LSC Greenbook

Analysis of the Enacted Budget

Department of Commerce

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Legislative Service Commission

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Department of Commerce

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) control the manufacture, distribution, and sale of all alcoholic beverages 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.

The Department operates with no General Revenue Fund (GRF) moneys. Instead, most programs are funded primarily by fees and charges on the industries that the Department regulates. Additionally, COM regularly transfers profits and excess cash balances from several of its programs to the GRF and other state agencies. Overall, the Department currently has about 770 full-time permanent employees.

Appropriation Overview

The budget provides FY 2012 appropriations of $727.5 million, an increase of $13.7 million, or 1.9%, compared to FY 2011 spending of $713.8 million. FY 2013 appropriations are $177.4 million, or 75.6% below FY 2012 appropriations. The FY 2013 budget is substantially lower than FY 2012 due to the transfer of the state's liquor enterprise to JobsOhio. Table 1 below summarizes COM's appropriations by budget fund group, comparing FY 2011 spending to the appropriations for FY 2012 and FY 2013.

Table 1. Appropriations by Fund Group, FY 2012-FY 2013					
Fund Group	**FY 2011***	**FY 2012**	**% change, FY 2011-FY 2012**	**FY 2013**	**% change, FY 2012-FY 2013**
General Services	$79,716,062	$90,035,999	13.0%	$90,153,450	0.1%
Federal Special Revenue	$8,045,021	$2,685,729	(66.6%)	$2,685,729	0.0%
State Special Revenue	$65,328,086	$76,056,183	16.4%	$74,469,262	(2.1%)
Liquor Control	$560,736,616	$558,710,548	(0.4%)	$10,110,479	(98.2%)
Total	**$713,826,246**	**$727,488,459**	**1.9%**	**$177,418,920**	**(75.6%)**

*FY 2011 figures represent actual expenditures.

Budget by Functional Category

Funding for Liquor Control, including the purchase of spirituous liquor merchandise and debt service on bonds backed by liquor profits, makes up $568.8 million (62.9%) of the appropriations in COM's budget for FY 2012-FY 2013, even after accounting for the transfer of the state's liquor enterprise to JobsOhio. The Unclaimed Funds Program accounts for $155.2 million (17.1%) of the budget. The remaining $180.9 million over the biennium (20.0%) will be used to support COM's other various regulatory programs. These funding allocations are shown in Table 2 below.

Table 2. FY 2012-FY 2013 Budget by Functional Category ($ in millions)					
Functional Category	**FY 2011 Actuals**	**FY 2012**	**FY 2013**	**Biennium Total**	**% Total of Budget**
Liquor Control	$560.7	$558.7	$10.1	$568.8	62.9%
Unclaimed Funds	$67.2	$77.5	$77.6	$155.2	17.1%
Industrial Compliance and Labor	$24.5	$27.6	$27.7	$55.3	6.1%
Financial Institutions and Securities	$19.7	$24.4	$23.2	$47.6	5.3%
State Fire Marshal	$25.7	$22.1	$21.8	$43.9	4.8%
Administration	$12.2	$12.5	$12.6	$25.1	2.8%
Real Estate & Prof. Licensing	$3.8	$4.6	$4.4	$9.0	1.0%
Total	**$713.8**	**$727.5**	**$177.4**	**$904.9**	**100%**

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

Major Features of the Budget

Transfer of Liquor Enterprise to JobsOhio

The budget transfers the exclusive right to manage and control spirituous liquor distribution and sales and to sell spirituous liquor in the state to JobsOhio, the nonprofit corporation created in H.B. 1 of the 129th General Assembly to spur the state's job creation efforts. Under this initiative, JobsOhio will use the profits generated by the sale of spirituous liquor to provide an ongoing source of funding for its programs and operations. As a result of the transfer, COM's budget decreases dramatically in FY 2013, as no appropriations will be needed for the purchase of spirituous liquor merchandise for resale in contract liquor agency stores or to pay the debt service on bonds backed by liquor profits.

Potential Lease Proceeds

Under the bill, the transfer of the state's liquor distribution and merchandising operations and sales rights, including inventory, real property rights, equipment, furnishings, monetary management system, warehouses, and contract rights, is referred to as the "enterprise acquisition project." Under the statutory framework authorizing this transaction, the state may transfer to JobsOhio all or a portion of the enterprise acquisition project for a transfer price payable by JobsOhio to the state. The term of the transfer agreement is to last no longer than 25 years. Proceeds of the transfer payment to the state may be used to pay off outstanding economic development and Clean Ohio Revitalization bonds backed by liquor profits, support the GRF, support certain specified funds used by the Department of Development, and support JobsOhio in its mission.

The transaction is envisioned to occur in or around January 2012, with a transfer price of at least $1.2 billion. Of the transfer proceeds, approximately $700 million will be needed to pay off outstanding bonds backed by liquor profits. In addition, $500 million will be provided to the GRF to compensate the state for the loss of liquor profits. In addition, the agreement may also provide for annuity payments to the state beginning in FY 2014. JobsOhio will issue revenue bonds in order to support the upfront payment to the state.

Impact on State Agencies Funded by Liquor Profits

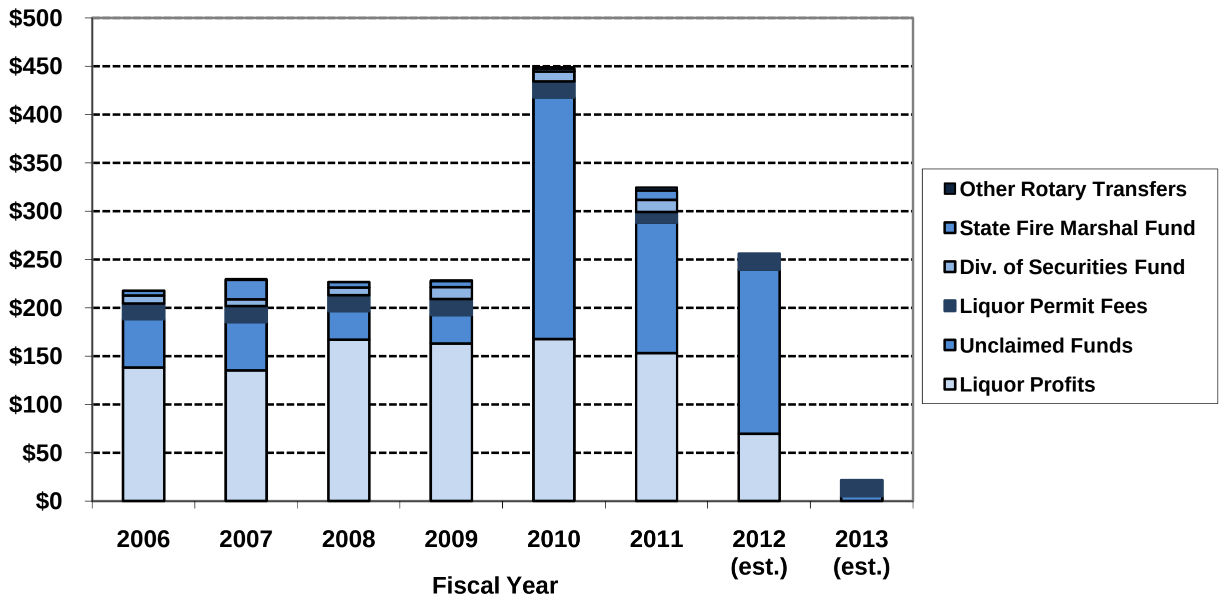
Among other provisions, the bill requires JobsOhio, the Director of Budget and Management, and the Director of Commerce to enter into a contract as part of the lease agreement for the continuing operation by the Division of Liquor Control of spirituous liquor distribution and merchandising. This contract is subject to Controlling Board approval. Because the state will no longer reap revenue from the sale of spirituous liquor, the monthly transfers of excess liquor profits to the GRF will cease once the transfer agreement is effectuated. The transfers for FY 2011 amounted to $153.0 million though the annual amount has been as high as $167 million in recent years. These changes to the state's liquor distribution system will also change the way the Division of Liquor Control is funded. The bill supports the Division's liquor permitting and compliance activities through transfers from the GRF, leaving spirituous liquor merchandising operations to be supported by payments from JobsOhio.

Cash Transfers to the GRF

The budget provides for unclaimed funds transfers to the GRF of up to $215 million over the FY 2012-FY 2013 biennium. This is substantially lower than the $385 million transferred during the FY 2010-FY 2011 biennium. In addition to unclaimed funds, the budget also assumes $69.5 million in excess liquor profits to be transferred during the first half of FY 2012, the period before the transfer of the state's liquor enterprise system takes place. The GRF will continue to receive 45% of the revenue generated from liquor permit fees, as authorized in permanent law.

