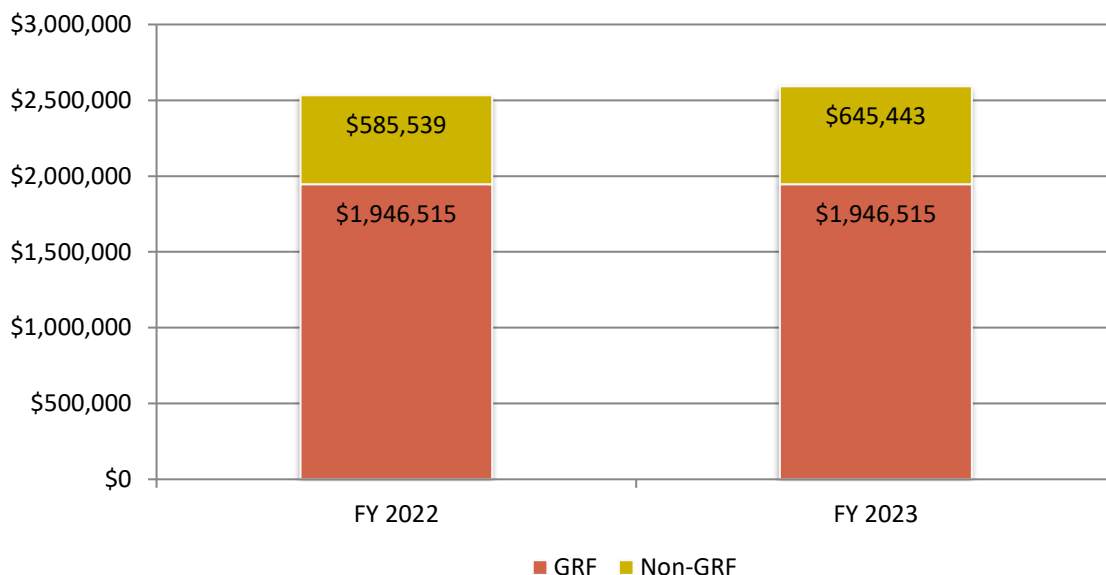
The Commission consists of six members who are appointed by the Governor with the advice and consent of the Senate. The political affiliation of the Commission is equally divided between the two major parties. Members are compensated \$75 for each meeting, up to a

maximum of \$1,800 per year. Day-to-day operations are handled by the Executive Director and up to 19 full-time employees.

Analysis of FY 2022-FY 2023 budget proposal

Together, GRF line item 146321 and DPF Fund 4M60 line item 146601 support the Commission’s operations. Chart 1 below shows the GRF/non-GRF funding split for these costs. The executive recommended GRF appropriation in FY 2022 represents a 6.9%, or \$125,000, increase from the estimated GRF expenditures in FY 2021 (\$1,821,515).

Chart 1: Ethics Operating Expenses by Fund Group, FY 2022-FY 2023



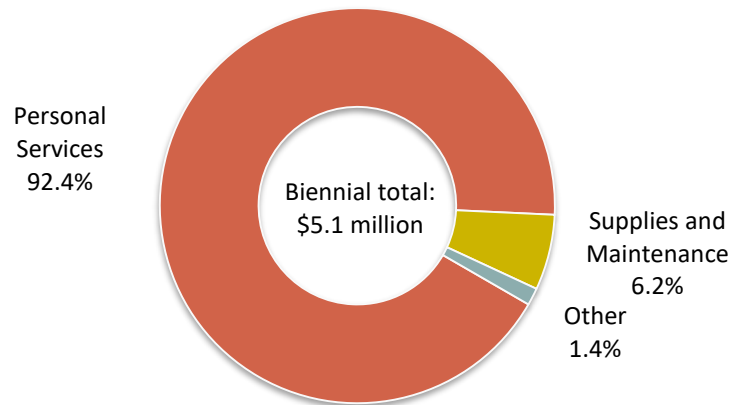
Staffing and payroll challenges

As of September 1, 2020, the Commission has operated with 17 full-time equivalent (FTE) staff; two vacancies have remained unfilled due to the state hiring freeze imposed by the Governor as a budget stabilization measure in response to the COVID-19 pandemic. The Commission noted in its budget request submitted to the Office of Budget and Management that it requires 19 FTEs to maintain current service delivery levels. The Commission expects that the GRF funding for the FY 2022-FY 2023 biennium will allow it to fill one vacant position. It appears that the Commission needs an additional \$344,000 to fill the second vacancy and cover operation-supporting IT hardware/software upgrades, while preserving the balance of Fund 4M60.

