Ohio | Department of Commerce

Mike DeWine, Governor
Jon Husted, Lt. Governor

Sheryl Maxfield, Director

Ohio Department of Commerce

FY 2020-2021 Budget Testimony Before the House Finance Subcommittee on Agriculture, Development, & Natural Resources

April 2, 2019

Introduction

Chairman Hoops, Ranking Member Hicks-Hudson, and members of the House Finance Subcommittee on Agriculture, Development, & Natural Resources, my name is Sherry Maxfield and I am the Director of the Ohio Department of Commerce. Thank you for inviting me today to talk about how the Department's Fiscal Year 2020-2021 budget invests in Ohio's future.

Agency Overview

Every day the Department of Commerce impacts the lives of Ohioans, making sure they are safe, sound, and secure. Commerce does this by helping businesses operate safely, successfully, and within regulations. The Department also does this by educating Ohioans about how they can protect what's most important – their families, their homes, and their finances.

The Department receives no General Revenue Funding. Operations are funded largely by licensing, registration, and examination fees. Commerce oversees eight operating divisions including Financial Institutions, Industrial Compliance, Liquor Control, Real Estate & Professional Licensing, Securities, State Fire Marshal, Unclaimed Funds, and Administration.

Each year, the Department:

- Issues more than 600,000 permits and licenses to financial institutions, real estate and investment professionals, and businesses that manufacture and sell alcoholic beverages.
- Conducts 130,000 bank and cemetery examinations as well as fire code and building system inspections.
- Registers 19,000 businesses and products, including securities products, cemeteries, and beer, wine, and low-proof liquor.
- Investigates 1,000 consumer complaints on issues involving banks, cemeteries, or real estate professionals, as well as claims of securities fraud.

Investing in Ohio

Commerce's proposed budget supports the Department's mission as well as the DeWine-Husted Administration's initiatives to invest in Ohio. There are four areas I'd like to highlight today.

Supporting Local Law Enforcement - Enhancing the Efforts of Ohio's First Responders

First, I'd like to share how the Department enhances the efforts of Ohio's first responders.

A well-trained, well-equipped fire service helps keep Ohio families, visitors, and firefighters safe. However, for many Ohio fire departments, most of which are volunteer departments with limited funding, obtaining the latest training and equipment can be a challenge. That's where the Department can help.

Each year, the Division of State Fire Marshal awards more than $5.5 million in grants and loans to supplement the tight budgets of these local departments. The programs largely focus on departments that otherwise could not provide their firefighters with training opportunities, up-to-date equipment, and the latest communication technology.

This budget seeks to maintain current funding levels for these critical programs to ensure Ohio's first responders are prepared to protect Ohioans.

These programs are much more than numbers – they have made a significant difference in the lives of Ohio's firefighters, residents, and businesses. One example is the Wayne Township Volunteer Fire Department in Fayette County. With an annual budget of less than $50,000 and a staff of volunteers, that department's budget could not fully support its firefighters in their efforts to protect the area's 1,500 citizens.

Over the last eight years, grants from the Division of State Fire Marshal have doubled the department's budget – allowing Wayne Township to train 13 firefighters to minimum standards, offer advanced training to five firefighters, upgrade its communication technology, and purchase equipment.