A substantial amount of the Department's operating revenues have been transferred to the GRF over time. Prior to FY 2010, the largest source had come from excess liquor profits, although since that year legislatively mandated transfers of unclaimed funds have also become an important source of revenue contributed to the GRF. Other sources include the portion of liquor permit fees described above, as well as Division of Securities Fund (Fund 5500) moneys and State Fire Marshal Fund (Fund 5460) revenues that are in excess of what is needed for regulatory oversight and agency operations in those areas. Chart 1 below shows these transfers by source over the FY 2006-FY 2013 period.

Chart 1: GRF Contributions by Source (in millions), FY 2006-FY 2013



Prevailing Wage Law Modifications

Thresholds

The bill makes a number of changes that scale back the application of the Prevailing Wage Law. For instance, the bill increases the current statutory monetary thresholds for determining when the Prevailing Wage Law applies to public improvements other than roads, sewers, ditches, and other related projects, ultimately reaching $250,000 for new construction and $75,000 for reconstruction by September 2013. Unlike current law, the bill does not provide for biennial inflation adjustments to the threshold amounts.

Applicability and Administration

In addition to increased dollar thresholds, the bill also (1) prohibits a public authority from applying prevailing wage requirements to a public improvement that is undertaken by, or under contract for, a school district or an education service center, (2) exempts from the Prevailing Wage Law public improvements undertaken by, or under contract for, certain port authorities and any portion of a public improvement that is undertaken and completed solely with donated labor, and (3) repeals a provision of the Prevailing Wage Law that deemed certain projects to be public improvements and required all contractors and subcontractors on those projects to comply with the Prevailing Wage Law. Finally, the bill makes a number of other changes regarding the administration of the prevailing wage law, including provisions concerning complaint investigations, interested party complaints, apprentice ratios, wage rate determinations and changes, and penalties.

Fund Changes

The budget act abolishes the Penalty Enforcement Fund (Fund 5K70), which consisted of penalty revenue resulting from Prevailing Wage Law violations and was used to enforce the Prevailing Wage Law. Instead, the budget act requires that moneys received from prevailing wage penalties be deposited into the Labor Operating Fund (Fund 5560). The bill also requires the Director of Commerce, if the Director determines that any back wages in the Prevailing Wage Custodial Fund are not returnable to employees, to certify to the Treasurer of State the amount of the funds that are not returnable. Upon receipt of such certification, the Treasurer is required to transfer the certified amount of the funds from the Prevailing Wage Custodial Fund to Fund 5560.

Real Estate Brokers Law Revisions

The enacted budget makes a host of changes to the Real Estate Brokers Law. In general, the modifications involve the definition of "real estate broker," "real estate salesperson," "foreign real estate dealer," and "foreign real estate salesperson;" Ohio Real Estate Commission member terms; enforcement against both licensed and unlicensed persons; how civil penalties collected for operating as a real estate broker or salesperson without a license are deposited; the refundability of certain fees; the procedures regarding check or draft instruments used to pay fees that are returned unpaid; the size of a loan that may be advanced from the Real Estate Education and Research Fund (Fund 5470); educational requirements for real estate brokers and salespersons; and advertising by real estate brokers or salespersons. Various other statutory changes are made to the regulation of real estate brokers, salespersons, and so forth as well as to the administration and enforcement of Chapter 4735. of the Revised Code. These changes are described in greater detail in the **Analysis of Enacted Budget**. The overall effect of these changes is likely to be twofold: greater flexibility and efficiency for the Division of Real Estate and Professional Licensing to carry out its duties and a stronger fund balance in the Real Estate Operating Fund (Fund 5490).

ANALYSIS OF ENACTED BUDGET

Introduction

This section provides an analysis of the appropriation levels for each appropriation item in the Department of Commerce's budget. The line items are grouped into seven 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 the budget. If the appropriation is earmarked, the earmarks are listed and described. The seven categories used in this analysis are as follows:

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

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 Enacted Budget				
Fund	ALI and Name		Category	
General Services Fund Group				
1630	800620	Division of Administration	6:	Administration
1630	800637	Information Technology	6:	Administration
5430	800602	Unclaimed Funds – Operating	2:	Unclaimed Funds
5430	800625	Unclaimed Funds – Claims	2:	Unclaimed Funds
5F10	800635	Small Government Fire Departments	5:	State Fire Marshal
Federal Special Revenue Fund Group				
3480	800622	Underground Storage Tanks	5:	State Fire Marshal
3480	800624	Leaking Underground Storage Tanks	5:	State Fire Marshal
State Special Revenue 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
5440	800612	Banks	4:	Financial Institutions and Securities
5450	800613	Savings Institutions	4:	Financial Institutions and Securities
5460	800610	Fire Marshal	5:	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	3:	Industrial Compliance and Labor
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	5:	State Fire Marshal
5X60	800623	Video Service	6:	Administration
6530	800629	UST Registration/Permit Fee	5:	State Fire Marshal
6A40	800630	Real Estate Appraiser – Operating	7:	Real Estate and Professional Licensing
Liquor Control Fund Group				
7043	800601	Merchandising	1:	Liquor Control
7043	800627	Liquor Control Operating	1:	Liquor Control
7043	800633	Development Assistance Debt Service	1:	Liquor Control
7043	800636	Revitalization Debt Service	1:	Liquor Control

Category 1: Liquor Control

This category of appropriations funds the control of the manufacture, distribution, and sale of all alcoholic beverages in Ohio. The Division of Liquor Control (DOLC) is the state's sole purchaser and distributor of spirituous liquor, defined as intoxicating liquor containing more than 21% alcohol by volume. These line items also pay the debt service on economic development and Clean Ohio Revitalization bonds and provide for the distribution of liquor permit fee revenue. Note that the appropriations within this category are significantly affected by the transfer of the state's liquor distribution system to JobsOhio described in the **Overview**.

Appropriations for Liquor Control				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
Liquor Control Fund Group				
7043	800601	Merchandising	$472,209,274	$0
7043	800627	Liquor Control Operating	$13,398,274	$10,110,479
7043	800633	Development Assistance Debt Service	$51,973,200	$0
7043	800636	Revitalization Debt Service	$21,129,800	$0
		Liquor Control Fund Group Subtotal	***$558,710,548***	***$10,110,479***
Total Funding: Liquor Control			**$558,710,548**	**$10,110,479**

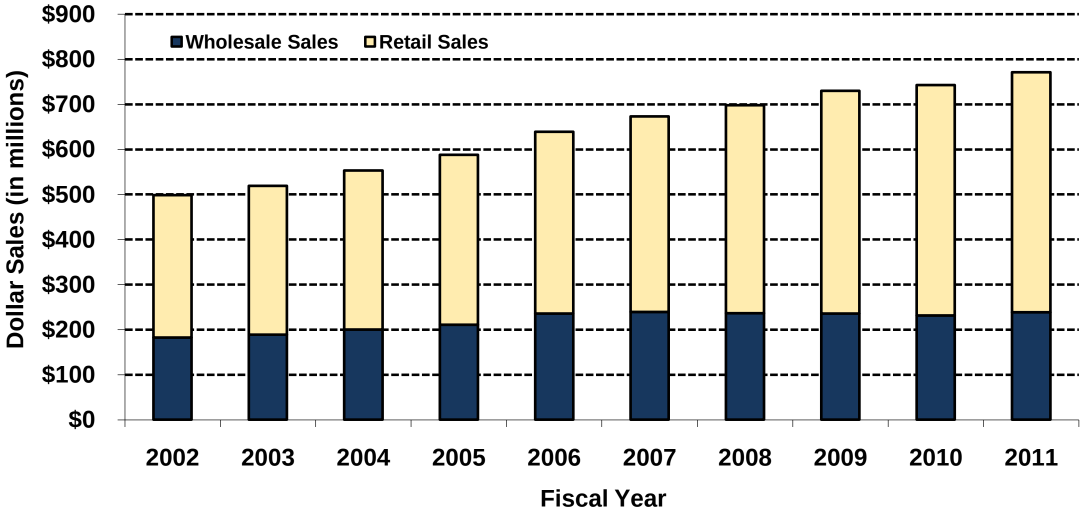
Merchandising (800601)

This line item pays for DOLC's liquor purchases, commissions paid to agency stores, and shipping costs. Agents are paid a commission based on their amount of sales, and the state retains ownership of the inventory. Current commission rates are 6% of sales for retail establishments and 4% of sales for wholesale operations. The budget appropriates $472.2 million in FY 2012, a decrease of $13.3 million, or 2.7%, for this line item compared to FY 2011 spending of $485.5 million. The budget appropriates no funding for this line item in FY 2013 due to the transfer of the state's liquor enterprise to JobsOhio to provide a revenue stream for the nonprofit's activities. While the target date for this transfer is January 1, 2012 (midway through FY 2012), the FY 2012 amount represents a full year's appropriation, providing some flexibility in case there is a delay in reaching an agreement.

