

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

### Year-end fund balances

In FY 2017, 41 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 many non-GRF funds. This section of the report presents a review of cash balances in 23 of these funds at the close of FY 2017 (Table 1),<sup>1</sup> 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 23 of the funds that are used primarily by the boards and commissions. As of July 1, 2016, the first day of FY 2017, these funds had a combined cash balance of \$93.2 million. During FY 2017, a total of \$86.3 million in receipts (including transfers) were deposited into the funds and a total of \$95.3 million in expenditures (including transfers) were paid out of the funds. As of June 30, 2017, the last day of FY 2017, these 23 funds had a combined cash balance of \$84.2 million and outstanding encumbrances of \$5.4 million, leaving the funds with a combined, unobligated cash balance of \$78.8 million. All of the 23 funds finished FY 2017 with positive unobligated cash balances.

In FY 2017, of the \$95.3 million in expenditures made by boards and commissions, \$66.9 million (70.2%) was used for operations and \$28.4 million (29.8%) was transferred out. Of the amount expended for operations, \$46.5 million (69.5%) was for personal services, which includes payroll and fringe benefits, \$12.3 million (18.4%) was for supplies and maintenance, \$4.7 million (7.0%) was for subsidies for things such as training and education programs, \$2.8 million (4.2%) was for purchased personal services, and the remaining \$0.6 million (0.9%) was for equipment and other miscellaneous expenditures.

Of the \$28.4 million transferred out of the funds used by boards and commissions in FY 2017, the largest transfer was \$15.3 million from the Occupational Licensing and Regulatory Fund (Fund 4K90) to the Professional Licensing System Fund (Fund 5JQ0) to support the replacement of the automated licensing system. Fund 5JQ0 is used by the Department of Administrative Services to purchase equipment, products, and services necessary to develop and maintain a replacement automated licensing

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<sup>1</sup> 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. Nor does it include federal funds used by the State Board of Pharmacy.

system for professional licensing boards. Additional funds were transferred from Fund 4K90, including approximately \$390,000 to funds used by boards for education assistance programs for nurses (Fund 5AC0) and accountants (Fund 4J80). Lastly, about \$250,000 was transferred from Fund 4K90 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. In total, \$15.9 million was transferred from Fund 4K90.

The next largest transfer was \$10.0 million from the Division of Securities Fund (Fund 5500) to the GRF. Approximately \$1.5 million was transferred from the State Medical Board Operating Fund (Fund 5C60) to the Professional Licensing System Fund (Fund 5JQ0). Additionally, \$1.0 million was transferred from the Consumer Finance Fund (Fund 5530), utilized by the Division of Financial Institutions, to the GRF and about \$2,200 was transferred to the Financial Literacy Education Fund (Fund 5FW0).

### **Occupational Licensing and Regulatory Fund (Fund 4K90)**

The Occupational Licensing and Regulatory Fund (Fund 4K90) serves as an operating fund for 25 of the boards and commissions covered in this report. Fund 4K90 finished FY 2017 with a cash balance of \$20.0 million, a decrease of \$12.9 million (39.2%) from the beginning cash balance of \$32.8 million. Taking into account the year-end encumbrance of \$1.3 million, Fund 4K90 finished FY 2017 with an unobligated cash balance of \$18.7 million.<sup>2</sup>

Fund 4K90 receipts totaled about \$35.6 million in FY 2017, an increase of \$3.9 million (12.1%) from FY 2016 receipts of \$31.7 million. Much of this increase 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 2017 totaled \$48.5 million, an increase of \$6.8 million (16.3%) over FY 2016 expenditures of \$41.7 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 \$32.5 million in FY 2017, about \$0.6 million (1.7%) less than FY 2016 expenditures of \$33.1 million.

