

**TESTIMONY OF JOHN MCGOUGH ON BEHALF OF THE
OHIO FUNERAL DIRECTORS ASSOCIATION
HOUSE BILL 49**

BEFORE THE HOUSE FINANCE COMMITTEE

April 5, 2017

Chairman Smith, Vice-Chairman Ryan, Ranking Member Cera and members of the House Finance Committee, I am John McGough and I am appearing today in my capacity as the legislative agent for the Ohio Funeral Directors Association (OFDA), a statewide association of 910 funeral homes and approximately 2,300 funeral professionals throughout the State of Ohio.

I am appearing today in support of the State Board of Embalmers and Funeral Directors budget. The Board's Executive Director, Tim Derickson, discussed the Board's budget request before this Committee's State Government & Agency Review Sub-Committee.

In his subcommittee testimony Executive Director Derickson expressed the need to add an additional staff person to investigate and audit preneed funeral contracts sold in this state. OFDA estimates that approximately \$100 million in preneed funeral contracts are sold each year in Ohio. 99+% of the time this process works very well. But through the years there has been preneed funeral contract fraud that has occurred at a funeral home where losses have been in the range of \$200,000 to \$300,000. This can be very devastating for the community involved. With this as a background, Representative Tim Schaffer recently introduced H.B. 157 to address the preneed funeral contract fraud issue which the OFDA fully supports.

The legislation would do what numerous other states have done which is to establish a Preneed Funeral Contract Recovery Fund. This fund would be financed through funeral homes submitting \$10 per preneed funeral contract sold to the Board of Embalmers & Funeral Directors. It is estimated the fund would produce about \$200,000 each year to aid the Board in administering the fund. The management of the fund would work as follows:

If the balance in the fund exceeds \$2 million at the end of a fiscal year the fee would be reduced to \$5. If the balance exceeds \$3 million at the end of a fiscal year the fee would be suspended for the next fiscal year.

The fund would be authorized to spend moneys as follows:

- To make reimbursements on approved applications.
- To purchase insurance to cover losses.
- To invest a portion of the funds as permitted by fiduciaries under Ohio law.
- To pay expenses of administering the fund.

Another protection in H.B. 157 is to require direct payment from the purchaser of the preneed contract to the financial institution or insurer, not to the funeral home as is done today.

With this as a background, the Ohio Funeral Directors Association is in full support of including the provisions I have outlined in H.B. 157 to support the additional staffing the Board of Embalmers & funeral directors has asked for in their budget request

Thank you and I am happy to answer any questions you may have.