



Ohio Department of Commerce

Budget Testimony: FY 2024–2025 Senate General Government Committee

May 3, 2023

Introduction

Chairman Rulli, Vice Chair Schuring, Ranking Member DeMora, and members of the Senate General Government Committee, 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 the Department's Fiscal Year 2024-2025 proposed budget.

As you know the Ohio Department of Commerce (Commerce) is the State's chief regulatory agency where we work daily to serve Ohioans through our mission of *promoting prosperity by protecting what matters most*— their personal safety, homes, and assets.

Commerce, a non-GRF agency, has submitted a sustainable budget that provides for the operational needs of our seven divisions and three programs in a cost-effective and efficient manner for FY24-25. The agency is requesting approximately \$278 million and \$275 million in budgetary appropriation for FY24 and FY25, respectively. The proposed budget provides Commerce with the financial resources to accomplish our goals and make an impact.

Every year, Commerce issues more than 600,000 permits, licenses, registrations, and certifications in various professions, industries, and commercial enterprises. The Department is self-supported through fees and assessments. Its seven operating divisions and three programs, supported by its administration division, provide countless services to Ohioans and businesses. We do this through four core functions:

1. Licensing and registration.
2. Inspection, examination, and auditing.
3. Investigation and enforcement.
4. Education, outreach, and customer service.

Each year we perform 84,000 inspections, enforcing the building code in commercial buildings ensuring the soundness of elevators and boilers and electrical, plumbing, and structural systems. Commerce also enforces the Ohio Fire Code through inspections and education, investigates fires and explosions, operates a forensic crime laboratory to solve fire-related crimes, and trains Ohio's firefighters.

Commerce also licenses a variety of professionals, including real estate salespeople, appraisers, mortgage brokers, and securities salespersons. The agency oversees the safe distribution of beer, wine, and spiritous liquor and the cultivation, processing, and testing of medical marijuana. Commerce regulates depository and non-depository financial institutions and securities products, protecting the money Ohioans entrust to banks and invest in securities markets. Commerce also

collects, safeguards, and returns to Ohioans millions of dollars of unclaimed funds each year. Through all these functions Commerce impacts the lives of Ohioans in many ways, almost every day.

Commerce's budget submission for FY24-25 is focusing on the following priorities:

1. Leveraging technology to bring higher-quality services to individuals and businesses
2. Helping stakeholders in need by supporting our first responders, Ohioans, and businesses
3. Increasing outreach and education for our licensees and stakeholders
4. Promoting a positive community impact

We believe these priorities align with and reinforce Commerce's mission of *promoting prosperity by protecting what matters most to Ohioans*.

Achievement and Opportunity for the 2024-2025 Biennium

1. Leveraging Technology to Bring Higher-Quality Services to Ohioans and Businesses

In line with the DeWine Administration's InnovateOhio initiative, the number one priority of our agency is to leverage technology to provide a better experience to meet the needs of our licensees, regulated entities and the public.

In late Spring of 2021, I testified before the House Innovation and Technology Committee that as an agency we identified 111 IT projects for consideration and prioritization. Since the fall of 2021, we have completed 35 projects and currently have 30 in progress. Our commitment to regular review of projects and evolving technology needs has provided opportunities for Commerce to consolidate projects and create efficiencies in our work and service to Ohioans.

Of course, the first step in moving the agency "online" for the consumer is providing an updated, efficient, and engaging web experience. The Department launched a new intuitive, interactive website that offers new ways for Ohioans to connect with the agency online. The website offers consumers timely alerts and online complaint forms for some divisions and programs. Commerce continues to develop the website this biennium with the goal that stakeholders will have the ability to apply for or renew licenses and permits, schedule inspections and examinations, make payments, fill out applications for various grants, view courses catalogs and register for in-person or online training courses. The website will ultimately eliminate the need for our licensees and stakeholders to come to Commerce's physical locations or mail in paperwork and checks to complete their transactions.

Liquor permitting is one area most deeply affected by Commerce's lack of modern technology. The **Division of Liquor Control (DOLC)** has taken aggressive preliminary steps to bring its archaic licensing process into the 21st Century. The current permitting system is based on 1960's technology and requires extensive paper-based processing that cannot keep up with the ongoing needs of our permit holders. The very common ability to complete and submit web-based forms, electronically file evidence and supporting documentation, and providing electronic document storage and retrieval,

along with other high-speed workflow management options are lagging or simply not available. To address these issues over the past three years the Division took multiple steps to stabilize the current mainframe and provide backup systems.

