

FY 2020-2021 Budget Testimony

Before the Senate Finance Subcommittee on Health and Medicaid



Presented by
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Chairman Hackett and members of the Senate Finance Subcommittee on Health and Medicaid, my name is David A. Ingram, and I am the Executive Director of the Ohio Board of Embalmers and Funeral Directors. I am pleased to be here this afternoon to present testimony on the Board's fiscal year 2020 and 2021 Executive Budget recommendations of \$949,267 in fiscal year 2020 and \$1,033,281 in fiscal year 2021 and to answer any questions the committee may have about the continuing operations of the Ohio Board of Embalmers and Directors and the Board's funding requirements for the upcoming biennium.

Introduction and Overview

The Ohio Board of Embalmers and Funeral Directors is tasked with licensing and regulating the funeral industry in Ohio. The mission of the Board is to protect consumers and to regulate the profession by establishing standards through licensure of Embalmers, Funeral Directors, Crematory Operators, Embalming facilities, Crematory facilities, and Funeral Homes. The Board currently licenses and regulates over 6,700 funeral service professionals.

The Board is comprised of seven members. Five members are licensed practicing funeral directors, four of which are licensed embalmers. Two members represent the general public. The Board carries out its mission and meets its core agency function of licensing, enforcing, and regulating the funeral service industry with its dedicated staff of seven full time employees: three Funeral-Embalmer Facility Inspectors, two Program Administrators, one Certification License Examiner, and one Executive Director.

Accomplishments

The Executive Budget Recommendations will allow the Board to continue to provide current service levels in fiscal years 2020 and 2021.

Preneed Recovery Fund

A study conducted by AARP reported approximately \$25 billion in preneed funeral contracts nationwide. Preneed funeral contracts are not federally regulated. Rather, preneed funeral contracts are regulated by the states. Ohio regulates preneed funeral contracts through the Preneed Recovery Fund which is a consumer protection fund created to reimburse purchasers of preneed funeral contracts who suffered financial loss from licensee misconduct. While it is important to acknowledge that the fund did not receive appropriation, the balance of the fund is ahead of projections with a current balance of \$397,000.

Automated Reporting and Preneed Payment System

The Automated Reporting and Preneed Payment System (ARPPS) drives the Preneed Recovery Fund as the web-based application created to collect payment and report preneed funeral

contracts sold on a quarterly basis. Although the Preneed Recovery Fund and the Automated Reporting and Preneed Payment System have only been operational for a year, the entire program has already achieved success.

The intended purpose of the Preneed Recovery Fund is to eliminate fraud. Outside of banking, no other profession has as much access to money as our licensees. Reporting irregularities in the Automated Reporting and Preneed Payment System helped a licensee discover that an employee embezzled over \$900,000 from the funeral home. The Executive Budget recommendations will allow the Board to continue the fight against fraud and protect the consumer.

Streamlined Board Meetings

In previous budget cycles, Board meetings lasted two days which invariably included costs associated with overnight travel. The Board now conducts all of its meetings, the committee meetings and Board meeting, in one day. Moving to the one-day meeting format increased efficiency and significantly reduced travel costs.

Crematory Inspections

The Board licenses 148 Crematory facilities. Following strategic planning and decision-making, the Board met its 100% crematory inspection goal by inspecting all crematories licensed in Ohio in fiscal year 2019. This is an achievement that has never been accomplished by the Board.

Streamlined Apprenticeship Application and Program

The board proposed statutory language to streamline the apprenticeship application process by combing two applications into one application. One application will reduce application processing time by Board staff and allow the apprentice to start sooner. Similarly, the Board is currently amending its administrative rules and processes to enhance clarity and efficiency during the apprenticeship program.

Crematory Operator Permit

Cremation as a method of disposition reached 51.6% nationally demonstrating a shift in the industry. Ohio's rate of cremation has now grown between 41-50%. In response to this growth, the Board licensed almost 450 new crematory operators during fiscal year 2019.