Executive recommendations by expense category

Chart 2 below shows the \$5.1 million proposed budget for the biennium by expense category. Ninety-two percent, or \$4.7 million, is allocated for personal services/payroll costs, followed by supplies and maintenance (6%, or \$316,700). Other expenses including purchased personal services, equipment, and transfers and nonexpense account for 1% (\$72,520).

Chart 2: Ethics Budget by Expense Category
FY 2022-FY 2023 Biennium



Executive recommendations by program

The Commission’s services and activities are grouped into five distinct programs as follows:

- **Investigations/Enforcement.** Investigates and refers for criminal prosecution, complaints and charges (allegations) of unethical misconduct committed by any public official or employee, or person doing business with the state.
- **Education/Communication.** Schedules, coordinates, and conducts ethics presentations and sessions and continuing legal education seminars.
- **Financial Disclosure.** Receives and reviews annual financial disclosure requirements, collects mandated fees, responds to public records requests, and maintains the financial disclosure database.
- **Advisory Opinions/Guidance.** Provides written legal advisory opinions providing guidance via telephone, emails, and website requests.
- **Program Management/Support.** Supports the general management and operational needs common to most state agencies, including office rental space, office supplies, telecommunications services, equipment maintenance contracts, fuel, and maintenance of state vehicles.

Table 1 below shows, from FY 2020 projected through FY 2023, the amount of funding allocated for each of the Commission’s five programs.

Table 1. Funding by Program, FY 2020-FY 2023				
Program	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Investigations/Enforcement	\$960,816	\$967,977	\$1,077,006	\$1,100,471
Advisory/Guidance	\$471,106	\$509,961	\$462,255	\$473,974

Program	FY 2020 Actual	FY 2021 Estimate	FY 2022 Introduced	FY 2023 Introduced
Financial Disclosure	\$398,472	\$344,692	\$441,650	\$460,662
Education/Communication	\$334,738	\$482,981	\$357,233	\$363,941
Program Direction/Support	\$160,704	\$136,417	\$193,910	\$192,910
Total	\$2,325,836	\$2,442,028	2,532,054	\$2,591,958

Ohio Ethics Commission Fund (DPF Fund 4M60)

Under existing law, the Commission collects primarily financial disclosure statement filing fees and secondarily court-ordered and other settlement moneys. All of these collections are credited to the Ohio Ethics Commission Fund (Fund 4M60), to be used solely for expenses related to the operation and statutory functions of the Commission.

In FY 2020, the actual revenue credited to the fund was roughly \$90,000 less the estimate; that amount instead realized in FY 2021. The delay was a result of the Commission pushing back the disclosure statement filing deadline from May 15, 2020 to July 15, 2020, to match the federal income tax filing deadline extended in response to the COVID-19 pandemic. Generally, most of the Commission’s filing fee revenue is collected late in the third and fourth quarter of the fiscal year.

As shown in Chart 3 below, from FY 2014 through FY 2016, the fund’s year-ending cash balance exceeded \$700,000. Starting with FY 2016 through FY 2019, expenditures exceeded revenues. The result has been a more or less steady decrease in the fund’s year-ending cash balance, which by the end of FY 2020 was \$246,653.