We have already implemented a web-based portal for both temporary and renewal permits which went live in 2021. Online registration for beer and wine labels went live in March as did online applications for the transport of beer, wine, and liquor. Additionally, we are updating all the permit applications and forms to make them more customer-focused and have produced several guides and resources to help stakeholders navigate liquor laws.

By the end of the project, this portal will support all 70 permit application types. But there is much more yet to do in this area. During the coming biennium, Commerce will continue to design and develop a new online liquor-permitting solution that will meet the needs of approximately 29,000 liquor permit holders ranging from bars and restaurants, carryout establishments, private clubs, casino management operations, alcohol distributors and alcohol manufacturers. Commerce plans to replace the current, outdated system with a modern, web-based application that makes the permitting process more efficient for users and our employees who process the transactions. Our goal is to have a new system in place and fully functional by December 2024.

We're also focused on technology needs within the **Division of Real Estate and Professional Licensing (REPL)**. Commerce plans to replace the dated system REPL uses to allow for the online renewal of credentials, filing new applications for credentials and obtaining the various certificates of licensures. While the business requirements for such a massive overhaul of the REPL licensing program already are in the development stage, the Department has taken steps to improve the current system by allowing for the online renewal of licensure and the online transfer of salespersons from one brokerage to another. We've moved our customer center to our Tussing Road location in Reynoldsburg which alleviates downtown traffic, parking, and security logistics of the Riffe Center for our licensees. The improvements we have planned for our Division of Real Estate and Professional Licensing will increase the quality of service to our 42,000 real estate licensees. It will also help to reduce the more than 7,000 walk-in customers a year – saving them time and money.

In early 2022, the Department introduced an online portal for our **Division of Unclaimed Funds (UCF)** that allows people claiming their property to upload their verification documents directly through the Division's website rather than having to mail physical copies to the state. This more efficient process means claims can be processed and property returned to claimants more quickly. The Division also made it easier for businesses to report their unclaimed funds by moving the previous paper-based process online. Now, businesses can update their contact information and submit necessary forms online. In the coming biennium, the division looks to update its current platform and leverage potential state partnerships (e.g., BWC, BMV, Department of Taxation, ODJFS) to promote its mission in pertinent literature or web space, as well as find opportunities for data sharing. These process changes create a better customer experience, eliminating an extra layer of paper and use of the U.S. mail.

For the last 27 years, the **Division of Financial Institution's (DFI)** credit union examiners have been using the National Credit Union Administrations (NCUA)

examination platform called AIREs to conduct exams of state-chartered credit unions. Because of the age of the platform, it couldn't adapt to technological changes. Last fall, examiners worked with NCUA to transition to a new system. The new MERIT system has already proven to be more adaptable. It allowed for the creation of an additional category in the rating system used by examiners, allowing an even more thorough review.

This past year, the DFI's consumer finance licensing section processed nearly 22,000 applications for mortgage loan originator licenses, company registrations, and renewals. This was close to a 23% increase in total license renewals over the prior year and a new record. To streamline and improve the process for applicants and DFI employees, the division continued efforts to transfer all paper applications and renewals to the Nationwide Multistate Licensing System (NMLS). This system provides applicants from twelve license types with the ability to apply, renew, and pay fees online rather than mailing physical applications and checks to the division. The electronic process allows for quicker filings and processing, as well as automated review of some applications.

DFI is developing business requirements and cost for the update and/ or replacement of the DFICIS database. The current database was built in-house about 15 years ago and is no longer supported by ITG. Importantly, our examination teams need a way to better review virtual currency assets and transactions being conducted by our licensees to ensure they are following the requirements of the Bank Secrecy Act and other federal and state laws.

The **Division of Industrial Compliance (DIC)** updated its customer service portal this year just as technology and browser support was set to expire. The Division worked with the Department of Commerce's IT team to transition the existing database to a new browser while upgrading it to the latest version. Nearly 50,000 customers, including owners of boilers and steam engines, and elevator operators, are now able to create an online portal account to access their documents, including inspection results, at any time. This will save the Division from mailing more than 100,000 paper documents to customers every year. Another benefit is that customers will also be able to pay multiple invoices at once instead of separately.

While there is more work to be done, this is a time of great technological transformation for the Department of Commerce that will benefit many Ohioans in countless industries and professions.