Supporting Ohio's First Responders

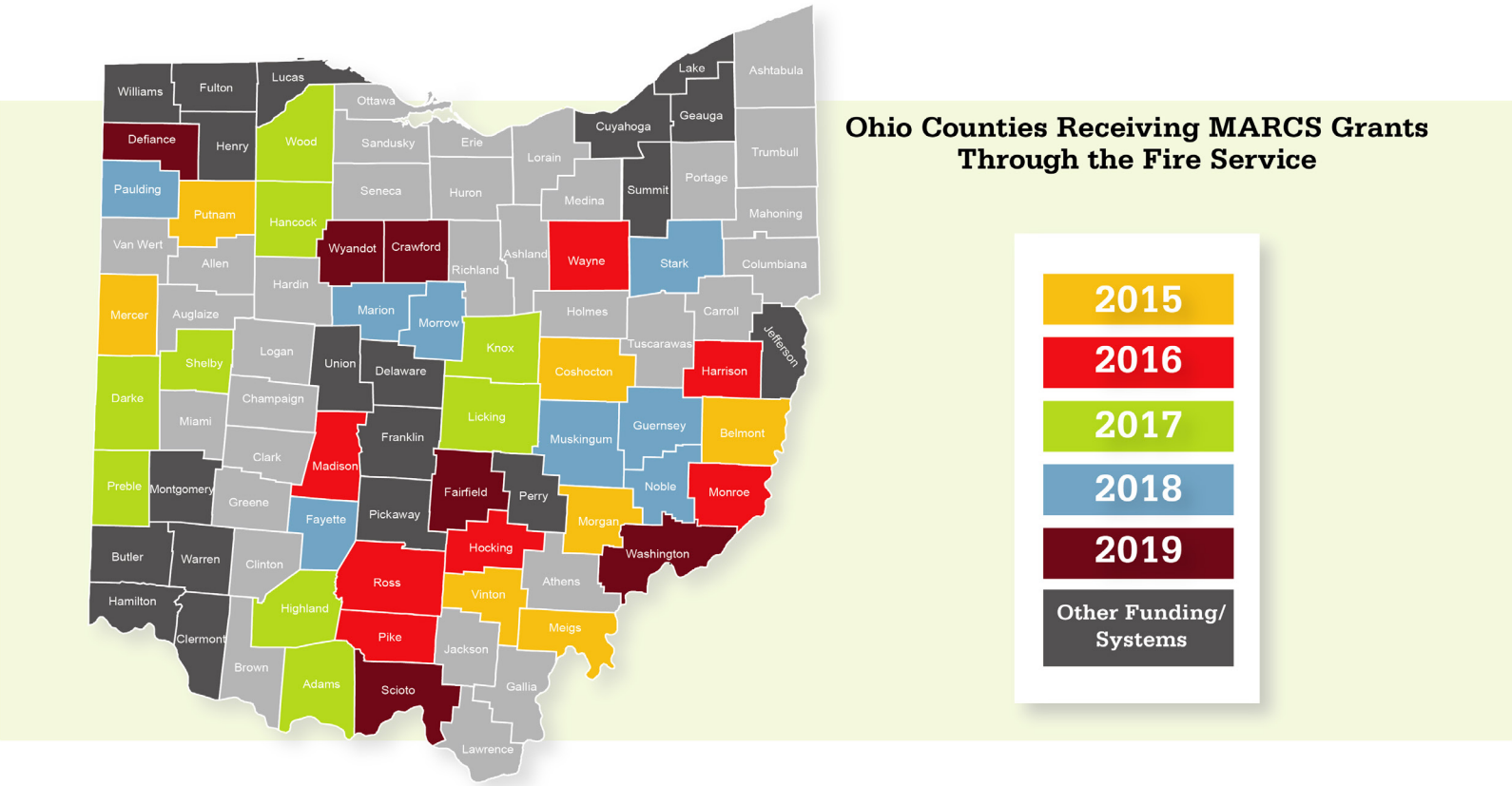
In FY 2018, the State Fire Marshal's office assisted local fire departments, emergency services, and law enforcement in the following ways:

- Conducted 1,095 investigations
- Examined 4,000 pieces of evidence for arson investigators and law enforcement partners
- Trained 30,000 firefighters, approximately 20,000 of which were trained online or in their community
- Trained 381 firefighters to the Firefighter 1 level through the training grant

Another example is the Multi-Agency Radio Communications System grant program and how it has helped communities prepare for and respond to incidents. These radios, referred to as MARCS radios, are the industry standard in communication technology and allow all responding agencies to communicate seamlessly with each other. Timely communication is critical in saving lives and protecting property.

However, transitioning to MARCS is costly. The MARCS grants make it possible for departments to move to this system. More than 40 counties have used the grants to fully transition to MARCS (see Figure 1: Ohio Counties on MARCS).