Chart 3: Fund 4M60 Cash Balance, FY 2012-FY 2020

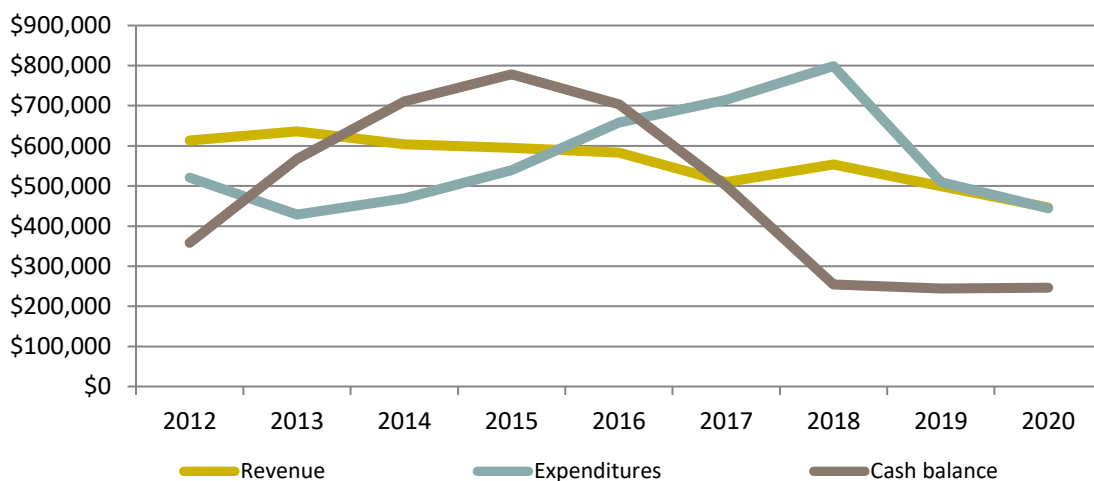


Table 2 below summarizes the Commission’s current fee schedule. That schedule was implemented beginning CY 2012 for sustaining dedicated purpose funding to supplement and reduce reliance on GRF funding. As noted, the GRF is the largest source of the Commission’s

budget. However, since the implementation of the fee schedule, revenue has been reduced due to a decrease in required filers, as well as late fees. The decrease in late fee revenue is a result of the ease of filing in the online Financial Disclosure system (implemented February 2013), which also enabled the Commission to quickly notify delinquent filers so that they do not accrue the maximum late fees. As a result, the Commission has experienced a 54% decrease in late fee revenue. In CY 2018, late fees generated about \$40,500, a decrease of over \$100,000 from the amount assessed in filing cycles preceding the implementation of the online filing system. The Commission attributes the second factor, the decrease in 1,000 filers (from about 11,000 to 10,000), to the consolidation of certain boards and commissions and fewer voluntary filers.

Table 2. License Fees by Type	
License Type	Fee
State elected office holder or candidate	\$95
State board of education member or candidate	\$35
County elected office holder or candidate	\$60
City elected office holder or candidate	\$35
School district board of education member or candidate	\$30
Educational Service Center (ESC) governing board member	\$30
School district or ESC superintendent, treasurer, or business manager	\$30
All other filers	\$60
Late Fee Penalty	
Per day	\$10/day
Maximum penalty	\$250

Workload statistics

A selective summary of the Commission's Advisory Opinions/Guidance, Financial Disclosure, Education/Communication, and Investigations/Enforcement workload is below.

Advisory Opinions/Guidance

In CY 2019:

- The Commission responded to 254 written advisory requests, roughly a 25% increase from the 204 CY 2018 and the five-year average. It also responded to over 2,300 telephone calls and 3,100 electronic requests for guidance.
- Prior to CY 2011, the Commission carried an average of 85 pending unanswered requests at any given point of time. Staff eliminated that backlog in CY 2012 and now the Commission responds to most requests within 15-30 days of their receipt.
- Around 70% of requests were from local public officials and their employees or their counsel and the remaining were from state agencies.

Education/Communication

- Schedules, coordinates, and conducts approximately 200 ethics presentations each year throughout the state with, collectively, over 20,000 attendees from state and local agencies and jurisdictions, public sector associations, and public and private sector organizations.
- In CY 2019, nearly 2,000 individuals participated in one of the Commission’s live monthly webinars that provide an overview of the Ethics Law. Learners interact with the speaker through polls, quizzes, and a chat function to ask questions.
- In CY 2020, 45,000 learners participated in the Commission’s e-course (15% increase from 39,000 in CY 2019), 17,000 accessed the course directly through the Commission’s website, and the remainder accessing through the state-operated Electronic Learning Management System (ELMS).
- Both the webinar and the e-course are free to the public through the Commission’s website. The e-course is approved for one hour of continuing legal education credit. The Commission also maintains a library of shorter, topic-specific e-courses as well as information sheets and bulletins.

Financial Disclosure

- Receives and processes around 10,500 financial disclosure statements annually, of which nearly 25% are confidential and not a public record (as statutorily required), except for portions of the statement where the Commission has identified that a potential for a conflict of interest exists.
- Updates and maintains an online filing system, rolled out in February 2013, currently used by over 90% of filers.

Table 3. Online Filers, CY 2013-CY 2019

Activity	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Online filers	6,309/60%	7,800/74%	8,419/81%	9,151/86%	8,915/88%	9,551/91%	9,458/94%

Investigations/Enforcement

Table 4. Investigations/Enforcement Workload Statistics, CY 2013-CY 2019

Activity	CY 2013	CY 2014	CY 2015	CY 2016	CY 2017	CY 2018	CY 2019
Allegations received	392	355	354	421	390	393	483
Active/new investigations	173/57	155/58	166/60	172/74	158/56	172/84	174/81
Complaints initiated	52	65	23	29	19	41	23
Alternative dispute resolution settlements	12	29	38	28	46	30	25
Cases shared with prosecutors	5	14	36	39	41	22	8

ETH/zg