



# Ohio Department of Commerce

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John R. Kasich, Governor

David Goodman, Director

**Testimony before the Senate Finance Committee**

**Presented by David Goodman**

**Director**

**Ohio Department of Commerce**

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## **Introduction**

Chairman Widener, Ranking Member Skindell, and members of the Senate Finance Committee, my name is David Goodman. I am the Director of the Ohio Department of Commerce. Thank you for inviting me today to talk about the Department of Commerce FY 2012-2013 budget plan.

## **Agency Overview**

The Ohio Department of Commerce regulates more than two dozen industries from state-chartered financial institutions to the State Fire Marshal.

Last year, the Department of Commerce issued more than 300,000 professional licenses including real estate agents, securities brokers, building contractors among others. We inspect everything from structural and electrical systems on commercial buildings to bedding, boilers and stuffed animals. Commerce is vigilant in its investigation of fires and explosions, training Ohio's firefighters and operating a nationally-recognized forensic crime laboratory.

Our goal at the Department of Commerce is to assist business through Ohio's regulatory framework so Ohio has the right climate to create jobs. Commerce is not here to play "Gotcha". Rather, we are here to assist businesses in following Ohio standards of public safety and security.

Commerce is self-supporting. Currently, we operate through fees paid by licensees and the industries we regulate. I have followed the directive of Governor Kasich to operate at a lower cost while providing better services. Therefore, in FY 2012, Commerce has introduced a budget of \$729.7 million, reflecting a 4.9 % reduction. In FY 2013, the budget would be reduced by 75.5 % to \$178.5 million, which reflects the transfer of liquor merchandising to JobsOhio.

## **Vision of the Future**

In just a few months, Commerce has set aggressive goals and is enjoying progress across all divisions.

We are changing the culture to one that answers questions and provides guidance, within the boundaries of our regulatory authority. A business should not have to play guessing games to operate lawfully in the State of Ohio. Rather than waiting and pouncing on entities we regulate,

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we are increasing outreach. By providing training and tools to our customers, they can develop strong businesses. One example is financial institutions. There are advantages to being an Ohio-chartered bank, thrift or credit union and we are educating and encouraging our non-state-chartered banks on those benefits.

We are also automating and streamlining, to assist those we regulate. When businesses file and pay electronically, the time saved is time they can be working to provide goods, services and jobs to Ohioans.

At the Department of Commerce and the Division of Liquor Control we are also proud to assist in creating a dedicated, ongoing revenue stream for JobsOhio. Through the transfer of liquor merchandising operations, JobsOhio will have the funding to create and retain jobs and be a leader to the rest of the country.

We are also reforming the prevailing wage law to help struggling public authorities reduce their costs when making necessary public improvements.

The budget we bring before you today, while conservative in reducing its funding levels, already has some great examples of progress. In many cases, it boils down to common sense and swift action.

### **Changing the Culture**

One of the first Ohioans to step forward with a Common Sense Initiative was Mayor Jim Smith, of Avon, Ohio. Custom Culinary is one of his constituent businesses. He didn't see the sense in food manufacturing companies having to buy wine and spirits at retail, rather than wholesale. Liquor rules meant employees of Custom Culinary actually had to uncork hundreds of bottles of wine for a recipe. The Department of Commerce was proud to work with Lieutenant Governor Mary Taylor and Senator Gayle Manning in drafting Senate Bill 73. Thank you and fellow senators for moving this quickly through the legislature. It has been signed into law by Governor Kasich and food manufacturers can now buy wholesale. That's not just Custom Culinary. It's Jeni's Splendid Ice Cream here in Columbus; Robert Rothschild Farm in Urbana and other food manufacturers who just found Ohio a friendlier place to do business. We appreciate the partnership of the legislature in this. It is a prime example of government listening to its citizens.

Common sense doesn't always require an act of the legislature, though. By doing a better job of listening to customers, we can keep a little error from becoming a big problem. Barbara is in real estate in Bellefontaine. Her license was suspended when her signature was missing from a form. She actually had to fill out two forms; each requiring a signature. Barbara missed one signature on a page where the signature space was not obvious. And her license was suspended. A license should NOT be revoked because someone didn't see where to sign the form. Our Real Estate Division took the simple steps of re-working the two forms into one and putting the signature space where it will not be overlooked. We are now also reminding people when their license is nearing renewal.

Countless licensees will be saved the trouble that Barbara went through. Time they don't spend clearing up a paperwork error is time they can spend developing their business.

## **Automation to Speed Business**

Time is also saved through Automation. This is important to the Department of Commerce because speed saves licensees and permit holders time that is better spent building a solid, safe business.

