

Section I: Revenues, Expenditures, and Year-End Fund Balances

Year-end fund balances

In FY 2016, 39 different boards and commissions regulated and licensed various occupations and professions in the state of Ohio. These boards and commissions did not receive any funding from the General Revenue Fund (GRF). Rather, their operations were supported by license fees, fines, penalties, and other assessments deposited into 25 different non-GRF funds. This section of the report presents a review of cash balances in 22 of these funds at the close of FY 2016 (Table 1),¹ as well as operating income and expenditures for each board by fund over the course of their licensing cycles (Table 2). This information helps indicate whether these licensing and regulatory boards and commissions are financially self-supporting.

Table 1 is a simplified cash balance statement covering 22 of the funds that are used primarily by the boards and commissions. As of July 1, 2015, the first day of FY 2016, these funds had a combined cash balance of \$102.2 million. During FY 2016, a total of \$81.4 million in receipts (including transfers) were deposited into the funds and a total of \$90.4 million in expenditures (including transfers) were paid out of the funds. As of June 30, 2016, the last day of FY 2016, these 22 funds had a combined cash balance of \$93.2 million and outstanding encumbrances of \$4.4 million, leaving the funds with a combined, unobligated cash balance of \$88.8 million. All of the 22 funds finished FY 2016 with positive unobligated cash balances.

In FY 2016, of the \$90.4 million in expenditures made by boards and commissions, \$65.3 million (72.2%) was used for operations and \$25.1 million (27.8%) was transferred out. Of the amount expended for operations, \$46.3 million (71.0%) was for personal services, which includes payroll, fringe benefits, and purchased personal services, \$13.5 million (20.7%) was for supplies and maintenance, \$4.9 million (7.6%) was for subsidies for training and education programs, and the remaining \$0.5 million (0.7%) was for equipment and other miscellaneous expenditures.

Of the \$25.1 million transferred out of the funds used by boards and commissions in FY 2016, the largest transfer was \$15.0 million from the Division of Securities Fund (Fund 5500) to the GRF. Approximately \$1.0 million was transferred from the Consumer Finance Fund (Fund 5530), utilized by the Division of Financial Institutions, to the GRF and about \$10,000 was transferred to the Financial Literacy Education Fund (Fund 5FW0). In addition, approximately \$517,000 was transferred from the State Medical Board Operating Fund (Fund 5C60) to the Professional Licensing System Fund (Fund 5JQ0). Fund 5JQ0 is used by the Department of Administrative

¹ Table 1, which shows fund cash balances, does not include the three funds that are used mainly for purposes other than board activities: the General Operations Fund (Fund 4700) used by the Department of Health, the Bureau of Motor Vehicles Fund (Fund 4W40) used by the Department of Public Safety, and the Industrial Compliance Operating Fund (Fund 5560) used by the Department of Commerce.

Services to purchase equipment, products, and services necessary to develop and maintain a replacement automated licensing system for professional licensing boards. Approximately \$19,000 from the Auctioneers Fund (Fund 5B80) was transferred to the Auction Recovery Fund (Fund 5U10), both used by the Department of Agriculture.

About \$8.6 million was transferred out of the Occupational Licensing and Regulatory Fund (Fund 4K90) in FY 2016. Of this amount, \$5.3 million was transferred to Fund 5JQ0 to support the replacement of the automated licensing system mentioned above. Approximately \$2.2 million was transferred to funds used by boards for education assistance programs for nurses (Fund 5AC0) and accountants (Fund 4J80). Lastly, about \$1.0 million was transferred to the Nursing Education Assistance Fund (Fund 6820), used by the Department of Higher Education, to provide financial assistance to Ohio students enrolled in at least half-time study in approved pre-licensure or post-licensure nurse education programs.