Figure 1: Ohio Counties on MARCS

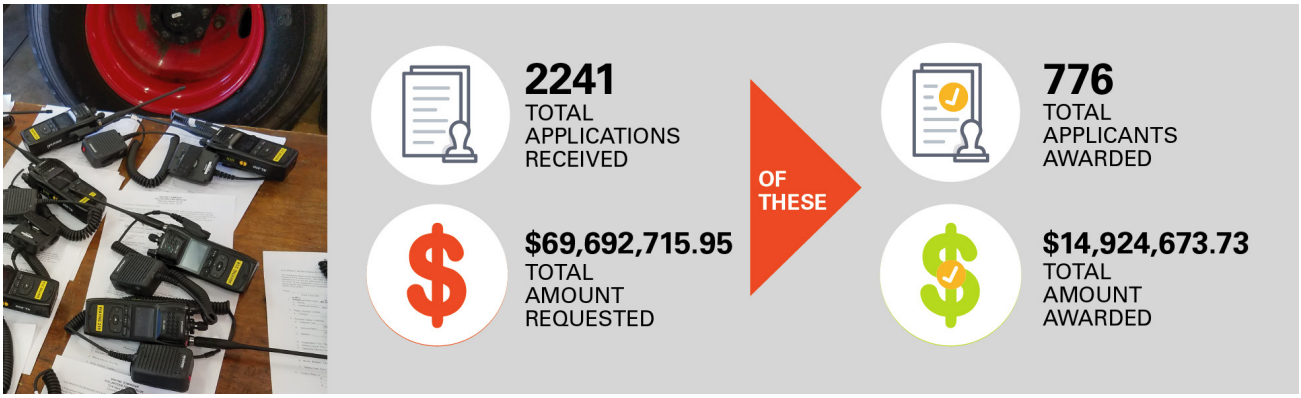


I'd like to highlight two examples that demonstrate the impact of the MARCS grant program.

- One example occurred just a few months ago. On Feb. 17, the Ohio Emergency Response Plan (ERP) was activated in Lucas County for a fire aboard a freight ship in Monclova Township. Out-of-county fire companies and ERP plan coordinators used MARCS radios to communicate seamlessly with on-scene responders – MARCS radios for the ERP coordinators and fire departments in Wood County were made possible with funding from the Marshal's office.
- Another example is recent shale oil production emergencies in eastern Ohio. These incidents were handled safely and effectively due, in large part, to improved communications. During these dangerous, volatile incidents, MARCS radios allowed local emergency responders and state agencies to communicate in extremely remote areas of the state – this was possible because local departments used grants to transition to MARCS. Before the full implementation of MARCS in the area, similar incidents were stymied by poor, ineffective communications.

Funding for these grants continues to be in high demand. Each year, more than $12 million in requests are submitted for $3 million in funding (see Figure 2: MARCS Grant Requests and Awards).

Figure 2: MARCS Grant Requests and Awards FY 2015–2019



Police, fire, and EMS must partner closely to protect their communities. This is particularly true when you look at how Ohio's first responders work together confronting the state's opioid crisis. As a key partner, the State Fire Marshal's office is:

- Educating first responders on safe practices specific to opiate-related calls.
- Supporting locals in setting up SAFE (Stop Addiction for Everyone) Stations. SAFE Stations assist and provide treatment for addicts. SAFE Stations are placed in fire departments rather than police departments to reduce the fear of legal action while helping the addict with immediate needs.
- Providing even greater support to local first responders as they find their financial and human capital stretched beyond limits. Local fire departments increasingly are seeking assistance with fire investigations as they are forced to redirect resources. And it's not just small departments – Youngstown and Cleveland's arson bureaus have been cut significantly in recent years and both are requesting support from our fire investigators.

Recovery Ohio – Addressing the Economic Impact of the Opioid Crisis

The second area I'd like to highlight is another way the Department plans to contribute toward adressing the opioid crisis.

In addition to the societal costs, the opioid epidemic is wreaking havoc on families' finances. Whether feeding or fighting the habit, the cost of opiate addiction ranges from tens of thousands to hundreds of thousands of dollars per year – costs that can wipe out a family's entire life savings in one fell swoop.

While virtually unheard of ten years ago, a 2017 *Investment News* survey found that today, more than one-third of financial advisers have at least one client or client family member struggling with the costs of opiate addiction. For these clients, more than half had their financial and retirement plans disrupted, and more than 10 percent were forced into bankruptcy (see Figure 3: The Impact of the Opioid Epidemic on Financial Plans). Yet 81 percent of financial advisors said they did not have training in place to deal with exploitation of elder or vulnerable investors.