Liquor Sales Proceeds

Sales of the merchandise purchased with these funds generate a large amount of revenue for the state each year. Liquor sales have grown consistently over the past ten years, with an average annual growth rate of 4.8% during this period, although the growth rate slowed to just 1.7% in FY 2010, to $742.7 million. FY 2011 sales, by contrast, were up 3.8%, to $770.7 million.

Chart 2: Spirituous Liquor Sales, FY 2002-FY 2011



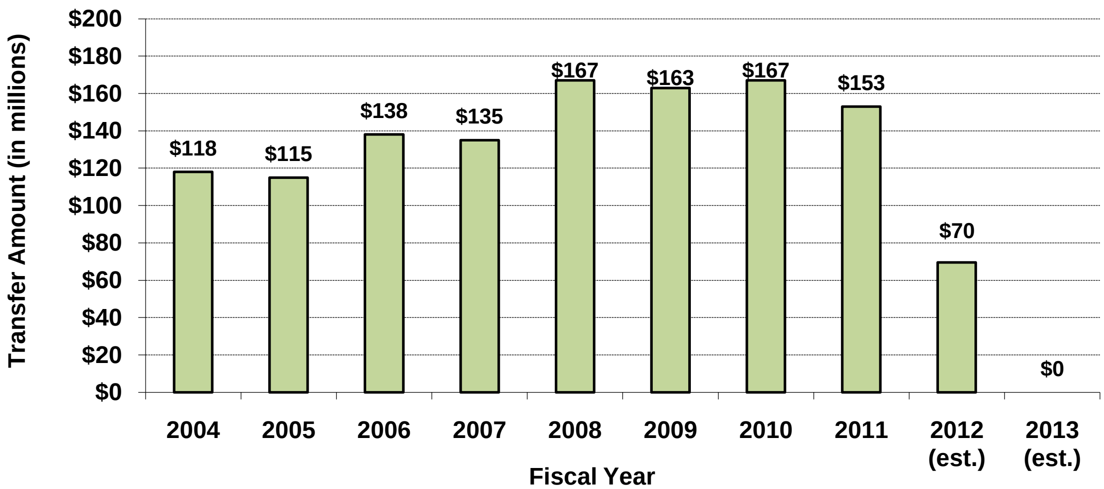
While spirituous liquor sales revenue is used by DOLC to fund its operations, the profits also pay for programs under several other state agencies in addition to the debt service for certain economic development and environmental revitalization bonds. These programs include (1) the Department of Public Safety's Liquor Enforcement Unit, (2) an alcoholism treatment program operated by the Department of Drug and Alcohol Addiction Services, (3) the operating expenses of the Liquor Control Commission, and (4) the Department of Health's alcohol testing program, which trains and certifies law enforcement officials in the operation of alcohol testing devices and regulates various alcohol and drug testing laboratories. Excess profits are transferred to the GRF. Table 4 below lists the amounts apportioned for these purposes in FY 2011.

Table 3. Liquor Sales Revenue Distribution, FY 2011 (in millions)

Program/Fund	Amount
Excess Profits to the GRF	$153.0
Retirement of Economic Development and Clean Ohio Bonds	$63.1
Gallonage Tax to the GRF	$37.8
State Sales Tax to the GRF	$36.4
Department of Public Safety Liquor Enforcement Unit	$11.3
Gallonage Tax to Cuyahoga County for Gateway Stadium Project	$5.2
Department of Alcohol & Drug Addiction Services Alcohol Treatment Program	$4.3
Department of Health Alcohol Testing Program	$1.0
Liquor Control Commission	$0.7
Total	**$312.8**

As the table also shows, the transfers of excess profits to the GRF contributed $153 million to the state's bottom line in FY 2011. Because the budget assumes that the agreement to transfer the state's liquor enterprise system to JobsOhio becomes effective January 1, 2012, midway through FY 2012, the anticipated GRF contribution for next fiscal year is expected to be only $69.5 million. It is envisioned that an estimated $500 million of the liquor enterprise transfer price paid by JobsOhio will be deposited into the GRF to compensate for the loss of excess liquor profits. In addition, the agreement may also provide for annuity payments to the state beginning in FY 2014. Chart 3 displays the amount of transfers of excess profits to the GRF from FY 2004 through the FY 2012-FY 2013 biennium.

Chart 3: Transfers of Excess Liquor Profits to GRF, FY 2004-FY 2013



GRF Transfers

Due to the transfer of the state's liquor enterprise to JobsOhio midway through FY 2012, a provision in the Department of Commerce's budget provides for GRF funding to support the activities of several of the agencies that rely on liquor profits to fund operations once the transfer of the state's liquor enterprise has taken place. Specifically, the budget funds the expenses of the liquor permitting and compliance functions of DOLC, the operations of the Liquor Enforcement Unit of the Department of Public Safety, and the Liquor Control Commission for the second half of FY 2012 through transfers of up to $10.6 million to the Liquor Control Fund (Fund 7043) from the GRF. For FY 2013, the bill provides for a transfer of up to $21.8 million to Fund 7043 from the GRF for those purposes.

Liquor Control Operating (800627)

This line item funds the operating expenses of the Division of Liquor Control, including the administrative expenses for the 460 or so contract liquor agency stores and the liquor permit licensing and compliance program. Overall, the budget appropriates $13.4 million for this line item in FY 2012, 9.7% greater than FY 2011 spending of $12.2 million. This difference is the result of FY 2011 spending coming in under budget, primarily in the areas of payroll and, to a lesser extent, purchased services. The appropriation for FY 2013 is $10.1 million in FY 2013, an amount that reflects reduced funding for liquor agency operations and liquor program administration. Table 5 below summarizes how the appropriations are used by program. As noted above, this line item would be funded by transfers from the GRF and payments from JobsOhio beginning in the second half of FY 2012.

Table 4. Fund 7043, 800627, Liquor Control Operating Program Summary (in millions)

Program	FY 2011 Actual	FY 2012	FY 2013
Liquor Permitting and Compliance	$5.6	$5.9	$5.7
Liquor Program Administration	$3.7	$3.8	$2.3
Liquor Agency Operations	$2.9	$3.7	$2.1
Total	**$12.2**	**$13.4**	**$10.1**

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

Liquor Permitting and Compliance

The Liquor Permitting and Compliance Program reviews applications for permits to sell, manufacture, or distribute alcoholic beverages and oversees compliance in the manufacture and distribution of beer, wine, and low-proof mixed beverages. The decision to grant or deny a permit is based on various factors including the wet or dry status of the location, the number of permits allowed in a geographic area based on population density, also called the permit quota, the amount of existing permits in the area, the applicant's prior compliance record, and the findings of the Division's investigations. All licenses are renewable on an annual basis.

Liquor Program Administration

Liquor Program Administration provides administrative support for the Division's other programs. In addition, the program provides communications and information technology and pays for equipment costs, building rent and utilities, workers' compensation costs, and divisional assessment costs.

Liquor Agency Operations

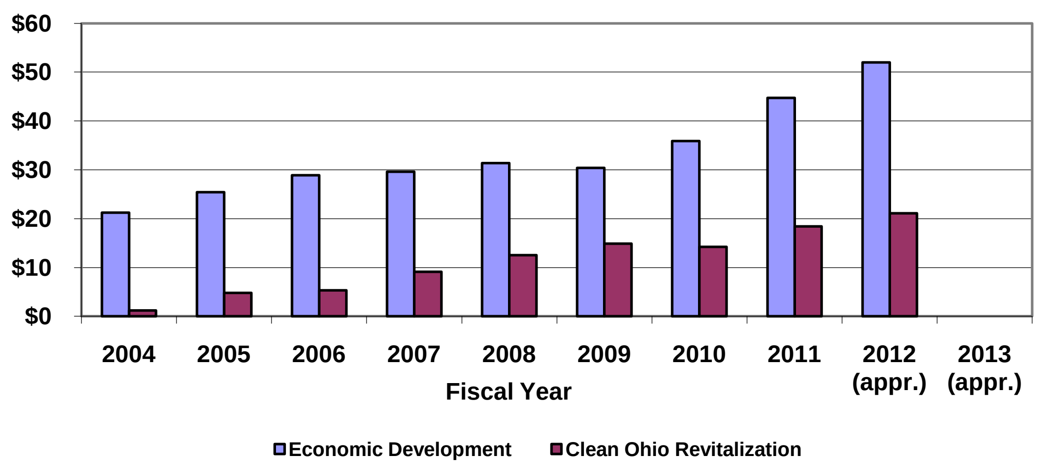
The Liquor Agency Operations Program regulates the sale of spirituous liquor through private businesses, known as contract liquor agencies. The Division contracts with these businesses to serve as its sales agents. This program purchases all of the spirituous liquor made available for resale in the state. This line item pays for the payroll and supplies for liquor agency auditing; bank fees for the Division's account for spirituous liquor sales, merchandise packaging supplies, and other miscellaneous expenses for liquor agency stores; and payroll and supplies related to liquor agency operations accounting, information management, and support services.