Occupational Licensing and Regulatory Fund (Fund 4K90)

The largest of the 22 funds is the Occupational Licensing and Regulatory Fund (Fund 4K90), which serves as an operating fund for 25 of the boards and commissions covered in this report. Fund 4K90 finished FY 2016 with a cash balance of \$32.8 million, a decrease of \$10.0 million (23.2%) from the beginning cash balance of \$42.8 million. Taking into account the year-end encumbrance of \$1.1 million, Fund 4K90 finished FY 2016 with an unobligated cash balance of \$31.8 million.²

Fund 4K90 receipts totaled about \$31.7 million in FY 2016, a decrease of \$10.5 million (24.8%) from FY 2015 receipts of \$42.2 million. Much of this decrease is due to differences in renewal cycles. The majority of biennial licenses issued by the largest boards and commissions are renewed in odd-numbered fiscal years. Fund 4K90 expenditures and transfers out for FY 2016 totaled \$41.7 million, an increase of \$10.1 million (31.9%) from FY 2015 expenditures of \$31.6 million. The difference in expenditures is partially due to the differences in amounts transferred out of Fund 4K90 in each year. When transfers are excluded, expenditures totaled \$33.1 million in FY 2016, about \$3.4 million (11.5%) more than FY 2015 expenditures of \$29.7 million.

² The Fund 4K90 balance reflects the combined cash balance of all boards and commissions operating out of the fund, including the contribution of the State Board of Career Colleges and Schools, which is otherwise not covered in this report.

Table 1. Simplified Cash Balance Statement for Funds Used by Occupational Licensing and Regulatory Boards and Commissions, FY 2016

Fund Name	Fund Code	Beginning Cash Balance	Revenues (Including transfers in)	Expenditures (Including transfers out)	Ending Cash Balance	Year-End Encumbrances	Unobligated Ending Cash Balance
Occupational Licensing and Regulatory Fund	4K90	\$42,763,596	\$31,740,848	\$41,668,337	\$32,836,107	\$1,080,177	\$31,755,930
Division of Securities Fund	5500	\$15,611,867	\$19,052,492	\$19,150,033	\$15,514,327	\$576,020	\$14,938,307
Trauma and Emergency Medical Services Fund	83M0	\$10,543,849	\$6,461,876	\$6,654,322	\$10,351,402	\$1,070,532	\$9,280,870
Investor Education and Enforcement Expense Fund	5GK0	\$7,580,703	\$67,522	\$94,869	\$7,553,356	\$974	\$7,552,382
Consumer Finance Fund	5530	\$6,853,133	\$4,705,965	\$4,238,538	\$7,320,560	\$795,625	\$6,524,935
State Medical Board Operating Fund	5C60	\$4,765,407	\$9,768,381	\$9,918,686	\$4,615,102	\$371,022	\$4,244,080
Private Investigator and Security Guard Provider Fund	5B90	\$2,260,781	\$1,645,508	\$1,265,286	\$2,641,002	\$109,996	\$2,531,006
Division of Real Estate Operating Fund	5490	\$2,411,473	\$2,782,203	\$3,081,088	\$2,112,588	\$138,478	\$1,974,110
Nurse Education Grant Program Fund	5AC0	\$975,316	\$2,015,457	\$1,500,481	\$1,490,292	\$0	\$1,490,292
Manufactured Homes Commission Regulatory Fund	5MC0	\$1,165,684	\$751,575	\$693,967	\$1,223,291	\$87,055	\$1,136,236
Real Estate Recovery Fund	5480	\$1,105,159	\$58,544	\$40,100	\$1,123,604	\$0	\$1,123,604
Real Estate Appraiser Operating Fund	6A40	\$1,150,740	\$592,479	\$633,445	\$1,109,774	\$89,423	\$1,020,351
Real Estate Appraiser Recovery Fund	4B20	\$953,873	\$19,500	\$0	\$973,373	\$0	\$973,373
Motor Vehicle Dealers Board Fund	5390	\$700,457	\$232,763	\$13,204	\$920,016	\$32,518	\$887,498
Real Estate Education and Research Fund	5470	\$873,542	\$55,416	\$24,141	\$904,816	\$40,014	\$864,802
CPA Education Assistance Fund	4J80	\$904,723	\$274,880	\$316,601	\$863,002	\$0	\$863,002
Board of Pharmacy Drug Law Enforcement Fund	4A50	\$621,600	\$16,170	\$17,644	\$620,125	\$6,400	\$613,725
Auctioneers Fund	5B80	\$375,488	\$332,068	\$351,162	\$356,394	\$7,548	\$348,846
Board of Executives of Long-Term Services and Supports Fund	5MT0	\$344,457	\$628,449	\$638,203	\$334,703	\$30,284	\$304,419
Auction Education Fund	4D20	\$259,308	\$26,763	\$41,323	\$244,748	\$1,498	\$243,250
Drug Database Fund	5SG0	\$0	\$100,000	\$0	\$100,000	\$0	\$100,000
Veterinary Student Loan Program Fund	5BU0	\$36	\$40,962	\$20,000	\$20,998	\$0	\$20,998
TOTAL		\$102,221,192	\$81,369,821	\$90,361,430	\$93,229,580	\$4,437,564	\$88,792,016