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<sup>2</sup> 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 2017**

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
Division of Securities Fund	5500	\$15,514,327	\$18,941,092	\$14,999,040	\$19,456,379	\$292,592	\$19,163,786
Occupational Licensing and Regulatory Fund	4K90	\$32,836,107	\$35,592,161	\$48,473,345	\$19,954,923	\$1,296,083	\$18,658,840
Trauma and Emergency Medical Services Fund	83M0	\$10,351,402	\$6,083,123	\$6,167,848	\$10,266,676	\$1,175,440	\$9,091,236
Investor Education and Enforcement Expense Fund	5GK0	\$7,553,356	\$0	\$163,767	\$7,389,588	\$254,071	\$7,135,517
Consumer Finance Fund	5530	\$7,320,560	\$4,990,248	\$5,364,925	\$6,945,883	\$673,450	\$6,272,433
State Medical Board Operating Fund	5C60	\$4,615,102	\$9,772,230	\$10,235,526	\$4,151,806	\$572,849	\$3,578,957
Private Investigator and Security Guard Provider Fund	5B90	\$2,641,002	\$1,489,806	\$1,407,534	\$2,723,274	\$42,147	\$2,681,127
Division of Real Estate Operating Fund	5490	\$2,112,588	\$3,419,610	\$3,293,986	\$2,238,212	\$305,586	\$1,932,626
Medical Marijuana Control Program Fund	5SY0	\$0	\$2,830,811	\$848,958	\$1,981,853	\$504,550	\$1,477,303
Manufactured Homes Commission Regulatory Fund	5MC0	\$1,223,291	\$785,508	\$663,892	\$1,344,907	\$87,364	\$1,257,543
Real Estate Recovery Fund	5480	\$1,123,604	\$44,443	\$0	\$1,168,047	\$0	\$1,168,047
Motor Vehicle Dealers Board Fund	5390	\$920,016	\$237,479	\$12,385	\$1,145,109	\$31,946	\$1,113,164
Real Estate Appraiser Recovery Fund	4B20	\$973,373	\$23,714	\$0	\$997,087	\$0	\$997,087
Real Estate Appraiser Operating Fund	6A40	\$1,109,774	\$573,142	\$705,855	\$977,062	\$77,702	\$899,360
CPA Education Assistance Fund	4J80	\$863,002	\$363,660	\$345,235	\$881,427	\$0	\$881,427
Real Estate Education and Research Fund	5470	\$904,816	\$68,480	\$84,204	\$889,092	\$25,449	\$863,643
Board of Pharmacy Drug Law Enforcement Fund	4A50	\$620,125	\$0	\$35,155	\$584,970	\$12,050	\$572,920
Board of Executives of Long-Term Services and Supports Fund	5MT0	\$334,703	\$609,902	\$548,949	\$395,657	\$22,301	\$373,356
Auctioneers Fund	5B80	\$356,394	\$291,500	\$347,802	\$300,091	\$1,117	\$298,975
Auction Education Fund	4D20	\$244,748	\$25,742	\$8,047	\$262,443	\$3,259	\$259,184
Drug Database Fund	5SG0	\$100,000	\$143,331	\$127,221	\$116,109	\$0	\$116,109
Nurse Education Grant Program Fund	5AC0	\$1,490,292	\$20,640	\$1,495,476	\$15,457	\$0	\$15,457
Veterinary Student Loan Program Fund	5BU0	\$20,998	\$5,310	\$0	\$26,308	\$26,000	\$308
<b>TOTAL</b>		<b>\$93,229,582</b>	<b>\$86,311,929</b>	<b>\$95,329,150</b>	<b>\$84,212,361</b>	<b>\$5,403,956</b>	<b>\$78,808,405</b>

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.<sup>3</sup> Nearly all of the revenue received by the boards and commissions covered in this report comes from license fees.<sup>4</sup> 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 2017 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 2016-FY 2017 period. Likewise, for boards and commissions issuing on a triennial basis, the table lists revenue and expenditure data over the FY 2015-FY 2017 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 2017, 12 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 \$13.8 million. The Division uses two funds: the Division of Securities Fund (Fund 5500), which had a surplus of \$13.9 million, and the Investor Education and Enforcement Expense Fund (Fund 5GK0), which had a deficit of \$163,767. The Department of Commerce's portion of Fund 5SY0,<sup>5</sup> Medical Marijuana Control Program, registered the next highest revenue

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<sup>3</sup> 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).

<sup>4</sup> 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.

<sup>5</sup> The State Board of Pharmacy also uses Fund 5SY0. It licenses retail dispensaries and registers patients and caregivers. The Board has not issued any licenses as of the end of FY 2017.

surplus of \$726,166. However, as of the end of FY 2017, the program is not yet fully operational and is not currently issuing licenses for cultivators, processors, and testing laboratories. The third largest surplus of \$653,731 was registered by the Ohio Construction Industry Licensing Board, also within the Department of Commerce, in the Industrial Compliance Operating Fund (Fund 5560).