Debt Service Payments (800633 and 800636)

These line items provide debt service payments on bonds issued under the authority of Ohio Revised Code Chapters 151. and 166. to support various economic development and environmental clean-up initiatives that are appropriated in the Department of Development. The costs of debt service are controlled by the bond market and managed by the OBM and the Treasurer of State's Office. In recent years, H.B. 554 of the 127th General Assembly, the Bipartisan Jobs Stimulus Bill, and the renewal of the Clean Ohio bond program have added to the debt supported by liquor profits.

The budget appropriates $52.0 million and $21.1 million in FY 2012 for debt service on the bonds issued for economic development loan programs and the Clean Ohio Revitalization Program, respectively. The budget appropriates no such funding for FY 2013 due to the repayment of outstanding bonds backed by liquor profits using the proceeds received from JobsOhio for the transfer of the state's liquor enterprise. In FY 2011, $44.7 million was spent to retire economic development bonds and $18.4 million to retire Clean Ohio Revitalization bonds. Chart 4 below illustrates the liquor profit-backed debt service since FY 2004 as well as appropriations for FY 2012 and FY 2013.

**Chart 4: Liquor-Backed Debt Service Payments (in millions)
FY 2004-FY 2013**



Category 2: Unclaimed Funds

This category of appropriations provides for the safekeeping and return of moneys designated as "unclaimed." 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 of unclaimed funds to the GRF.

Appropriations for Unclaimed Funds				
Fund		**ALI and Name**	**FY 2012**	**FY 2013**
General Services Fund Group				
5430	800602	Unclaimed Funds – Operating	$7,836,107	$7,841,473
5430	800625	Unclaimed Funds – Claims	$69,700,000	$69,800,000
		General Services Fund Group Subtotal	***$77,536,107***	***$77,641,473***
Total Funding: Unclaimed Funds			**$77,536,107**	**$77,641,473**

Unclaimed Funds – Operating (800602)

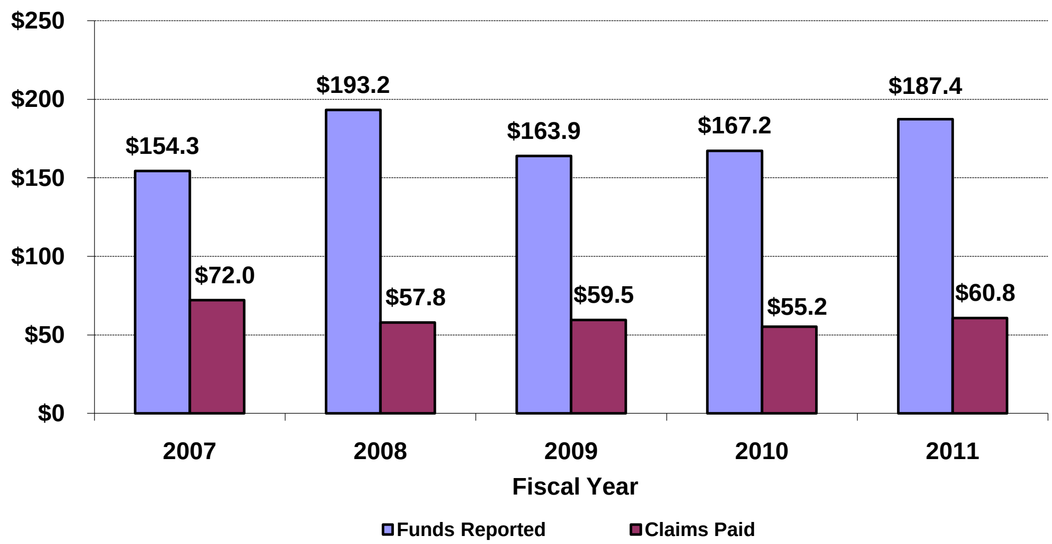
This line item pays the operating and administrative expenses of the Division of Unclaimed Funds. The Division is comprised of administrative, claims processing, compliance, and accountability sections. The budget provides $7.8 million in each fiscal year of the biennium to fund the administrative expenses of the Division, roughly 23% higher than the $6.4 million spent for these purposes in FY 2011. The difference between FY 2011 spending and FY 2012-FY 2013 appropriations is due to lower than budgeted spending, largely in the area of purchased services. However, the Department currently has $3 million in FY 2011 funds encumbered for contingency auditing services.

Unclaimed Funds – Claims (800625)

This line item pays claims from unclaimed funds reported pursuant to Chapter 169. of the Revised Code. The Unclaimed Funds Program is 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. The program relies on funds from the unclaimed funds custodial account under the Treasurer of State.

Until the rightful owner is located, unclaimed funds support economic development throughout Ohio. The Ohio Department of Development 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. In FY 2011, the program collected $187.4 million and paid 46,222 claims totaling $60.8 million to current or former Ohio residents. Chart 5 below summarizes the unclaimed funds reported and claims paid from FY 2007 to FY 2011.

Chart 5: Unclaimed Funds Reported and Claimed (in millions)



The budget appropriates $69.7 million in FY 2012 and $69.8 million in FY 2013 to pay unclaimed funds claims. If additional amounts are necessary to pay claims, the budget includes language appropriating the additional amounts. The budget also authorizes the transfer of up to $215 million of unclaimed funds to the GRF during the FY 2012-FY 2013 biennium, an amount lower than the $385 million transferred pursuant to H.B. 1 of the 128th General Assembly for the FY 2010-FY 2011 biennium.

Category 3: 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. The Labor and Wage Section (LAWS), which enforces the prevailing wage, minimum wage, and minor labor laws, is also included in this category.

Appropriation for Industrial Compliance and Labor				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
State Special Revenue Fund Group				
5560	800615	Industrial Compliance	$27,639,372	$27,664,695

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. The line item is also the funding source for the operations of LAWS, 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 appropriates $27.6 million for this line item in FY 2012, a 13.1% increase when compared to FY 2011 spending of $24.4 million. FY 2011 spending in this area was lower than budgeted, largely because of lower than expected payroll costs. FY 2013 appropriations are $27.7 million, slightly higher than the amount provided for FY 2012. Funding levels for the various bureaus and programs under the auspices of the Division of Industrial Compliance and Labor are provided in Table 5 below.

Table 5. Fund 5560, 800615, Industrial Compliance Program Funding Summary (in millions)			
Program	**FY 2011 Actual**	**FY 2012**	**FY 2013**
Operations and Maintenance	$8.9	$8.8	$8.4
Division Program Administration	$6.7	$8.2	$8.9
Building Code Compliance	$5.7	$5.9	$5.6
Building Code	$1.5	$2.4	$2.4
Labor and Wage Section	$0.8	$1.2	$1.4
Ohio Construction Industry Licensing Board	$0.8	$1.1	$1.1
Total	**$24.4**	**$27.6**	**$27.7**

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

Operations and Maintenance

The Operations and Maintenance Program is responsible for the proper operation and maintenance of critical systems including boilers, elevators, and escalators. The program also performs inspections of bedding and upholstered furniture, licenses and certifies steam engineers and boiler operators, and conducts ski lift inspections and roller rink registrations. 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, roller rinks, and ski lifts.

Division Program Administration

Program administration oversees the general management and direction of Division activities on a daily basis. It is also responsible for the planning and future direction of the Division. The program provides the Division with 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. The amounts allocated to this program provide the funding necessary to continue a project to automate 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.

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.

The program is funded by revenue from various fees, such as those for plan examination, pressure piping, and plumbing permits and inspections. However, the Department reports that revenue from plans examination, the main source of funding for the Bureau, has been declining as more local governments around the state establish certified building departments. Further, commercial construction has decreased due to the weak economy, though several major building projects have helped to sustain revenues.

Building Code

The Building Code Program supports the Board of Building Standards (BBS), which formulates and adopts rules governing building construction 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 Appeals may reverse or modify an order of the enforcing agency (the Division of Industrial Compliance, State Fire Marshal, or the applicable local certified building department) if it is found contrary to a fair interpretation or application of the governing regulations.

The Board of Building Standards receives funding through a portion of the boiler certificate, elevator certificate, plan review application fees as well as a surcharge on the fee for certified building departments, among other sources. The Board of Building Appeals receives funding through a $200 fee for each building appeal.

Labor and Wage Section

The Labor and Wage Section (LAWS) enforces the minimum wage, prevailing wage, and minor labor laws. LAWS investigates complaints and, upon making determinations, collects back wages and penalties owed to workers. The budget makes two changes to permanent law regarding how prevailing wage penalties and back wages are handled. The first provision eliminates the Penalty Enforcement Fund (Fund 5K70), which collected statutory penalties assessed against companies that have violated the prevailing wage law. Instead, these penalties will now be deposited into the Labor Operating Fund (Fund 5560). As a result, the budget discontinues SSR Fund 5K70 line item 800621, Penalty Enforcement, which was used by LAWS to enforce the prevailing wage law. The second provision allows for the Treasurer of State to transfer certain back wages due to workers that are deposited in the prevailing wage custodial fund to the Labor Operating Fund (Fund 5560). In order for funds to be transferred, the Director of Commerce must determine that funds in the prevailing wage custodial fund are not returnable to employees and certify the amount not returnable to the Treasurer of State.