Data Source: The Ohio Administrative Knowledge System

Revenues and expenditures

After examining a fund's year-end cash balance, it may be helpful to examine a fund's revenue and expenditure patterns without taking into account the beginning cash balance. While a sufficient beginning cash balance may help a board or commission to absorb an operating deficit during a given year, a board or commission with an annual expenditure level consistently exceeding its annual revenue level may eventually have to reduce its expenditures, increase its license fees, or both. Table 2 lists revenues and expenditures for each board and commission at the fund level. It also compares each fund's revenues and expenditures to determine whether the revenues generated during a given period were sufficient to cover the expenditures incurred in that period. Transfers in and transfers out are excluded from this table in order to view board finances only pertaining to operations.³ Nearly all of the revenue received by the boards and commissions covered in this report comes from license fees.⁴ This means that license renewal cycles (generally one, two, or three years) can have a significant effect on annual revenue.

In order to provide a more complete picture of revenue and expenditure patterns for those boards and commissions issuing annual licenses, Table 2 lists their FY 2016 revenues and expenditures by fund. For those boards and commissions issuing biennial licenses, the table lists total revenues and expenditures by fund over the FY 2015-FY 2016 period. Likewise, for boards and commissions issuing on a triennial basis, the table lists revenue and expenditure data over the FY 2014-FY 2016 period. Some boards and commissions with biennial or triennial license renewal cycles stagger their license renewal periods to avoid larger fluctuations in revenues and expenditures from year to year.

Annual renewal cycles

As shown in Table 2, in FY 2016, 11 boards and commissions on primarily annual renewal cycles registered higher revenues than expenditures. The Division of Securities within the Department of Commerce, which regulates the sale of securities and licenses security professionals, registered the largest overall surplus of \$14.9 million. The Division uses two funds: the Division of Securities Fund (Fund 5500), which had a surplus of \$14.9 million, and the Investor Education and Enforcement Expense Fund (Fund 5GK0), which had a deficit of \$27,347. The Division of Financial Institutions, also within the Department of Commerce, registered the next highest revenue surplus of \$1.5 million in the Consumer Finance Fund (Fund 5530). The third largest surplus of \$922,352 was registered by the State Board of Pharmacy across its six funds. The Board's

³ Table 2 excludes funds that are primarily used to disburse grants (and are therefore not used for general board operations): the CPA Education Assistance Fund (Fund 4J80), the Nurse Education Grant Program Fund (Fund 5AC0), and the Veterinary Student Loan Program Fund (Fund 5BU0).

⁴ The main exception is the State Board of Emergency Medical, Fire, and Transportation Services, which is primarily funded by fees and fines, such as a portion of moneys collected from seat belt law violations.

portion of Fund 4K90 had the largest surplus among boards with annual renewal cycles.

Four boards and commissions on annual renewal cycles registered expenditures at levels higher than their revenues in their portion of Fund 4K90: the Ohio Athletic Commission (\$132,886), the Motor Vehicle Repair Board (\$100,982), the Board of Orthotics, Prosthetics, and Pedorthics (\$21,584), and the Board of Sanitarian Registration (\$8,673). The Hearing Aid Dealers and Fitters Board, which uses the General Operations Fund (Fund 4700), registered a deficit of \$39,498, while the Board of Executives of Long-Term Services and Supports registered a deficit of \$9,754 in the Board of Executives of Long-Term Services and Supports Fund (Fund 5MT0).