The following boards and commissions on annual renewal cycles registered expenditures at levels higher than their revenues in their portion of Fund 4K90: the Motor Vehicle Repair Board (\$65,146), the Board of Orthotics, Prosthetics, and Pedorthics (\$33,657), and the Board of Sanitarian Registration (\$5,198). The State Board of Pharmacy also uses Fund 4K90 for some responsibilities and it registered a deficit of \$73,641 in the fund. In all seven of its funds, the State Board of Pharmacy registered a total deficit of \$589,265. The Division of Real Estate and Professional Licensing, within the Department of Commerce, registered a total deficit in its four funds of \$80,445, while the Hearing Aid Dealers and Fitters Board, which uses the Department of Health's General Operations Fund (Fund 4700), registered a deficit of \$1,557.

### **Biennial renewal cycles**

In FY 2017, 16 boards and commissions that operate mainly on biennial renewal cycles registered higher revenues than expenditures over their two-year licensing period. The State Medical Board had the largest surplus of \$1.3 million in the State Medical Board Operating Fund (Fund 5C60), followed by the State Board of Cosmetology with a surplus of \$1.2 million in Fund 4K90. A total of five boards and commissions on biennial renewal cycles had higher expenditures than revenues over the licensing period. The largest deficit of \$2.8 million was registered by the Board of Nursing in its portion of Fund 4K90. The next largest deficit of \$91,336 was registered by the Occupational Therapy, Physical Therapy, and Athletic Trainers Board in its portion of Fund 4K90.

### **Triennial renewal cycles**

Three of the boards that mainly renew licenses on a triennial basis registered surpluses over their three-year licensing period: the Accountancy Board with a surplus of \$1.9 million in their portion of Fund 4K90, the Trauma and Emergency Medical Services Fund (Fund 83M0), within the Department of Public Safety, with a surplus of \$1.7 million, and the Board of Building Standards, within the Department of Commerce, with a surplus of \$348,166 in Fund 5560 related to Board operations. The Department of Commerce's Division of Real Estate and Professional Licensing registered a deficit of \$302,921 in the Division of Real Estate Operating Fund (Fund 5490). 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
<b>Annual Renewal Cycle, FY 2017</b>				
Division of Securities (Commerce)	Total	\$18,941,092	\$5,162,807	\$13,778,285
	5500	\$18,941,092	\$4,999,040	\$13,942,052
	5GK0	\$0	\$163,767	-\$163,767
Medical Marijuana Control Program (Commerce)	5SY0	\$1,012,000	\$285,834	\$726,166
Ohio Construction Industry Licensing Board (Commerce)	5560	\$1,416,579	\$762,848	\$653,731
Division of Financial Institutions (Commerce)	5530	\$4,985,698	\$4,362,728	\$622,970
Division of Industrial Compliance (Commerce)	5560	\$578,859	\$189,862	\$388,997
Ohio Manufactured Homes Commission*	5MC0	\$785,508	\$663,892	\$121,616
Private Investigator & Security Guard Unit (Public Safety)	5B90	\$1,489,806	\$1,407,534	\$82,272
Ohio Athletic Commission	4K90	\$353,169	\$272,887	\$80,282
Ohio Board of Dietetics	4K90	\$393,448	\$326,673	\$66,775
State Board of Optometry	4K90	\$409,785	\$345,829	\$63,956
Board of Executives of Long-Term Services and Supports (Aging)	5MT0	\$609,902	\$548,949	\$60,953
Ohio Optical Dispensers Board	4K90	\$365,415	\$365,396	\$19
Hearing Aid Dealers and Fitters Licensing Board (Health)	4700	\$137,845	\$139,402	-\$1,557
State Board of Sanitarian Registration	4K90	\$144,910	\$150,108	-\$5,198
State Board of Orthotics, Prosthetics, and Pedorthics	4K90	\$139,410	\$173,067	-\$33,657
Motor Vehicle Repair Board	4K90	\$476,314	\$541,460	-\$65,146
Division of Real Estate and Professional Licensing (Commerce)**	Total	\$709,614	\$790,059	-\$80,445
	5480	\$44,443	\$0	\$44,443
	4B20	\$23,714	\$0	\$23,714
	5470	\$68,480	\$84,204	-\$15,724
	6A40	\$572,977	\$705,855	-\$132,878
State Board of Pharmacy	Total	\$7,697,875	\$8,287,140	-\$589,265
	3EBO***	\$126,547	\$88,189	\$38,358
	3HDO***	\$89,500	\$72,058	\$17,442
	5SGO***	\$143,331	\$127,221	\$16,110
	3CTO***	\$1,975	\$4,564	-\$2,589
	4A50***	\$0	\$35,155	-\$35,155
	4K90	\$7,323,188	\$7,396,829	-\$73,641
	5SY0	\$13,334	\$563,124	-\$549,790