2. Helping stakeholders in need by supporting our first responders, Ohioans, and businesses

Last spring, Governor DeWine assembled the Ohio Task Force on Volunteer Fire Service, tasking them to study and make recommendations that focus on improving and solidifying the long term sustainability of volunteer fire departments in Ohio. The 25-member task force is focused on issues surrounding recruitment and retention, training, response, operations, and scarce financial resources of these critical departments. The Task Force returned its report earlier this year, and included recommendations, several of which are encapsulated in this budget including the following:

- The creation of a full-time volunteer coordinator withing the SFM
- A media campaign of PSAs designed to assist in recruitment
- A waiver of SFM academy fees for volunteers for the biennium
- An appropriation to update and expand the current online training system
- An increase in Firefighter I/II training grants
- An increase in equipment grants

In addition, I know that Representative Jones and Representative Hall are working with our staff regarding additional recommendations which may be adopted in separate legislation. I thank you and a number of your colleagues for your support of the task force.

This budget will greatly support our first responders and local governments by increasing funding for MARCS grants from the **State Fire Marshal** \$3.5 to \$4 million annually.

These initiatives will be truly transformative for many of our stakeholders.

As you know, three separate agencies oversee the operations of the **Medical Marijuana Control Program (MMCP)**. The Ohio Medical Board certifies doctors to recommend medical marijuana, the Ohio Board of Pharmacy oversees dispensaries and the patient registry, while Commerce regulates licensed cultivators, processors, and testing labs Today the program stands at 31 cultivators, 44 processors, 8 testing labs, and 78 dispensaries that are currently operating and approximately 340,000 registered patients. We work with our stakeholders to ensure an efficient program that produces a safe product for Ohio patients.

Included within our budget is a provision to move the oversight of dispensaries from the Board of Pharmacy to Commerce. This is a measure of streamlined government. The decision to include this provision in the as-introduced version came in recognition that all but one piece of legislation envision the transfer oversight of marijuana dispensaries to Commerce. This budget request simply allows for a slightly longer hand-over period given the necessity of onboarding of employees, updating of rules, reorganization of responsibilities, etc. Please note that there are no marijuana policy requests just this transfer of responsibilities. In addition, I'd like to thank Pharmacy Board Director Steve Schierholt for his partnership in overseeing this program and his promised assistance to make sure any transfer is seamless.

The **Division of Liquor Control** has partnered with JobsOhio Beverage to stand up a Liquor Enterprise Service Center. This staff's purpose is to meet the needs of licensees and our agency store representatives in an expedited manner, freeing up staff who are processing and issuing permits.

Finally, as Ohio continues to compete and secure some of the largest economic development "wins" in our generation with Intel, Honda and more, the **Division of Industrial Compliance** will continue to play an important role with JobsOhio, the Department of Development and our local governments throughout the state. The Division offers plan review and inspection services to any local government that needs to supplement their staff and services. As Ohio sees an influx of members of the

trades from outside the state, the Ohio Construction Industry Licensing Board (OCILB) stands ready to promote, educate, and license these new Ohioans.

Doing its part to ensure we have the building and code enforcement personnel required for these projects, the Board of Building Standards, or BBS, is currently conducting an in-depth study to identify trends across the country in code enforcement. They are considering the changed nature of modern construction, as well as a further review of the necessary skills sets to perform code enforcement today.

A 2014 survey conducted by the International Code Council and National Institute of Building Sciences found that more than 80% of respondents planned to leave code enforcement in the following 5-15 years. A survey completed in 2015 survey completed the by BBS had similar findings, with 30% of building officials reporting that they had vacancies that they were already having trouble filling.

Given this, BBS is proposing a grant program for the training of qualified building personnel. The program would offset the local investment in trainees and help assist local building departments in recruiting and training the next generation of code professionals.

3. Increasing outreach and education for our licensees and stakeholders

Last biennium, Commerce tapped into a communications plan that uses creative, campaign-based media strategies that allows us to share our created content about education, training, grants, loans, licensing and permitting requirements with large audiences. With strategic media placements, we are reaching Ohioans through social media and public service announcements about things like fire-prevention concerns and financial scams — information central to the safety and prosperity of every Ohioan. Through improved placement on internet searches, we reach more Ohioans who don't realize they are due unclaimed funds — money that could help them during economically challenging times. Media planning will allow Commerce to continue to reach more Ohioans and businesses more often with important information about how we can help them. And we are already seeing the results; our year-to-date visits to the website are at 1.14 million unique visitors. Likewise, our year-to-date page views are at 4.2 million. And perhaps most exciting, 86% of the visitors to our website appear to be new visitors!