Helping these families and Ohio financial advisers navigate the unanticipated financial challenges created by opiate addiction will be the focus of a $3 million campaign by the Division of Securities in partnership with RecoveryOhio and others. Families and advisers will learn how to spot the red flags of opiate addiction; better understand and manage the costs of addiction and rehabilitation, including tips on asset preservation by exploring sources of funding for treatment; and receive critical information on where they can go for help.

The state is uniquely positioned to lead this innovative approach. Ohio has one of the largest number of registered securities firms and professionals in the nation – 210,000 – and, sadly, Ohio is the center of the opioid epidemic. This campaign invests in the future of families who are struggling with addiction by connecting them with resources to fund treatment. And it invests in Ohio – as more people beat their addiction, the overall cost to the state will decrease.

Figure 3: The Impact of the Opioid Epidemic on Financial Plans

Ohio Prosperity Plan – Supporting Small Businesses and Job Opportunities

Third, I'd like to share how the Department plans to improve its support for small businesses, thus creating job opportunities.

Helping businesses succeed in support of a strong economy is central to the Department's mission. For many organizations, the ability to sell alcoholic beverages attracts customers and brings in revenue, and the Division of Liquor Control works to enable organizations to offer beer, wine, and liquor to consumers.

- One way the Division does this is the fulfillment of its role to help the small businesses that are the foundation of Ohio's $1 billion liquor enterprise thrive and grow. The Agency Optimization and Agency Expansion initiatives are doing just that. Agency Optimization revamps stores to create a more satisfying consumer experience, thus increasing sales. The pilot showed an average sales increase in excess of 36 percent over the average statewide growth – increasing the bottom line for these businesses. Agency Expansion allows more entrepreneurs to start or expand their businesses by opening new stores or taking over closing stores. Twenty new stores were opened in 2017-2018.

- Another way the Division supports evolving business models is by implementing new permits and appropriate fees. Two such permits are the Community Entertainment Districts (CED) and Designated Outdoor Refreshment Areas (DORA). These permits enable local communities to allow the sale and consumption of alcoholic beverages in areas it is redeveloping, such as downtown entertainment venues. Toledo officials have established four CEDs and say the lower licensing fees make it easier for entrepreneurs to open a business and reduce start-up time when the savings are invested into start-up costs. Currently, 87 CEDs and 17 DORAs are helping many communities invest in redevelopment. Butler County added a DORA just last month (see Figure 4: CEDs, DORAs – Investing in Communities).

Figure 4: CEDs, DORAs – Investing in Communities

- Finally, the Division helps nonprofits fulfill their mission by issuing permits to help fundraising events succeed. One example is Prayers from Maria, which was started by Ed and Megan McNamara to honor their daughter who lost her battle with cancer. The organization's signature event, Sunflower Soiree & Wine Festival, is made possible with a permit from the Division. Since 2012, the Foundation has generated more than $1 million in seed funding, resulting in $6 million in additional grants and ground-breaking research.

However, the Division's ability to support these businesses quickly and in the way they prefer – online versus on paper – is in jeopardy. The current process basically has been in place since prohibition ended in 1933. It was moved online in the 1960s when new technology was introduced; that technology still is used today. With more than 60 permit types and an archaic system that can no longer be maintained or supported, the Division must overhaul this technology.

This budget earmarks funds to modernize the technology that will enable users to apply for and renew permits online. The stable technology, corresponding business processes, and strengthened relationships with licensees will help the more than 30,000 businesses and organizations continue to contribute to Ohio's economy.

Innovate Ohio – Making it Easier for Ohioans to Claim Their Missing Money

Finally, I'd like to share how the Department plans to introduce innovative technology that will help reunite more Ohioans with their missing money.

Each year, the Division of Unclaimed Funds receives reports of unclaimed money from approximately 60,000 organizations. These funds come from dormant bank accounts, unclaimed security deposits, unredeemed life insurance policies, and forgotten safe deposit boxes.

The amount of money being held for an Ohioan can range from a few dollars to more than $1 million. Many times, even small amounts make a big difference. For one Ohio resident, several thousand dollars allowed her to keep her home from going into foreclosure. For another Ohioan who was battling a serious illness, nearly $190,000 helped defray his medical costs, allowing him to focus on his health.

