

# Ohio Department of Commerce Annual Report 2006



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Bob Taft  
Governor

Doug White  
Director

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Governor Taft, Members of the Ohio General Assembly, Citizens of Ohio:

This Fiscal Year 2006 Annual Report highlights the year's achievements and the many ways Department of Commerce employees serve the citizens of our state. We are proud of our achievements as we work to protect Ohio consumers, while fairly and efficiently regulating business and industry to promote healthy commerce in the state.



*Doug White*  
*Commerce Director*

The divisions of Financial Institutions and Real Estate & Professional Licensing concentrated their efforts on the implementation of Ohio's new Homebuyers' Protection Act (Senate Bill 185), which was passed by the General Assembly last May and signed by Governor Taft in June. Department staff members are preparing to use this expanded arsenal against predatory lending practices when the law takes effect on January 1, 2007.

The Division of Financial Institutions heightened supervision of the growing mortgage industry by hiring more Consumer Finance staff in response to Governor Taft's 2005 directive to add personnel to address Ohio's rising foreclosure rate. The Division of Real Estate & Professional Licensing made dramatic progress in reducing a backlog of appraiser cases by increasing the number of investigators and hiring an attorney who is also a certified appraiser.

The hard work of other divisions also benefited Ohioans. The Division of Unclaimed Funds paid a record \$64.4 million in unclaimed funds to current or former Ohioans during Fiscal Year 2006 – a 19.4 percent increase over the previous fiscal year's payment of \$53.9 million.

The Division of Industrial Compliance initiated a procedure that brings together inspectors, contractors, and designers at the beginning of public and commercial construction projects to discuss timelines, procedures and other issues important for a timely and smooth project.

At the Division of State Fire Marshal, construction began on a \$10 million expansion and renovation project to provide state-of-the-art classrooms for firefighter training, a new 76-bed dormitory for students, renovated office space and improved parking at its site in Reynoldsburg. When completed in 2007, the project will more than triple the Ohio Fire Academy's classroom seating capacity from 160 to more than 500 students.

The Division of Liquor Control continued its record level of spirituous liquor sales for the seventh year in a row, enabling it to transfer \$138 million in sales revenue to Ohio's General Revenue Fund during 2006 — \$23 million more than in Fiscal Year 2005.

Employees of the Department of Commerce are proud of the marked progress made during the past year and committed to serving the citizens of Ohio in the years ahead.

*Doug White*

Doug White, Director  
Ohio Department of Commerce

The Division of Financial Institutions regulates Ohio's state-chartered depository institutions and non-depository financial services. The Division also regulates trust companies and licenses domestic and foreign money transmitters. Examination, supervision, and regulatory activities are performed by Division staff specializing in the operations of each specific industry. The Division's Office of Consumer Affairs educates Ohioans on how to protect themselves in the mortgage lending process, receives complaints against lenders, and refers borrowers to other organizations that can assist them. Enforcement actions are initiated when lending laws have been violated, and cases are referred for prosecution.

## New Law Passed to Combat Predatory Lending

In May 2006, the Ohio General Assembly passed the Homebuyers' Protection Act (Senate Bill 185) to provide greater protection for consumers and toughen enforcement against predatory lending practices. The new law takes effect January 1, 2007. It adds disclosure and other requirements to benefit consumers, addresses enforcement by the Division and the Ohio Attorney General, and adds prohibitions against unscrupulous mortgage lending practices by non-bank institutions to the Ohio Consumer Sales Practices Act. The law mandates the creation of a Consumer Finance Education Board to evaluate policies and factors involved in home buying and promote financial literacy programs to reduce bankruptcies and foreclosures. The Division continues to develop and implement new administrative rules and testing requirements in response to the new law.



*Governor Bob Taft signs Senate Bill 185 on June 19, 2006 at the home of Larry and Martha Clay of Columbus. (Photo by Chris Kasson, Ohio Dept. of Development)*

## Increased Staffing to Combat Predatory Lending

The Division added staff in the Consumer Finance section in response to Governor Taft's October 2005 directive to add personnel to address Ohio's rising foreclosure rate. The Division hired additional attorneys, field investigators, field examiners, certification/licensing examiners, and administrative support personnel. The increased staff provides heightened supervision of the growing mortgage industry.

## CAMELS Ratings - All Depository Institutions

	6/30/2003	6/30/2004	6/30/2005	6/30/2006
1 – Strong	22%	24%	25%	27%
2 – Satisfactory	58%	58%	61%	61%
3 – Fair	16%	14%	12%	10%
4 – Unsatisfactory	4%	4%	3%	2%
5 – Poor	0%	0%	0%	0%

## Improved Consumer Finance Database

In March 2006, the Division converted its Consumer Finance database to a web-based system. The new system is designed to support the Division's increased regulatory functions, including licensing/registration, examination, and consumer complaints. Current rosters of licensees/registrants are now available online. Future projects will include online renewals, acceptance of electronic payments, and enabling loan officers to transfer licenses online.



