



Testimony before the Senate Finance General Government and Agency Review Subcommittee

**Presented by Jacqueline T. Williams
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Introduction

Good morning Chairman Jordan and members of the Senate Finance General Government and Agency Review Subcommittee. I'm Jackie Williams, Director of the Department of Commerce. Thank you 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 just 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 ensure that Ohioans can conduct business safely.

The Department of Commerce receives no General Revenue funding (GRF), rather, operations are funded by 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, and Unclaimed Funds. Last year, we issued more than 490,000 licenses and certifications, and conducted more than 123,000 inspections. Each interaction is an opportunity 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 support, which has resulted in 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 identified efficiencies, leveraged technology and redeployed staff to manage agency operations.

Consequently, despite growth of more than 3.5% increase in professional licenses and certifications during the current biennium, Commerce's budget reflects a proposed increase of about 1% in operating expenses over FY2018 and 2019. 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 during the current biennium and speak to some of our future priorities.

Business Friendly

Leveraging Technology

Busy real estate professionals spend much of their time in the field, yet many of their transactions with the Division of Real Estate and Professional Licensing, such as license renewals and continuing education documentation, are conducted on paper. This biennium, we will begin implementing the second phase of online applications to improve customer service. During the first year of the rollout, we expect approximately 7,600 licensees to renew their licenses online, freeing them to conduct their businesses.

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.

Division staff currently conduct preapproval conferences, plumbing, electrical and structural inspections via video. The Division plans to expand this service to boiler and elevator inspections, which will make it easier for businesses to comply with the law and improve customer service. Response time can take place in a matter of hours, and costs associated with staff time and travel are reduced.

Supporting Growth

BrewDog, a craft brewer based in Scotland, envisioned the opportunity to create new jobs and support economic growth in Ohio. Staff from the Division of Liquor Control met with company representatives to review licensing, compliance and staff training requirements, and the timeline required for permits to meet the company's building deadlines – making it easy for them to establish their business. BrewDog has invested over \$30 million to house its U.S. headquarters in Ohio. 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."

Reducing 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 operating

successfully. 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 that information to evaluate their operations, reduce risk and run safer institutions.

Consumer Protection

Investigating Securities Fraud

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 who had 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 perpetrator 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, seeks rightful owners and returns their property or monies. In FY2016, the Division returned \$81.4 million.

An example of the impact this can have is one 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 that the state was holding \$21,000 in unclaimed monies on her behalf. Those returned funds enabled her to stop the foreclosure process and keep her home.

Professionalizing the Fire Service

Approximately 70% of Ohio's fire fighters are volunteers. Many local departments have minimal budgets, which makes training cost-prohibitive. The State Fire Marshal's Office is uniquely positioned to train fire fighters and is sometimes the only available resource. The Ohio Fire Academy in Reynoldsburg provides world-class education to fire fighters. The Marshal's office also provides on-site training to offset travel costs for volunteer fire fighters. Each year, the Academy trains approximately 15,000 fire fighters.

Equipping the Fire Service

Each year, the Department of Commerce awards approximately \$5.4 million in grants which 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, law enforcement and state agencies, particularly in areas where radio reception can be unreliable.

Last year the importance of the MARCS system became apparent when the Hocking Hills Lodge caught fire. 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 responding entities were on MARCS. Hocking County had received a MARCS grant the preceding year.

Educating Consumers

The Division of Financial Institutions 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 OhioMeansJobs to provide financial literacy education. The program resulted in significant savings among participating families who were living below the federal poverty level. These results are encouraging, since financial literacy is time-intensive but can have a long term, beneficial impact on families.

Ensuring Equal Protection

Ohioans who live in manufactured homes are 4.4 times more likely to die in fires than those living in traditionally constructed homes. This is higher than every surrounding state.

Governor Kasich's Executive Proposal would move the responsibilities of the Manufactured Homes Commission to Commerce to address their unique fire safety issues. Commerce will leverage the deep expertise of the Fire Marshal's Office and the Division of Industrial Compliance to improve the quality of inspections and safety to the benefit of 900,000 Ohioans who live in manufactured homes.

This move also will benefit the manufactured homes business community. Commerce's highly trained construction and housing safety experts, located throughout Ohio, will be able to respond to businesses' needs in a timely manner. Leveraging operational efficiencies will allow costs to be reduced by more than 40%, which will be returned to licensees through reduced fees. Due to economies of scale, we are requesting a new appropriation level of \$400,000 per fiscal year to operate the program, a nearly 67% reduction in the Commission's customary appropriation.

Although the House removed this provision, I strongly encourage you to restore it in order to give manufactured home residents the protections and safeguards that they deserve.

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 establishing 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 structure for 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.

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.