



**Testimony Before the House Agriculture, Development,
and Natural Resources Subcommittee
Presented by Jacqueline T. Williams
Director, Ohio Department of Commerce
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Introduction

Good morning Chairman Andy Thompson and members of the House Finance Subcommittee on Agriculture, Development and Natural Resources. I'm Jackie Williams Director of the Department of Commerce. Thanks for inviting me to speak today about the Commerce provisions in the Governor's Biennial Budget.

Overview

Commerce is the state's leading regulatory agency, however, we do much more than regulate. Our employees ensure that Ohio businesses and citizens are safe, sound and secure. We touch Ohioans' lives daily. If you pump gas into your car, we make sure gas storage tanks are safe. Buying a home? We license real estate professionals. Whether it's a small investment or your largest, we help to ensure that Ohioans can conduct business safely.

The Department of Commerce receives no General Revenue funding (GRF), rather it receives monies from assessments, fees and sometimes fines. Commerce oversees seven operating divisions including Financial Institutions, Industrial Compliance, Liquor Control, Real Estate & Professional Licensing, Securities, the State Fire Marshal's Office, and Unclaimed Funds. Last year, we issued more than 490,000 licenses and certifications, and conducted more than 123,000 inspections. These numbers represent interactions with businesses and opportunities to educate stakeholders.

FY2018-2019 Budget: Keeping Ohioans Safe, Sound and Secure

During the current biennium, there has been an increase in the number of businesses we serve, which has resulted in our issuing more licenses, and conducting more inspections and examinations. Despite this increase, our biennium operating budget request and Department headcount remain relatively flat as we have been able to identify efficiencies, leverage technology and redeploy staff to manage agency operations.

Commerce's budget reflects a 2.37% increase in FY2018 and a 1.18% decrease in FY2019 in operating expenses. The overall biennium request reflects a 1.19% increase. Your support of our budget will enable us to continue the work of keeping Ohioans safe, sound and secure.

I'd like to share some of the work we've done over the last biennium and speak to some of our future priorities.

Business Friendly

Leveraging technology

Many real estate professionals spend much of their time in the field, yet many of their transactions with the Division, such as license renewals and documenting continuing education, are conducted by paper. This biennium, we will begin implementing the second phase of online services to improve customer service. Within the first year of the rollout, we expect approximately 7,600 of our licensees will renew their licenses online, saving time for busy real estate professionals.

The phrase "time is money" rings especially true in the construction industry. Schedules are constantly shifting, and contractors often find themselves waiting for an inspector's sign-off before they can continue to the next phase, causing delays. The Division of Industrial Compliance is using technology to conduct virtual inspections – where appropriate – to expedite service and reduce costs.

The Division is currently conducting preapproval conferences, and plumbing, electrical and structural inspections via video. The Division is looking to expand this service to boiler and elevator inspections. This is about making it easier for businesses to comply with the law while improving customer service. Response time now can take place in a matter of hours. This also reduces the cost involved for time and associated travel.

Support Growth

BrewDog, a craft brewer based in Scotland, envisioned the opportunity to create new jobs and support economic growth in the Village of Canal Winchester in Franklin County. Members of our Division of Liquor Control team met with company representatives to review the licensing process, compliance and staff training requirements, and the timeline for required permits to meet the company's building deadlines – making it easy for them to establish their business. BrewDog has invested approximately \$30.4 million to house its U.S. headquarters in Ohio, which will create jobs and bring tax revenue to Canal Winchester. The company recently announced plans to build a hotel next to its brewery, with plans to open by late 2018.

Keith Bennet, Special Projects Coordinator for BrewDog, said, "the Ohio Division of Liquor Control were extremely efficient when helping us set up our business in the U.S. They were attentive and also very easy to deal with. We are a Scottish company coming into the U.S, therefore, it was very important that we understood the laws and rules in a completely new jurisdiction."

Reduce Risk

Managing financial institutions is a big responsibility, especially in today's complex banking environment. Leaders of those institutions find that education is often key to being successful. The Division of Financial Institutions hosts five roundtable meetings each year to share emerging trends and best practices around risk reduction. Leaders are able to use the information to better evaluate their own institutions which, in turn, helps them reduce risk.

Consumer Protection

Securities Fraud Investigations

The Division of Securities investigates allegations of securities fraud and other violations of the Ohio Securities Act. In FY2016, the Division secured nine indictments and six convictions for securities fraud on behalf of 64 victims.

Division staff recently collaborated with state and local law enforcement in a case involving 30 seniors and retired investors in northeast Ohio. Those seniors invested retirement funds with the promise that their money would be invested in a hedge fund to offset losses in the securities market.

Instead of investing the money as committed, the perpetrator used victims' money to pay personal expenses, make payments on loans and credit cards, and repay previous investors.

On March 11, 2016, the man pled guilty to a 135-count indictment and was sentenced to 12 years in prison. Division staff worked with his employer to pay restitution to investors.

Returning Money to Ohio Citizens

Each year, the Division of Unclaimed Funds takes reports of forgotten property, and it's our job to find the rightful owners. In FY2016, the Division returned \$81.4 million.

One example of the work being done includes an Ohio woman who was experiencing extreme financial hardship. She had lost her job and her home was about to be foreclosed. She submitted a claim for what she believed was a small amount, but it turned out she had \$21,000 in unclaimed monies with the state. Those returned funds enabled her to stop the foreclosure process and keep her home.