Modifications to the Prevailing Wage Law

The bill increases the current statutory monetary thresholds for determining when the Prevailing Wage Law applies to public improvements other than roads, sewers, ditches, and other related projects in several stages, ultimately reaching $250,000 for new construction and $75,000 for reconstruction, as described in Table 6 below. Unlike current law, these amounts will not be adjusted biennially for inflation by the Director of Commerce.

Table 6. Prevailing Wage Threshold Adjustments		
Time Frame	**Construction**	**Reconstruction**
Current Law (inflation-adjusted)	$78,258	$23,447
9/28/2011 to 9/27/2012	$125,000	$38,000
9/28/2012 to 9/27/2013	$200,000	$60,000
9/28/2013 and onward	$250,000	$75,000

For roads, sewers, ditches, and other related projects, the bill sets the Prevailing Wage Law thresholds at their current, inflation-adjusted levels. In addition, the bill exempts from the Prevailing Wage Law public improvements undertaken by, or under contract for, certain port authorities and any portion of a public improvement that is undertaken and completed solely with donated labor and prohibits a public authority from applying prevailing wage requirements to a public improvement that is undertaken by, or under contract for, a school district or an education service center.

The bill also repeals a provision of the Prevailing Wage Law that deemed certain projects to be public improvements and required all contractors and subcontractors on those projects to comply with the Prevailing Wage Law. Finally, the bill makes a number of other changes regarding the administration of the prevailing wage law, including provisions concerning complaint investigations, interested party complaints, apprentice ratios, wage rate determinations and changes, and penalties.

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. The Board is funded by license examination, issuance and renewal fees, as well as various continuing education course approval and training provider fees.

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 (DFI), 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				
Fund		**ALI and Name**	**FY 2012**	**FY 2013**
State Special Revenue Fund Group				
4X20	800619	Financial Institutions	$2,186,271	$1,990,693
5440	800612	Banks	$7,242,364	$6,942,336
5450	800613	Savings Institutions	$2,257,220	$2,259,536
5500	800617	Securities	$4,312,434	$4,314,613
5520	800604	Credit Unions	$3,450,390	$3,450,390
5530	800607	Consumer Finance	$3,613,016	$3,516,861
5FW0	800616	Financial Literacy Education	$240,000	$240,000
5GK0	800609	Securities Investor Education/Enforcement	$1,135,000	$485,000
Total Funding: Financial Institutions			**$24,436,695**	**$23,199,429**

Financial Institutions (800619)

This line item provides centralized administrative support to the Division of Financial Institutions' various sections, which include Banks, Credit Unions, Savings Institutions, 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. This line item's fund, the Financial Institutions Fund (Fund 4X20), receives revenue from quarterly assessments on the Banks Fund (Fund 5440), the Savings Institutions Fund (Fund 5450), 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.

The budget appropriates just under $2.2 million in FY 2012, a 50% increase over FY 2011 spending of $1.5 million. This difference results from FY 2011 spending being quite a bit lower than the amounts budgeted, primarily in the area of supplies and maintenance costs. The FY 2013 appropriation of $2.0 million represents a 9.0% decrease from the FY 2012 level.

Banks (800612)

This line item funds the regulation of state-chartered banks, trust companies, and money transmitters. The budget provides funding of $7.2 million for this line item for FY 2012, 36.9% higher than FY 2011 spending of $5.3 million. This difference is due to FY 2011 expenses in this area, primarily payroll, supplies, and maintenance, that were considerably lower than the amount budgeted in that fiscal year. The FY 2013 appropriation is $6.9 million, 4.1% less than the FY 2012 amount. The vast majority of funding in this line item is programmed toward bank regulation while the balance funds the regulation of money transmitters.

Banks

The Banks Program supervises 93 state-chartered banks. It does not have jurisdiction over federal thrifts or national banks. The program reviews and approves 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 on-site 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.

The Banks Program is primarily funded by an annual assessment charged to state-chartered banks based on total assets as of the end of the prior calendar year. Application, examination, and investigation fees paid by banks also help fund the program. These fees are deposited into the Banks Fund (Fund 5440), the revenue to which was approximately $6.7 million in FY 2011 (including application and license fees paid by money transmitters, which are discussed below).

Money Transmitters

The Money Transmitters Program provides for the licensing, supervision, and regulation of the 56 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 while the renewal fee is based on the transmitter's volume of business in this state. In recent years, two additional FTEs have been added to the program to assist with expanded supervisory responsibilities.

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 ($196,748 in FY 2012 and $190,096 in FY 2013) funds the Office of Consumer Affairs, which educates Ohioans on borrowing, refers borrowers to credit counseling services, receives complaints of alleged violations of DFI-administered statutes, contacts the persons that are the subject of the complaint, and forwards possible violations for administrative action. Overall, the budget provides funding for this line item of $3.6 million in FY 2012, a 5.6% increase when compared to FY 2011 spending of $3.4 million, and $3.5 million for FY 2013, a 2.7% decrease when compared to FY 2012 funding. The enacted funding levels in the consumer finance area, while higher than FY 2011 spending, are significantly lower than the FY 2011 appropriation for these activities, aligning the Consumer Finance section's budget with the lower levels of revenue received in the last several years. This was largely the result of legislative enactments affecting businesses subject to the state's consumer finance laws, as well as the weak housing market that affected the mortgage industry.

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 2011, this section oversaw around 8,700 active licenses. Table 7 below lists the number of active licenses by license type as of the end of the last five fiscal years.

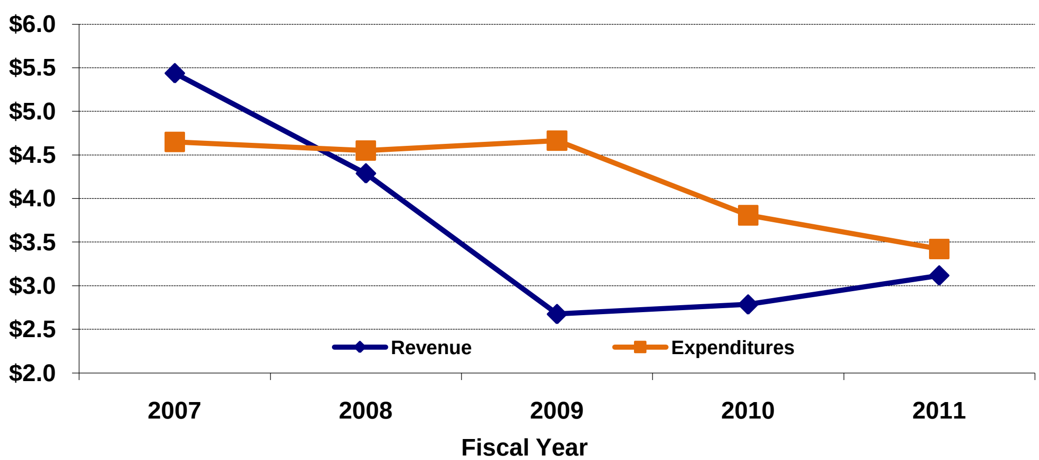
Table 7. Consumer Finance Active Licenses, FY 2007-FY 2011

License Type	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Mortgage Broker Act – Loan Originator	7,634	4,337	3,098	2,172	3,843
Mortgage Lender	1,903	1,175	1,421	1,555	1,485
Check Casher	1,671	1,680	995	1,008	929
Mortgage Lender Act – Loan Originator	0	0	0	18	895
Mortgage Broker	1,735	1,156	739	461	531
Pawnbroker	162	166	284	290	297
Small Loan Company	47	11	553	510	294
Mortgage Broker Act – Mortgage Banker	0	0	0	172	203
Precious Metals Dealer	18	23	41	106	186
Insurance Premium Finance Company	54	48	54	45	44
Credit Service Organization	5	15	20	29	29
Mortgage Broker Act – Credit Union Services Org.	0	0	0	4	4
Mortgage Lender Act – Credit Union Services Org.	0	0	0	1	2
Check Casher Lender	1,571	1,577	0	0	0
Short Term Loan Company	0	0	2	0	0
Total	**14,800**	**10,188**	**7,207**	**6,371**	**8,742**

As the table shows, the number of licensed individuals has fallen dramatically. This is due to a combination of factors mentioned previously, including (1) increased licensing requirements enacted in S.B. 185 of the 127th General Assembly, (2) elimination of the check-casher lender license by H.B. 545 of the 127th General Assembly, and (3) the downturn in housing markets.