Streamlined Disciplinary Process

The Board reduced costs by taking advantage of a method to creatively resolve its disciplinary cases. The "cite and settle" process was introduced as a method to efficiently resolve our disciplinary cases by sending the respondent the notice of opportunity for hearing and a settlement agreement. The new process was successful and almost completely eliminated our hearing examiner costs.

Reduction of Administrative Case Backlog

A strained relationship between previous executive leadership and the Attorney General's office created a significant backlog of administrative cases. During the current fiscal year, the current executive leadership repaired the strained relationship and collaborated with the Attorney General's office to clear its administrative case backlog.

Operational Challenges

Competing Programs with Concurrent Schedules

During the current biennium, the Board was challenged with competing programs on concurrent schedules. The Board and its staff worked through eLicense development and release, renewal in the new licensing system, the Preneed Recovery Fund, development and management of the Automated Reporting and Preneed Payment System, and licensing of a brand new license type. Executing the programs which were the result of a legislative mandate often came at the expense of providing exceptional customer service to licensees and consumers. This challenge, however, did highlight an opportunity for growth in the area of customer service for the Board and its staff.

Occupational Licensing System Costs

The Ohio occupational licensing system, eLicense, and the costs associated with the system presents a current and ongoing financial challenge for the Board. The Board paid a total of \$46,000.04 in credit card processing fees during our first renewal in eLicense. The Board paid \$13,968.72 for eLicense system fees. The credit card processing fees and the eLicense system fees generated a combined expense total of \$59,968.72 for the Board. Our current eLicense expenses are more than our projected travel expenses in either fiscal year 2020 or fiscal year 2021.

Comparing the current biennium with the next biennium, the cost of eLicense is expected to increase over \$16,000 by fiscal year 2021. An increase this sharp is burdensome for smaller regulatory agencies such as the Ohio Board of Embalmers and Funeral Directors. This expense is expected to grow and will continue to be a challenge that weighs heavily on the Board's operating budget.

Executive Budget Recommendations

Careful review of the board's strategic plan and its needs in the upcoming biennium led to the agency's initial request. Although lower than the amount requested by the Board, the recommended budget should cover projected staff payroll and maintenance expenses and allow the Board to become revenue neutral and continue to meet its legislative mandates, which includes licensing qualified applicants; investigating consumer complaints; administering the Preneed Recovery Fund; and promulgating administrative rules that regulate the funeral service industry.

Uncertainties tied to potential rate increases by the Department of Administrative Services and the actual costs associated with eLicense are potential reasons why the recommended budget levels would not be sufficient to meet all operating costs. Unexpected or unforeseen increases in these areas would have an aggregate effect that would negatively impact our budget. As long as the Department of Administrative Services expense rates remain consistent with our planning levels at 10% and the operating costs of eLicense remain within our projected totals, the recommended appropriation authority will cover all planned expenditures.

Revenues

The Ohio Board of Embalmers and Funeral Directors is a non-GRF funded agency. Similar to all professional licensing boards, the Ohio Board of Embalmers and Funeral Directors is required to generate sufficient revenue to meet its expenditures. Fees generated by this Board and the majority of other

regulatory boards are deposited into Fund 4K90, the occupational licensing regulatory fund. The Office of Budget and Management ensures that each board collects enough revenue to support all budgetary needs.

In an effort to remain budget neutral, the Board's budget proposal included a licensing fee increase. The increase in fees will generate \$1,603,000 in revenue during renewal. In addition to the revenue generated from the licensing fees, the Board anticipates \$180,000 in disciplinary fines and an additional \$180,000 in repayment from the Preneed Recovery Fund. The identified sources of revenue will generate a projected total of \$1,963,000 for the Board.

Conclusion

In summary, the Executive Budget recommendations of \$949,267 in fiscal year 2020 and \$1,033,281 in fiscal year 2021 for the Ohio Board of Embalmers and Funeral Directors should permit the Board to continue its current operations. The Board will continue its current practice of seeking operational efficiencies to help control its costs. Technological improvements and automation will continue to allow the Board to develop streamlined processes to provide more efficient services to the consumer, licensees, and stakeholders.

Thank you for your consideration of the Board's budget. I would be pleased to address any questions the may committee have or provide any additional information you may need.