Professionalizing the Fire Service

Approximately 70 percent of Ohio's fire fighters are volunteers. Many local departments have minimal budgets, which makes training cost-prohibitive. The State Fire Marshal is uniquely positioned to train fire fighters and, in some cases, is the only resource available. The Ohio Fire Academy offers world-class education to fire fighters, most of which occurs in our Reynoldsburg location, however, on-location training also takes place to offset travel costs for volunteer fire fighters. Approximately 15,000 fire fighters are trained each year.

Equipping the Fire Service

The Department of Commerce annually awards approximately \$5.4 million in grants which are used to support a variety of training programs and equipment needs. One such program equips local fire departments with MARCS (Multi Agency Radio Communication System) radios. The MARCS system allows fire departments to communicate with each other, with law enforcement and with state agencies, especially in areas where radio reception can be unreliable.

The importance of the MARCS system was recently underscored when the Hocking Hills Lodge caught fire on December 8, 2016. The local fire department deployed the State Emergency Response Plan, which dispatched other fire departments for assistance. While the building was lost, the communications system worked seamlessly as all entities that assisted were on MARCS and able to communicate with each other. Hocking County received a MARCS grant the year prior to the fire occurring.

Educating Consumers

The Division of Financial Institution supports consumer education to help prevent fraud, and also awards financial literacy grants to community-based organizations. Last year, the Highland County Community Action Agency received a grant to partner with the Ohio Means Jobs office to provide financial literacy education. The program resulted in significant savings among families living below the federal poverty level. These results are encouraging, since financial literacy is time intensive and often involves one-on-one coaching and phone calls.

Programs of Interest

Medical Marijuana Control Program

Commerce is one of three agencies responsible for implementing Ohio's Medical Marijuana Control Program. The Department has oversight of cultivators, processors and testing labs, which includes drafting rules and setting up the regulatory structure. The Department worked with industry experts and leveraged best practices from states that implemented similar medical marijuana programs to establish the regulatory framework in Ohio. Regulation and enforcement responsibilities are similar to those throughout Commerce.

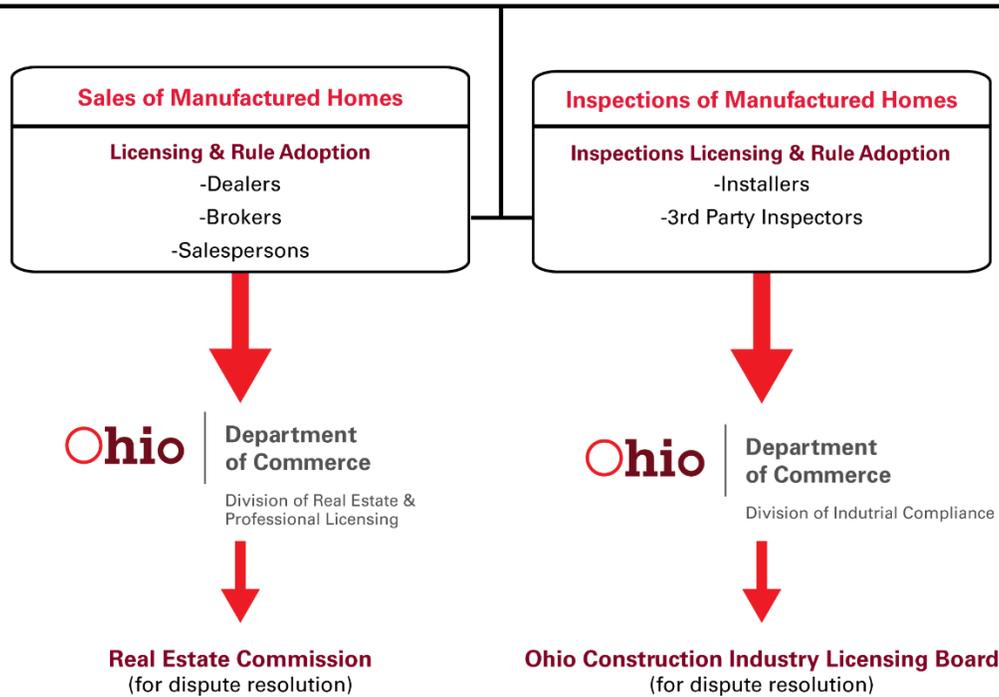
We have taken a conservative approach, guided by legislative intent, and are making progress toward a fully operational program by September 2018. We are committed to ensuring the safety of the public and providing access to safe medical products while being transparent and able to respond to changes in demand.

Manufactured Homes

HB 49 eliminates the Manufactured Homes Commission and transitions the Commission's responsibilities to Commerce. The diagram below shows that licensing of manufactured homes sales professionals would be assumed by the Division of Real Estate and Professional Licensing, while licensing of inspections and inspectors would be assumed by the Division of Industrial

Compliance. Appeals would be handled by the Real Estate Commission (sales) and the Ohio Construction Industry Licensing Board (inspections). While it's premature to predict savings that may be obtained by this common sense move, we are confident that we can take on these responsibilities and achieve significant operational efficiencies and savings.

Manufactured Homes Commission - Consolidation of Duties



Conclusion

The Ohio Department of Commerce exists to keep Ohioans safe, sound and secure at home, at work and in communities. Your support of our request as outlined in the FY2018-2019 budget will allow us to fulfill that important mission.

Thank you. I would be happy to answer any questions.