Biennial renewal cycles

In FY 2016, 18 boards and commissions that operate mainly on biennial renewal cycles registered higher revenues than expenditures over their two-year licensing period. The Board of Nursing had the largest surplus of \$5.4 million followed by the State Board of Cosmetology with \$1.9 million. Both of these boards use Fund 4K90. The largest deficit was registered by the Respiratory Care Board (\$660,199) in its portion of Fund 4K90. However, a large portion of its FY 2016 license fee revenue (\$834,500) remained in a holding account at the end of the fiscal year, thus accounting for the deficit. This revenue will be transferred to Fund 4K90 in FY 2017. The Auctioneer's Program within the Department of Agriculture also registered an overall deficit of \$46,065 in the program's two funds (Fund 5B80 and Fund 4D20).

Triennial renewal cycles

Two of the boards that mainly renew licenses on a triennial basis registered surpluses over their three-year licensing period: the Board of Emergency Medical, Fire, and Transportation Services with a surplus of \$3.8 million in the Trauma and Emergency Medical Services Fund (Fund 83M0) and the Accountancy Board with a surplus of \$1.8 million in their portion of Fund 4K90. The Department of Commerce's Division of Real Estate and Professional Licensing registered a deficit of \$856,407 in the Division of Real Estate Operating Fund (Fund 5490), and its Board of Building Standards registered a deficit of \$1.5 million in Fund 5560 related to Board operations. Fund 5490 is used for triennial license renewals (most of the other licenses issued by the Division of Real Estate and Professional Licensing are renewed on an annual basis).

Table 2. Summary of Revenues and Expenditures by Agency by Fund

Agency Name	Fund Code	Revenues	Expenditures	Revenues Over (Under) Expenditures
Annual Renewal Cycle, FY 2016				
Division of Securities (Commerce)	Total	\$19,120,014	\$4,244,902	\$14,875,112
	5500	\$19,052,492	\$4,150,033	\$14,902,459
	5GK0	\$67,522	\$94,869	-\$27,347
Division of Financial Institutions (Commerce)	5530	\$4,696,865	\$3,228,400	\$1,468,465
State Board of Pharmacy	Total	\$7,574,571	\$6,652,219	\$922,352
	4K90	\$7,044,771	\$6,242,951	\$801,820
	5SG0*	\$100,000	\$0	\$100,000
	3DV0*	\$255,575	\$241,991	\$13,584
	3CT0*	\$141,055	\$138,486	\$2,569
	3EB0*	\$17,000	\$11,147	\$5,853
	4A50*	\$16,170	\$17,644	-\$1,474
Ohio Construction Industry Licensing Board (Commerce)	5560	\$1,480,104	\$860,323	\$619,781
Private Investigator & Security Guard Unit (Public Safety)	5B90	\$1,645,508	\$1,265,286	\$380,222
Division of Industrial Compliance (Commerce)	5560	\$591,771	\$247,573	\$344,198
Ohio Board of Dietetics	4K90	\$408,760	\$308,034	\$100,726
State Board of Optometry	4K90	\$405,660	\$322,052	\$83,608
Ohio Manufactured Homes Commission**	5MC0	\$751,575	\$693,967	\$57,608
Division of Real Estate and Professional Licensing (Commerce)***	Total	\$725,724	\$697,686	\$28,038
	5480	\$58,544	\$40,100	\$18,444
	4B20	\$19,500	\$0	\$19,500
	5470	\$55,416	\$24,141	\$31,275
	6A40	\$592,264	\$633,445	-\$41,181
Ohio Optical Dispensers Board	4K90	\$366,585	\$364,184	\$2,401
State Board of Sanitarian Registration	4K90	\$142,701	\$151,374	-\$8,673
Board of Executives of Long-Term Services and Supports (Aging)	5MT0	\$628,449	\$638,203	-\$9,754
State Board of Orthotics, Prosthetics, and Pedorthics	4K90	\$142,225	\$163,809	-\$21,584
Hearing Aid Dealers and Fitters Licensing Board (Health)	4700	\$144,058	\$183,556	-\$39,498
Motor Vehicle Repair Board	4K90	\$417,650	\$518,632	-\$100,982
Ohio Athletic Commission	4K90	\$155,458	\$288,344	-\$132,886

*These funds are grant funds, holding funds, or special law funds that do not collect license revenue. Funds 3DV0, 3CT0, and 3EB0 are federal funds.