That's where AMANDA comes in. AMANDA has really increased efficiencies at the Division of Industrial Compliance, since she joined us just 3 years ago. AMANDA handles licensing, billing and dispatching for us. She has streamlined these essential processes to ensure businesses are safety-checked and licensed in a timely manner. Her job is to make sure work never stops because of paperwork. If an elevator isn't inspected and certified, people can't get to their offices. Without safety checks, ski resorts can't run the lifts. It's a big job; keeping everything moving. But before you nominate her for employee of the year, I should tell you that A.M.A.N.D.A. is an acronym for a computer-based program. In FY 2012-2013, A.M.A.N.D.A. Phase 2 will extend to field work, allowing inspectors to prepare and send reports electronically and give certification on the spot. Builders, for example, don't have to wait to get on with construction; work can proceed in hours not days. Time saved means money to a business.

We are moving at the speed of business and technology across all divisions. Real Estate, Securities and Financial Institutions are also transitioning to electronic systems for application and filing for all licensing and permits.

## **Lease of Liquor Merchandising**

As you know, the budget before you contains language that would allow for the state to enter into an agreement to transfer Ohio's wholesale liquor operations to JobsOhio.

The mechanics of this transaction will work like this: Ohio transfers the liquor wholesaling operations to JobsOhio for 25 years. JobsOhio will provide \$1.2 billion. \$500 million of that will go to the General Revenue Fund. And JobsOhio will pay off outstanding bonds on liquor profits, which are approximately \$700 million.

The State of Ohio will continue to regulate alcohol sale and consumption. The Division of Liquor Control will continue to issue liquor permits and licenses. Simply put, state employees will continue to operate and regulate liquor operations in our state. The public, distributors and the liquor agency owners will see the same operations they have in the past.

What will change is that JobsOhio will have a consistent, dependable revenue stream, to be used for job creation in our state. A Bloomberg Business report published in March, pointed out that having a dedicated funding stream of this magnitude will place JobsOhio at the forefront of job creation programs in the country.

Financing job growth in this manner just makes sense because it is what we do in our lives. As any financial planner will tell you, when you get a paycheck the first thing you should do is plan for your future. You take a portion of what you earn and put it in your child's college savings fund; you put money in your 401(k) or other investments. Once you have put away what you can then you look at your discretionary spending. That makes financial sense.

This plan to create a funding stream for JobsOhio makes financial sense for our state. Instead of putting liquor profits into discretionary spending in the General Revenue Fund, we are investing in Ohio's future by investing in job growth and economic development.

## **Local Support**

Commerce historically provides support to local government and that continues in this budget. The Ohio Department of Commerce's Division of State Fire Marshal has grants and loans available for local departments to purchase fire apparatus. Last month, the Perry Township Fire Department received a \$10,000 grant to be used for equipment like hand tools, traffic vests and hoses.

Another local tool in this budget is prevailing wage reform measures that offer flexibility to manage shrinking resources for public entities. By raising the threshold levels, small public improvement projects will be excluded from prevailing wage. This will provide targeted financial relief to local governments.

The reform measures will also exclude public colleges and universities from prevailing wage requirements. In this manner, they join K through 12 schools as public improvement projects specifically exempted from prevailing wage. Again, these requirements will free up resources to help colleges and universities manage their budgets and keep tuition costs down for Ohio families.

The prevailing wage reform measures also exclude both private and public projects that were required to use prevailing wage because of grants received through the Department of Development.

Our proposed budget language also streamlines the process for certain types of prevailing wage complaints. Currently, an interested party -- a contractor who bid on a project, a labor union, a professional association -- may file a complaint with the Department of Commerce. After 60 days they can also go to court. We are asking that the right to go to court wait until after Commerce has made a determination. The modification eliminates duplication of effort and streamlines the process. The modification does not change anything for an employee on a job to make a complaint and request an investigation.

## **Conclusion**

Simple, easy government. Local Support. Speed of Service. Common Sense. And Jobs. These goals go hand-in-hand and are shared values across our divisions.

And I would be remiss if I did not mention the good work of the Division of Unclaimed Funds. We've reorganized and prioritized our aggressive approach to finding people who have lost track of their money. In the first quarter of 2011, the Ohio Department of Commerce has reunited Ohioans with more than \$15.6 million of abandoned property. Through increased outreach, and a focus on customer service, the Unclaimed Funds Division paid 11,688 claims. That's 23% more claims paid than the same period in 2010. At a time when every person needs it, we are putting money in Ohioans' pockets.

So, when you sample some of Jeni's Splendid Ice Cream right up the street, visit Barbara's real estate office in Bellefontaine or pass the Perry Township Fire Hall, think of the Department of

Commerce and how our focus on common sense, speed of service and helping at the local level is making way for jobs through better government.

Thank you, Mr. Chairman and members of the committee, for allowing me to testify before you today. I would be happy to answer any questions.