As a result of these changes, revenue to the Consumer Finance Fund (Fund 5530), consisting of license fees on the various consumer finance, nondepository institutions and professions fell sharply. Offsetting these declines were fee increases in the main operating budget act for the FY 2010-FY 2011 biennium that affected mortgage brokers and mortgage loan originators, two of the larger categories of licensees overseen by the Consumer Finance section. In addition, the number of active licenses increased in FY 2011 largely due to the implementation of the federal S.A.F.E. Act in H.B. 1, which required the licensure and regulation of loan originators working under mortgage brokers and mortgage lenders. As Chart 6 below shows, these factors have stabilized revenue to the fund. On the spending side, the program has reduced its staff in recent years and completed a thorough review of all operations, resulting in changes that have reduced the overall cost of the program.

Chart 6. Consumer Finance Fund Revenues and Expenditures (millions)



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 Division pursues administrative sanctions against those persons and entities violating the securities laws in Ohio and makes referrals for criminal prosecution. H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, will expand the Division's oversight responsibilities beginning in FY 2012 by requiring the Division to be the primary regulator of Ohio investment advisors having up to $100 million in assets under management.

The budget appropriates $4.3 million for this line item in each fiscal year, an 8.6% increase compared to FY 2011 spending of $4.0 million. The line item's appropriations are supported by revenue from license application and renewal fees for various securities industry professionals and from securities registration and exemption filings. The revenue from fees collected each year are in excess of the total funds required to operate the Division. For example, fee revenue to the Division of Securities Fund (Fund 5500) amounted to $17.4 million in FY 2011. The cash in excess of that needed to defray Division expenses, as determined by the Director of OBM and the Director of Commerce, is transferred to the GRF. In the last several years, these GRF transfers have ranged between $8 million and $12.5 million annually.

Consent to Service of Process in Connection with Regulation D Exemption Notice Filings (R.C. 1707.11)

A provision in the bill removes a requirement that a person not organized under Ohio law, not licensed as a foreign corporation, or that does not have a principal place of business in Ohio submit a consent to service of process when filing for an exemption for a security offered or sold in reliance on Regulation D of the Securities Act of 1933. According to COM, this change conforms Ohio to the majority of states that have discontinued this requirement. The provision is also aimed at decreasing the regulatory burden on business by reducing the number of forms required to be filed.

Waiver of Certain Fees Regarding Securities Investment (R.C. 1707.17)

A provision in the bill also permits the Division of Securities to waive, in part or in whole, certain license, renewal, and notice filing fees for certain professionals involved in securities investment if in the same calendar year, those subject to the fee would be required to pay an additional fee as a result of changes in federal law and regulations requiring them to be subject to state rather than federal regulation. This provision applies to investment advisers who are subject to U.S. Securities and Exchange Commission regulation but whose status will change when, under changes made by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, effective July 1, 2011, they become subject to state regulation by the Division of Securities. The federal Act raises the assets-under-management threshold used to define which investment advisers are subject to the federal law. Consequently, jurisdiction over investment advisers managing securities portfolios under the new threshold could change mid-year, and those investment advisers would be subject to an additional fee. As a result of the provision, there may be a minimal loss in revenue to the Division of Securities Fund (Fund 5500).

Credit Unions (800604)

The Credit Unions Program monitors the financial safety and soundness of Ohio's state-chartered credit unions. The supervision and regulation of state-chartered credit unions includes on-site 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, DFI 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 supervises and regulates 175 state-chartered credit unions. 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 institution's operations.

The budget appropriates $3.5 million in each year for this line item, 31.9% higher than FY 2011 spending of $2.6 million. This difference is the result of FY 2011 spending coming in significantly under the amount allotted for supplies and maintenance costs. The program is funded by a semiannual assessment on the gross assets of credit unions, the revenue from which was $2.7 million in FY 2011.

Credit Union Share Guaranty Corporations (R.C. 1761.04)

A provision in the bill increases the maximum annual fee placed on credit union share guaranty corporations from $5,000 to $25,000. Currently, there is only one such corporation operating in Ohio, American Share Insurance (ASI). Current law requires a credit union share guaranty corporation to pay an annual fee of 0.5% of its guarantee fund each year, up to a maximum of $5,000. Increasing the maximum fee that may be charged is intended to make a credit union share guarantee corporation's assessment more comparable to what credit unions of similar size and complexity pay to the Division, ensuring that other financial institutions are not subsidizing the regulation of these entities.

Savings Institutions (800613)

The Savings Institutions Program is responsible for the supervision and regulation of 26 state-chartered savings and loan associations and 23 state-chartered savings banks. The program ensures the safety and soundness of these institutions and compliance with the law through regular examinations, surveillance and monitoring along with coordination and enforcement of supervisory actions. As with other regulated depository institutions, DFI is in competition with the federal government to maintain savings and loan association and savings bank charters. The program is funded by annual assessments of the regulated institutions based on total assets of savings banks and savings and loans. These assessments generated $2.0 million in both

FY 2010 and FY 2011. The budget appropriates $2.3 million each fiscal year for this line item, 10% more than FY 2011 spending of $2.1 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. This line item's fund (Fund 5GK0) was seeded with cash transfers of $485,000 annually in FY 2010 and FY 2011 from the Division of Securities Fund (Fund 5500). The budget continues these transfers in the same amount for each year of the FY 2012-FY 2013 biennium. The budget appropriates $1.1 million for this line item in FY 2012 and $485,000 in FY 2013. FY 2011 spending in this line item amounted to just under $777,000.

These funds will be used to support several IT and training projects, such as implementation of PDF imaging, word searching capability through optical character recognition (OCR), and the ability to upload digital files to the Division's web site. Another project will increase the Division's IT capacity to collect and process evidence, a process that often involves large amounts of electronic and financial data. In order to allow Division staff to properly use these upgraded resources, a portion of the funding in this line item will go toward staff training for the new equipment.

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. These activities and the status of the Financial Literacy Education Fund (Fund 5FW0) must be summarized in an annual report. The initial funding for these programs was provided through a transfer of 5% of the cash balance (approximately $474,000) of the Consumer Finance Fund (Fund 5530) to Fund 5FW0 in June 2009. In addition to this one-time transfer, Fund SFW0 receives a small amount of ongoing revenue, amounting to 5% of all charges, penalties, and forfeitures received by Fund 5530. The budget appropriates $240,000 for this program in each fiscal year of the FY 2012-FY 2013 biennium. COM disbursed about $74,000 to support such programs in FY 2011.

Category 5: State Fire Marshal

The appropriations in this category fund the operations of the Office of the State Fire Marshal (SFM), which provides protection to the citizens of Ohio from the dangers of fire and explosions and protect the environment from releases of petroleum from underground storage tanks. The SFM 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.

Appropriations for State Fire Marshal				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
General Services Fund Group				
5F10	800635	Small Government Fire Departments	$300,000	$300,000
		General Services Fund Group Subtotal	***$300,000***	***$300,000***
Federal Special Revenue Fund Group				
3480	800622	Underground Storage Tanks	$1,129,518	$1,129,518
3480	800624	Leaking Underground Storage Tanks	$1,556,211	$1,556,211
		Federal Special Revenue Fund Group Subtotal	***$2,685,729***	***$2,685,729***
State Special Revenue Fund Group				
5460	800610	Fire Marshal	$15,400,000	$15,501,562
5460	800639	Fire Department Grants	$1,698,802	$1,698,802
5HV0	800641	Cigarette Enforcement	$120,000	$120,000
6530	800629	UST Registration/Permit Fee	$1,854,675	$1,509,653
		State Special Revenue Fund Group Subtotal	***$19,073,477***	***$18,830,017***
Total Funding: State Fire Marshal			**$22,059,206**	**$21,815,746**

Small Government Fire Departments (800635)

This line item is used to fund the Small Government Fire Department Revolving Loan Program, which makes no interest loans to small governments for up to 95% 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 funds the program at FY 2011 spending levels with appropriations of $300,000 in each fiscal year.

Underground Storage Tanks (800622, 800624, and 800629)

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 3,975 owners of approximately 22,600 registered UST systems.

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 appropriates $1.1 million in each fiscal year, 36.9% higher than FY 2011 spending of about $825,000. This difference appears to be mostly the result of FY 2011 funds that have been encumbered but not yet spent.

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% state match. The funding for this line item is approximately $1.6 million each fiscal year. FY 2011 spending amounted to $1.4 million.

Appropriation item 800629, UST Registration/Permit Fee, also provides funding for underground storage tank regulation, but it 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 approximately $1.9 million in FY 2012, 37.6% higher than FY 2011 spending of $1.3 million. This difference appears to be mostly the result of FY 2011 funds that have been encumbered but not yet spent.

Fire Marshal (800610)

This line item provides the primary operating funds for the administration of the Division of the State Fire Marshal (SFM) and its programs. The State Fire Marshal Fund (Fund 5460) is the Division's primary operating fund. This fund receives revenue from a 0.75% surcharge on fire insurance premiums, 20% 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 FY 2012 funding of $15.4 million, a 7.6% increase over FY 2011 spending of $14.3 million. FY 2013 funding is appropriated at $15.5 million. This line item funds multiple programs, descriptions of which are provided below. FY 2012-FY 2013 allocations for the programs funded by this line item have yet to be determined.