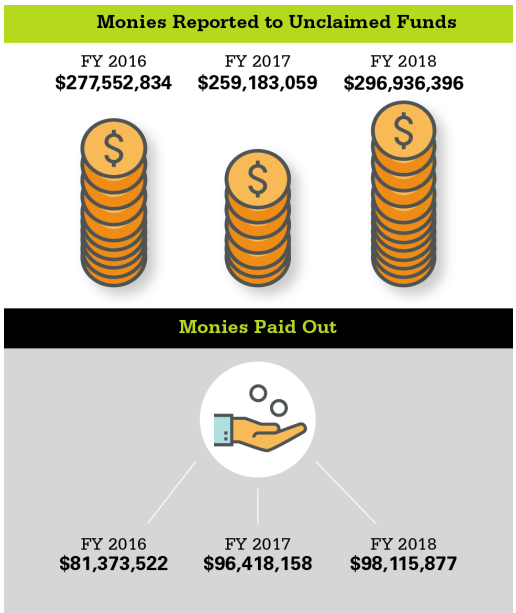


Figure 5 – Unclaimed Funds Reported, Returned

The Division currently is safeguarding $2.8 billion that rightfully belongs to Ohio residents, businesses, schools, and municipalities, and is working hard to return these funds to the rightful owners. Each year, the Division returns nearly $100,000,000 in forgotten money to citizens (see Figure 5: Unclaimed Funds Reported, Returned). By more than doubling outreach efforts in the next fiscal year, the Division expects to increase this figure (Figure 6: Unclaimed Funds Outreach Events).

Currently, these claims are processed through an outdated, labor-intensive, and unsupported technology. This budget earmarks funds to replace this old technology with a new system that will greatly reduce the Division's reliance on paper and decrease the time it takes to process claims. Investing in new technology is investing in the bank accounts of Ohioans as it will help the Division more quickly and easily reunite Ohioans with their missing money – money that can be used to attend college, start a business, or buy a home.

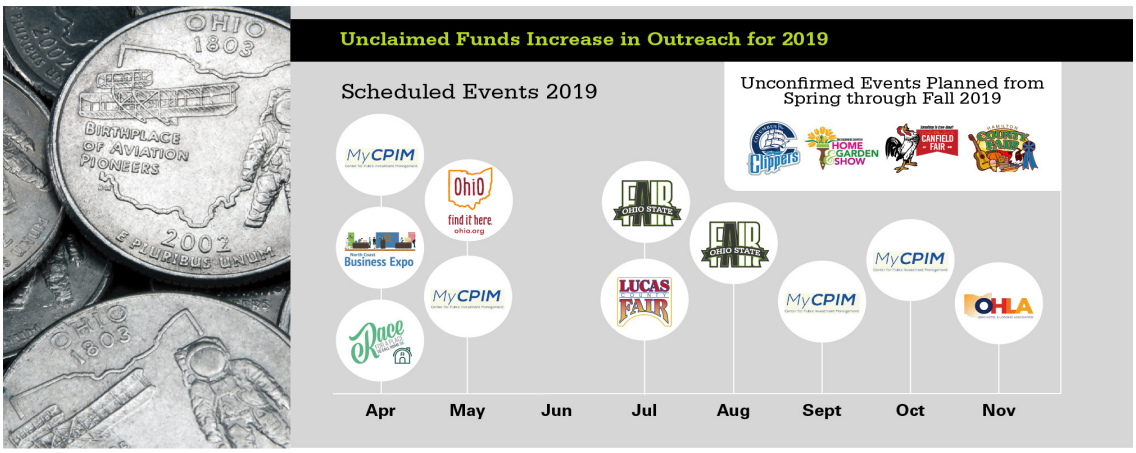


Figure 6 – Unclaimed Funds Outreach Events

Conclusion

In summary, the Fiscal Year 2020 budget request is for $238.7 million, which represents a 7.7 percent increase over the prior year. This increase primarily is for the replacement of aging computer systems, implementation of new programs, acquisition of necessary equipment, and increased payroll expenses. The Fiscal Year 2021 budget request remains flat at $238.7 million.

This budget protects Ohio citizens, supports Ohio businesses, and is aligned with the DeWine-Husted Administration's priorities by investing in Ohio's future. I ask for your support of the budget in its entirety so the Department can continue to fulfill its mission. Your support is an investment in the safety of our state's residents and visitors and the success of Ohio's businesses.

Mr. Chairman and members of the committee, thank you for the opportunity to testify before you today. I am happy to entertain any questions you may have.