\*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.

\*\*\*These funds are grant funds, holding funds, or special law funds that do not collect license revenue. Funds 3EBO, 3HDO, and 3CTO are federal funds.



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

Agency Name	Fund Code	Revenues	Expenditures	Revenues Over (Under) Expenditures
<b>Biennial Renewal Cycle, FY 2016-FY 2017</b>				
State Medical Board	5C60	\$19,497,961	\$18,148,788	\$1,349,173
State Board of Cosmetology****	4K90	\$8,699,406	\$7,511,417	\$1,187,989
Motor Vehicle Dealer Licensing Board (Public Safety)	Total	\$788,814	\$26,836	\$761,978
	5390	\$470,242	\$25,589	\$444,653
	4W40	\$318,572	\$1,247	\$317,325
State Board of Registration for Professional Engineers and Surveyors	4K90	\$2,321,767	\$1,696,971	\$624,796
Counselor, Social Worker, and Marriage and Family Therapist Board	4K90	\$3,011,364	\$2,653,784	\$357,580
Architects Board and the Ohio Landscape Architects Board	4K90	\$1,378,050	\$1,020,843	\$357,207
Veterinary Medical Licensing Board	4K90	\$1,036,988	\$687,881	\$349,107
Chemical Dependency Professionals Board	4K90	\$1,253,707	\$942,699	\$311,008
State Board of Psychology	4K90	\$1,449,406	\$1,139,032	\$310,374
Ohio State Dental Board	4K90	\$3,331,288	\$3,059,969	\$271,319
Ohio Manufactured Homes Commission	4K90	\$762,947	\$496,263	\$266,684
Ohio State Barber Board	4K90	\$1,462,396	\$1,211,892	\$250,504
State Chiropractic Board	4K90	\$1,285,315	\$1,062,494	\$222,821
Board of Speech-Language Pathology and Audiology	4K90	\$1,188,856	\$1,007,539	\$181,317
Respiratory Care Board	4K90	\$1,192,413	\$1,042,850	\$149,563
Motor Vehicle Salvage Dealers Licensing Board (Public Safety)	4W40	\$59,281	\$4,474	\$54,807
Bureau of Environmental Health and Radiation Protection (Health)	4700	\$783,160	\$807,968	-\$24,808
State Board of Embalmers and Funeral Directors	4K90	\$1,374,794	\$1,411,651	-\$36,857
Auctioneers Program (Agriculture)	Total	\$658,800	\$729,462	-\$70,662
	4D20	\$51,912	\$49,370	\$2,542
	5B80	\$606,888	\$680,092	-\$73,204
Occupational Therapy, Physical Therapy, and Athletic Trainers Board	4K90	\$1,518,688	\$1,610,024	-\$91,336
Board of Nursing	4K90	\$13,014,158	\$15,856,391	-\$2,842,233
<b>Triennial Renewal Cycle, FY 2015-FY 2017</b>				
Accountancy Board	4K90	\$4,805,237	\$2,860,725	\$1,944,512
Board of Emergency Medical, Fire, and Transportation Services (Public Safety)	83M0	\$20,013,612	\$18,268,419	\$1,745,193
Board of Building Standards (Commerce)*****	5560	\$3,134,294	\$2,786,128	\$348,166
Division of Real Estate and Professional Licensing (Commerce)	5490	\$9,240,466	\$9,543,387	-\$302,921

\*\*\*\*These amounts do not include \$23,460 in reinstatement fees from the Board's lapsed license amnesty program that were deposited directly into the GRF.

\*\*\*\*\*These amounts only represent the Board's licensing activities and do not include other Board activities related to regulating building standards.