Program Administration

This program provides for the administration of SFM and its eight operating bureaus. The program funds salaries and fringe benefits of administration, which consists of 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. FY 2011 spending for program administration activities amounted to $3.4 million.

Ohio Fire Academy

The Ohio Fire Academy conducts fire-related training courses for more than 15,000 emergency responders annually. The program also funds replacement of vehicles and specialized firefighting equipment. Training, which is conducted at the Academy facilities and on-site throughout the state, includes firefighting, antiterrorism response, and urban search and rescue. The Academy maintains national accreditation for the various levels of firefighter training. FY 2011 spending for the Ohio Fire Academy amounted to $3.1 million.

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, though the Department reports that its workload has been increasing in recent years due to recent legislative initiatives. For instance, S.B. 237 of the 127th General Assembly made changes to the laws governing hotels and motels, a provision of which requires SFM to conduct plan review for certain hotels or motels and thus, additional inspections. In addition, H.B. 500 of the 127th General Assembly required cigarettes sold in the state to be fire standards compliant. Thus, SFM Code Enforcement inspectors have begun to ensure that retailers are selling cigarettes that conform to these standards. FY 2011 spending for code enforcement activities amounted to $2.9 million.

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 (FEIB) has three accelerant detection canine teams to assist in recovering evidence at arson crime scenes and operates the Major Incident Response Vehicle (MIRV), which has sensitive and specialized communications equipment to be used in any type of disaster or fire, arson, or bombing incident. FY 2011 spending for fire investigations amounted to $2.9 million.

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 operates the Public Fire Safety Decal Program for volunteer firefighters, provides fire safety courses for health care facility certification, smoke alarms to high-risk families, support for special public recognition events, support of fire safety fairs, and trains local fire department personnel. FY 2011 spending for fire prevention activities amounted to about $885,000.

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. FY 2011 spending for the forensic lab amounted to about $720,000.

Testing and Registration

The Testing and Registration Bureau licenses a number of entities in accordance with statutory requirements. Among the entities licensed are companies and individuals in the fire protection industry; hotels and motels; flame effect and fireworks exhibitors; fireworks manufacturers, wholesalers, and shippers; and underground storage tanks and those who install and inspect those tanks. FY 2011 spending for the Testing and Registration Bureau amounted to about $490,000.

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 appropriates about $1.7 million in each fiscal year, 3.1% higher than FY 2011 spending of $1.6 million. Under the 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. Private fire companies providing fire protection services under a contract with a political subdivision are also eligible, but only for training grants. The budget act also permits small units of local government eligible to receive the grants that together intend to contract with the same fire department or private fire company to jointly apply for fire protection services grants.

The 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 or gear or for 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.

Cigarette Enforcement (800641)

This new line item will be used in the FY 2012-FY 2013 biennium to purchase the office equipment and supplies needed to carry out the cigarette enforcement program, which certifies cigarettes as meeting reduced ignition propensity standards established under H.B. 500 of the 127th General Assembly. Cigarettes passing the ignition propensity standards are not as likely to set fire to certain types of fabrics, such as upholstered furniture or mattresses.

In February 2010, COM began to receive certification applications for cigarettes that met reduced ignition propensity standards. Currently, there are 142 brand families certified. "Brand family" refers to the various types of cigarettes, such as lights, menthols, 100's, 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 brand family included in an application. This fee may be adjusted annually to ensure it is sufficient to defray the actual costs of certification, up to $2,500 per brand family. Proceeds from the fee are deposited into the Cigarette Enforcement Fund (Fund 5HV0).

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 2012**	**FY 2013**
General Services Fund Group				
1630	800620	Division of Administration	$6,200,000	$6,200,000
1630	800637	Information Technology	$5,999,892	$6,011,977
		General Services Fund Group Subtotal	***$12,199,892***	***$12,211,977***
State Special Revenue Fund Group				
5X60	800623	Video Service	$340,299	$340,630
		State Special Revenue Fund Group	***$340,299***	***$340,630***
Total Funding: Administration			**$12,540,191**	**$12,552,607**

Division of Administration (800620)

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.

The budget appropriates $6.2 million in each fiscal year for this line item, amounts that are 5.7% less than FY 2011 spending of $6.6 million. This line item is funded by assessments levied on the seven operating divisions, which are based on a percentage of the actual operating appropriation of each of the individual funds used by the Department. OBM must approve how the assessment is calculated on an annual basis. These assessments generated around $10 million per year during FY 2009 and FY 2010 and increased to $14 million during FY 2011.

Information Technology (800637)

This line item funds the Information Technology Group (ITG), which is part of the Division of Administration. ITG is responsible for developing, maintaining, and protecting the Department's computer systems, network, electronic business applications, and electronic data. ITG provides technical support via the Department of Commerce Help Desk and direction to Division staff on industry standards regarding the purchase of hardware and software. ITG also develops and maintains the existing Commerce web site and provides efficient 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. The budget appropriates $6.0 million in each fiscal year, roughly 6.3% higher than FY 2011 spending of $5.6 million.

Video Service (800623)

This line item will be used to fund the Video Service Regulation Program. This program, created by S.B. 117 of the 127th General Assembly, reviews video service authorization applications and either approves or denies them. The program is forwarded consumer complaints against cable companies and telephone companies providing video service from the Public Utilities Commission. Video service authorizations are valid for ten years. To date, there are 51 active video service franchises under the state authorization system. 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. The costs of this program are paid for primarily through an assessment on video service providers. In addition, video service providers 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 bill directs the revenue generated by the assessment on video service providers, the total amount of which is limited to $450,000 per fiscal year or the actual, current year administrative costs to carry out the program, whichever is less, to Fund 5X60 instead of the Division of Administration Fund (Fund 1630), the fund that previously collected the money. The budget appropriates $340,299 in FY 2012 and $340,630 in FY 2013 for this line item, providing the appropriations needed to fund the program without Fund 1630. The bill also includes a provision that authorizes transfers of cash of up to $340,000 each year from Fund 1630 to Fund 5X60.

Category 7: Real Estate and Professional Licensing

This category of appropriations provides licensure and regulation of real estate brokers, salespersons, appraisers, and registers foreign real estate property and the registration and investigation of complaints involving Ohio cemeteries.

Appropriations for Real Estate and Professional Licensing				
Fund		ALI and Name	FY 2012	FY 2013
State Special Revenue Fund Group				
4B20	800631	Real Estate Appraiser Recovery	$35,000	$35,000
4H90	800608	Cemeteries	$268,067	$268,293
5470	800603	Real Estate Education/Research	$125,000	$125,000
5480	800611	Real Estate Recovery	$25,000	$25,000
5490	800614	Real Estate	$3,413,708	$3,332,308
6A40	800630	Real Estate Appraiser – Operating	$699,565	$648,890
Total Funding: Real Estate and Professional Licensing			**$4,566,340**	**$4,434,491**

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. The line item is funded by license fees paid by real estate brokers and salespersons. In FY 2010, various fees on real estate brokers and salespersons were increased via H.B. 1 of the 128th General Assembly, the FY 2010-FY 2011 main operating budget act. During FY 2011, license fee revenue increased by over 23%, to $3.0 million, compared to the $2.4 million collected in FY 2010.

The budget appropriates approximately $3.4 million in FY 2012 for these purposes, an increase of 14.7% compared to FY 2011 spending of $3.0 million. The increase between fiscal years is the result of supplies, maintenance, and payroll costs that were lower than originally budgeted for FY 2011. The FY 2013 appropriation of $3.3 million is 2.4% lower than the FY 2012 level.

Real Estate Broker Law Changes

The enacted budget includes extensive changes to the Real Estate Brokers Law. Overall, these changes will provide the Division of Real Estate and Professional Licensing with greater flexibility and efficiency in carrying out its responsibilities under Chapter 4735 of the Revised Code. These changes also provide additional means to bolster the fund balance of the Real Estate Operating Fund (Fund 5490).

Specifically, the act limits or changes the exclusion of persons from the definitions of "real estate broker," "real estate salesperson," "foreign real estate dealer," and "foreign real estate salesperson." Next, the act makes various changes to the enforcement process regarding licensed real estate brokers and salespersons and unlicensed persons. There are also changes to certain educational requirements for real estate brokers and salespersons, including the nature of the classroom instruction that may be used to fulfill the ten hours of instruction required. Finally, there are various changes with regard to advertising by real estate brokers or salespersons.