**These amounts do not include revenues and expenditures related to licenses that are renewed biennially or triennially (Fund 4K90).

***The total shown for the Division does not include Fund 5490, which is used by the Division for licenses issued on a triennial basis.

Table 2. Summary of Revenues and Expenditures by Agency by Fund				
Agency Name	Fund Code	Revenues	Expenditures	Revenues Over (Under) Expenditures
Biennial Renewal Cycle, FY 2015-FY 2016				
Board of Nursing	4K90	\$20,232,955	\$14,822,920	\$5,410,035
State Board of Cosmetology****	4K90	\$9,068,747	\$7,166,648	\$1,902,099
State Medical Board	5C60	\$18,564,973	\$17,412,425	\$1,152,548
Motor Vehicle Dealer Licensing Board (Public Safety)	Total	\$1,108,205	\$46,249	\$1,061,956
	5390	\$455,375	\$44,942	\$410,433
	4W40	\$652,830	\$1,307	\$651,523
State Board of Registration for Professional Engineers and Surveyors	4K90	\$2,369,043	\$1,705,415	\$663,628
Occupational Therapy, Physical Therapy, and Athletic Trainers Board	4K90	\$2,512,715	\$1,579,132	\$933,583
Veterinary Medical Licensing Board	4K90	\$1,014,773	\$636,159	\$378,614
Ohio State Dental Board	4K90	\$3,345,167	\$2,982,588	\$362,579
Counselor, Social Worker, and Marriage and Family Therapist Board	4K90	\$2,885,725	\$2,550,311	\$335,414
Architects Board and the Ohio Landscape Architects Board	4K90	\$1,319,006	\$994,431	\$324,575
Ohio State Barber Board	4K90	\$1,486,149	\$1,191,934	\$294,215
State Board of Psychology	4K90	\$1,338,759	\$1,100,140	\$238,619
Chemical Dependency Professionals Board	4K90	\$1,119,333	\$904,713	\$214,620
Ohio Manufactured Homes Commission	4K90	\$717,493	\$520,326	\$197,167
State Chiropractic Board	4K90	\$1,292,549	\$1,097,148	\$195,401
Board of Speech-Language Pathology and Audiology	4K90	\$1,141,018	\$994,649	\$146,369
Motor Vehicle Salvage Dealers Licensing Board (Public Safety)	4W40	\$73,835	\$4,804	\$69,031
State Board of Embalmers and Funeral Directors	4K90	\$1,403,182	\$1,375,955	\$27,227
Auctioneers Program (Agriculture)	Total	\$679,163	\$725,228	-\$46,065
	5B80	\$626,429	\$663,864	-\$37,435
	4D20	\$52,734	\$61,364	-\$8,630
Respiratory Care Board*****	4K90	\$397,535	\$1,057,734	-\$660,199
****These amounts do not include \$58,990 in reinstatement fees from the Board's lapsed license amnesty program that were deposited directly into the GRF.				
*****The majority of the Board's FY 2016 revenue (\$834,500) remained in a holding account at the end of FY 2016 and will be transferred to Fund 4K90 in FY 2017.				
Triennial Renewal Cycle, FY 2014-FY 2016				
Board of Emergency Medical, Fire, and Transportation Services (Public Safety)	83M0	\$21,552,194	\$17,801,328	\$3,750,866
Accountancy Board	4K90	\$4,690,475	\$2,859,910	\$1,830,565
Division of Real Estate and Professional Licensing (Commerce)	5490	\$8,839,872	\$9,696,279	-\$856,407
Board of Building Standards (Commerce)*****	5560	\$271,420	\$1,729,099	-\$1,457,679
*****These amounts only represent the Board's licensing activities and do not include other Board activities related to regulating building standards.				