Ohio Liquor, a partnership between Commerce's Division of Liquor Control and JobsOhio Beverage System has launched an exciting new effort to educate Ohioans on the important role Ohio agriculture plays in the production of some of your favorite spiritous liquor products in the "Seed to Sip" program. Ohioans can join agriculture insider Andy Vance, Matt Cunningham of Rustic Brew Farm near Marysville, and Greg McGlinch of Down Home Farms of Versailles as they walk and talk their way through the fields of western Ohio to the distillers in Ohio and across the country, to the finished product available on the shelves at your local OHLQ agency location.

The **Division of Unclaimed Funds** partnered with the Department of Development and the Department of Transportation to create short promotional videos highlighting the simplicity of searching for and claiming previously forgotten property. The videos

will air at rest stops across Ohio throughout the busy summer travel season. The Division is currently holding webinars for property holders where our registration numbers are nearing a thousand participants.

The **Division of Industrial Compliance** has begun University Facility Roundtables to strengthen our relationships with our state educational institutions and provide for expedient review and examination in the development of their campus facilities. DIC also will continue to serve as a resource for industries who choose to partake in the Manufacturing Mentorship program.

As noted above, the **State Fire Marshal's** office will continue to create online materials and use our regional training model to provide needed education and training to our first responders in rural areas when and where they need it.

The last few years taught us many lessons about outreach and how to meet Ohioans where they are when discussing information that impacts their home, their finances, and their safety. In-person events are no longer the easiest or most effective way to distribute information to the public. Given the changing culture, the Communications section created a podcast to help with outreach in communities around the state. Protecting What Matters debuted in May of last year and positions Commerce leaders as experts in a wide array of subject matter, answering important prevention and protection questions for the average consumer. We've made strides to grow our audience through support from iHeart Radio and a partnership with WCBE in Central Ohio and are looking forward to continued growth through creative marketing opportunities in the next biennium.

4. Promoting a positive community impact

Helping Ohio families and financial advisers navigate the unanticipated financial challenges created by opiate addiction is the focal point of "Recovery Within Reach", a two-year outreach campaign by Commerce's **Division of Securities** in tandem with other state partners such as RecoveryOhio. Families and financial advisers will learn how to spot the red flags of financial exploitation associated with opiate addiction; preserve assets by exploring sources of funding for treatment; and where to go for help or to report suspected financial abuse. Training modules are being created to educate our financial advisers to identify unusual or repetitive financial behavior that could indicate addiction, how to have a conversation about addiction with clients to help alleviate their embarrassment and the stigma associated with addiction, and discuss financial strategies such as how to help clients pay for treatment.

Our Securities Division also launched the Ohio Investor Recovery Fund. This program allows the state to provide a lifeline to innocent investors who had their lives completely upturned by financial fraud. When college funds, savings accounts, and retirement funds have been decimated and elderly victims find themselves unexpectedly returning to the workforce, this initiative will assist as they regrettably find a new "normal."

Ohio Liquor has a serious obligation to advocate for responsible consumption. “Raise a glass. Responsibly.” is a campaign putting safety, education, and support for Ohio’s communities at the forefront of our mission. Ohio Liquor works to provide Ohioans with information and resources regarding the dangers of overconsumption and substance abuse and to partner with our communities to keep children safe through education and programming created to prevent underage drinking and access to alcohol, among other initiatives. In all ways, OHLQ strives to be a trusted and accurate source of information about alcohol safety and responsibility.

The **Division of Unclaimed Funds** not only promotes prosperity by reuniting Ohioans with their forgotten money but also lends funds to businesses and individuals suffering from financial hardship, legal aid, and financial literacy. The Division will continue a partnership with the Ohio Housing Finance Agency (OHFA), to expand access to affordable housing for low-to-moderate-income households by transferring \$250 million to be used for housing development loans. Similarly, we will continue to partner with the Ohio Access to Justice Foundation by lending them Attorney Unclaimed Funds to use to support civil legal aid and access to justice for low-income and underserved Ohioans.

Finally, there is more to smart money management than just trying to avoid debt. Our Securities Division is proposing a grant program that goes beyond traditional financial literacy by focusing on investor education. Participants will move beyond avoiding debt and saving responsibly to the basic tenets of finance and investment principles.

Conclusion

Commerce’s wide-ranging and vital work is self-supported by fees and assessments rather than funding from the General Revenue Fund (GRF). Commerce’s FY24-25 proposed biennial budget includes priorities that will increase the quality of services to licensees and Ohio citizens through improved use of technology and resources, while keeping financial well-being and the safety of Ohioans a priority. This proposed budget allows the Department to fulfill its mission: promoting prosperity by protecting what matters most.