In terms of fiscal changes, the act requires any civil penalties collected for operating as a real estate broker or salesperson without a license to be deposited into the Real Estate Operating Fund (Fund 5490) instead of the Real Estate Recovery Fund (Fund 5480). The act also permits, instead of requires, the Director of Commerce to pay excess funds from the Real Estate Operating Fund (Fund 5490) to the Real Estate Education and Research Fund (Fund 5470). Another change is an increase in the maximum size of a loan that may be advanced from the Real Estate Education and Research Fund (Fund 5470) from $800 to $2,000. In addition to these changes, the bill eliminates the option for a real estate broker or salesperson license application fee to be partially refundable and makes nonrefundable the fees for reactivation or transfer of a license.

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. Funding for these oversight activities comes from fees paid by real estate appraisers. The amount of revenue received from these individuals has been declining in recent years, from nearly $674,000 in FY 2008 to $584,000 in FY 2011.

The budget provides funding of $699,565 for these purposes in FY 2012, 15.7% greater than FY 2011 spending of nearly $605,000 in this area. FY 2011 expenditures were lower than the amount budgeted, primarily because of reduced supplies and maintenance costs, as well as reduced remittances to the federal government for federal national registry fees paid by appraisers, which are initially collected by the Division along with the individual's state license fee. The budget appropriates $648,890 for FY 2013, 7.2% less than the amount for FY 2012.

The passage of H.R. 4173, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, will likely require changes to Ohio's program of appraiser regulation. Implementing rules from the federal government are expected to be issued during calendar year (CY) 2011, which may require changes in the Ohio statutes governing appraisers. As the federal bill is implemented, the workload of the Real Estate Appraiser Section will increase to assist appraisers in understanding and adhering to the new requirements. However, the Department also indicated that the federal bill contains an authorization for grants to be issued to the states to assist with enforcement activities. Guidelines for such grants are not expected to be issued until late in CY 2011, at the earliest.

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. There are about 3,500 cemeteries registered. Burial permit fees are the main source of revenue for this program. The budget includes funding of over $268,000 each fiscal year for these activities. FY 2011 spending amounted to $216,463. During FY 2011, revenue to the Cemetery Registration Fund (Fund 4H90) from burial permits and cemetery registrations and renewals amounted to $267,000.

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 advances loans not exceeding $2,000, increased by the budget act from $800, to applicants for salesperson's licenses to help defray the cost of statutory education requirements. These activities are funded through the Real Estate Education and Research Fund (Fund 5470), which receives $1 from each real estate broker and salesperson application fee. The budget appropriates $125,000 in each fiscal year of the biennium for these purposes. FY 2011 spending amounted to nearly $14,000.

Real Estate and Appraiser 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 while the Real Estate Appraiser Recovery Fund (Fund 4B20) is funded through a $50 assessment on new real estate appraiser license/certification applications. The budget appropriates a total of $60,000 for these line items in each year of the biennium. FY 2011 spending amounted to $42,000.

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FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For Main Operating Appropriations Bill **Version:** Enacted

COM Department of Commerce

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
GRF	800410	Labor and Worker Safety	$ 1,240,063	$ 460	$ 0	-100.00%	$ 0	N/A
General Revenue Fund Total			**$ 1,240,063**	**$ 460**	**$ 0**	**-100.00%**	**$ 0**	**N/A**
1630	800620	Division of Administration	$ 5,745,187	$ 6,573,792	$ 6,200,000	-5.69%	$ 6,200,000	0.00%
1630	800637	Information Technology	$ 4,569,890	$ 5,643,941	$ 5,999,892	6.31%	$ 6,011,977	0.20%
5430	800602	Unclaimed Funds-Operating	$ 5,421,979	$ 6,350,092	$ 7,836,107	23.40%	$ 7,841,473	0.07%
5430	800625	Unclaimed Funds-Claims	$ 55,217,362	$ 60,848,238	$ 69,700,000	14.55%	$ 69,800,000	0.14%
5F10	800635	Small Government Fire Departments	$ 300,000	$ 300,000	$ 300,000	0.00%	$ 300,000	0.00%
General Services Fund Group Total			**$ 71,254,419**	**$ 79,716,062**	**$ 90,035,999**	**12.95%**	**$ 90,153,450**	**0.13%**
3480	800622	Underground Storage Tanks	$ 528,422	$ 825,278	$ 1,129,518	36.87%	$ 1,129,518	0.00%
3480	800624	Leaking Underground Storage Tanks	$ 1,583,895	$ 1,398,927	$ 1,556,211	11.24%	$ 1,556,211	0.00%
3DF0	800606	Federal Stimulus - Underground Storage Tank	$ 218,072	$ 5,820,817	$ 0	-100.00%	$ 0	N/A
3DX0	800626	Law Enforcement Seizure Funds	$ 47,046	$0	$ 0	N/A	$ 0	N/A
Federal Special Revenue Fund Group Total			**$ 2,377,435**	**$ 8,045,021**	**$ 2,685,729**	**-66.62%**	**$ 2,685,729**	**0.00%**
4B20	800631	Real Estate Appraisal Recovery	$ 10,000	$ 10,000	$ 35,000	250.00%	$ 35,000	0.00%
4H90	800608	Cemeteries	$ 209,012	$ 216,463	$ 268,067	23.84%	$ 268,293	0.08%
4X20	800619	Financial Institutions	$ 1,200,261	$ 1,459,067	$ 2,186,271	49.84%	$ 1,990,693	-8.95%
5440	800612	Banks	$ 4,981,506	$ 5,292,203	$ 7,242,364	36.85%	$ 6,942,336	-4.14%
5450	800613	Savings Institutions	$ 1,727,353	$ 2,052,354	$ 2,257,220	9.98%	$ 2,259,536	0.10%
5460	800610	Fire Marshal	$ 11,563,262	$ 14,318,509	$ 15,400,000	7.55%	$ 15,501,562	0.66%
5460	800639	Fire Department Grants	$ 1,619,598	$ 1,647,140	$ 1,698,802	3.14%	$ 1,698,802	0.00%
5470	800603	Real Estate Education/Research	$ 8,000	$ 13,837	$ 125,000	803.35%	$ 125,000	0.00%
5480	800611	Real Estate Recovery	$ 18,688	$ 31,996	$ 25,000	-21.87%	$ 25,000	0.00%
5490	800614	Real Estate	$ 2,563,516	$ 2,977,091	$ 3,413,708	14.67%	$ 3,332,308	-2.38%
5500	800617	Securities	$ 3,492,265	$ 3,971,776	$ 4,312,434	8.58%	$ 4,314,613	0.05%
5520	800604	Credit Union	$ 2,297,574	$ 2,615,706	$ 3,450,390	31.91%	$ 3,450,390	0.00%
5530	800607	Consumer Finance	$ 3,808,024	$ 3,420,510	$ 3,613,016	5.63%	$ 3,516,861	-2.66%
5560	800615	Industrial Compliance	$ 21,155,829	$ 24,430,933	$ 27,639,372	13.13%	$ 27,664,695	0.09%

FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
COM	**Department of Commerce**							
5FW0	800616	Financial Literacy Education	$0	$ 73,940	$ 240,000	224.59%	$ 240,000	0.00%
5GK0	800609	Securities Investor Education/Enforcement	$ 135,406	$ 776,811	$ 1,135,000	46.11%	$ 485,000	-57.27%
5HV0	800641	Cigarette Enforcement	$0	$0	$ 120,000	N/A	$ 120,000	0.00%
5K70	800621	Penalty Enforcement	$ 126,514	$ 67,010	$ 0	-100.00%	$ 0	N/A
5X60	800623	Video Service	$ 21	$0	$ 340,299	N/A	$ 340,630	0.10%
6530	800629	UST Registration/Permit Fee	$ 1,138,619	$ 1,348,060	$ 1,854,675	37.58%	$ 1,509,653	-18.60%
6A40	800630	Real Estate Appraiser-Operating	$ 525,939	$ 604,679	$ 699,565	15.69%	$ 648,890	-7.24%
	State Special Revenue Fund Group Total		**$ 56,581,385**	**$ 65,328,086**	**$ 76,056,183**	**16.42%**	**$ 74,469,262**	**-2.09%**
7043	800601	Merchandising	$ 458,942,924	$ 485,463,309	$ 472,209,274	-2.73%	$ 0	-100.00%
7043	800627	Liquor Control Operating	$ 11,420,018	$ 12,211,677	$ 13,398,274	9.72%	$ 10,110,479	-24.54%
7043	800633	Development Assistance Debt Service	$ 35,864,507	$ 44,684,407	$ 51,973,200	16.31%	$ 0	-100.00%
7043	800636	Revitalization Debt Service	$ 14,227,569	$ 18,377,223	$ 21,129,800	14.98%	$ 0	-100.00%
	Liquor Control Fund Group Total		**$ 520,455,018**	**$ 560,736,616**	**$ 558,710,548**	**-0.36%**	**$ 10,110,479**	**-98.19%**
Department of Commerce Total			**$ 651,908,320**	**$ 713,826,246**	**$ 727,488,459**	**1.91%**	**$ 177,418,920**	**-75.61%**