*Federal Reserve Board Governor Mark D. Olson speaks at this year's Ohio Bankers' Day.*

## Ohio Bankers' Day

Approximately 300 community bankers and industry representatives attended the 2006 Ohio Bankers' Day Conference, held April 27 in Columbus. The 2006 conference reviewed the Division's accomplishments and programs from the previous six years, highlighting the growth of Ohio-chartered banking institutions. Federal Reserve Board Governor Mark D. Olson provided the keynote address. A special presentation highlighted the 11 Ohio-chartered, *de novo* institutions organized since March 1999 which had accumulated assets of over \$620 million. By June 30, 2006, a total of 13 *de novo* charters had been granted, with \$101.7 million in capital being invested in these new Ohio-chartered institutions.

## Expansion of Powers for Credit Unions

The Credit Union Modernization Act was signed into law by Governor Taft on January 18, 2006. The law significantly expands services and powers for credit unions. Under the Act, credit unions will be permitted to open branches in schools for students, provide short-term advance loans of less than \$1,000, and also offer retirement, education and health savings accounts. The Act further exempts credit unions from the Retail Installment Sales Act and the Consumer Sales Practices Act, permitting them to be treated as other financial institutions and not subject to additional advertising and disclosure requirements.

## Modernizing Money Transmitter Statutes

In December 2005, Ohio House Bill 454 was introduced to modernize money transmitter statutes in accordance with the USA Patriot Act and the Bank Secrecy Act. A substitute version of the bill was subsequently adopted and passed by the House on May 9, 2006. The bill facilitates effective licensure and supervision of foreign and domestic money transmitters operating in the State of Ohio. In addition, it authorizes financial institutions to enter into debt suspension and debt cancellation contracts and permits savings and loan associations and savings banks to engage in trust business. As of June 30, 2006 the bill was pending in Senate committee.

**AGGREGATE ASSETS - DEPOSITORY INSTITUTIONS**  
(Dollar Amounts in Thousands)

<b>Industry</b>	<b>As of</b>	<b>Number</b>	<b>Aggregate Assets</b>
<b>Banks</b>	June 30, 2004	106	\$106,600,000
	June 30, 2005	100	\$ 90,800,000
	June 30, 2006	100	\$ 92,259,429
<b>Credit Unions</b>	June 30, 2004	234	\$ 8,630,690
	June 30, 2005	223	\$ 8,763,511
	June 30, 2006	203	\$8,941,070
<b>Savings &amp; Loans</b>	June 30, 2004	36	\$ 5,300,000
	June 30, 2005	32	\$ 4,600,000
	June 30, 2006	29	\$ 4,139,681
<b>Savings Banks</b>	June 30, 2004	27	\$ 5,900,000
	June 30, 2005	26	\$ 5,300,000
	June 30, 2006	27	\$ 5,598,201

**Non-Depository Financial Services Licenses**

<b>Types of Licensees</b>	<b>6/30/2006</b>		
	<b>Main Offices</b>	<b>Branch Offices</b>	<b>Total</b>
Check Cashers	233	1,302	<b>1,535</b>
Check Casher Lenders	185	1,227	<b>1,412</b>
Credit Service Organizations	10	0	<b>10</b>
Insurance Premium Finance Lenders	53	2	<b>55</b>
Mortgage Brokers	1,221	934	<b>2,155</b>
Mortgage Broker Licensed Loan Officers			<b>7,902</b>
Mortgage Loan Registrants (OMLA)	338	2,459	<b>2,797</b>
Pawnbrokers	157	0	<b>157</b>
Precious Metals Dealers	22	0	<b>22</b>
Small Loan Licensees	11	39	<b>50</b>
<b>Total Non-Depository Licensees</b>	<b>2,230</b>	<b>5,963</b>	<b>16,095</b>

## SUMMARY OF INSTITUTIONS REGULATED

Types of Institutions	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
<b><u>Depository Institutions</u></b>				
Banks	108	106	100	98
Trust-only Banks	2	2	2	2
Credit Unions	248	234	223	203
Savings and Loan Associations	36	36	32	29
Savings Banks	27	27	26	27
<b>Total Depository Institutions</b>	<b>421</b>	<b>405</b>	<b>383</b>	<b>359</b>
<b><u>Money Transmitters</u></b>				
Domestic Money Transmitters	16	18	23	23
Foreign Money Transmitters	19	24	29	31
<b>Total Money Transmitters</b>	<b>35</b>	<b>42</b>	<b>52</b>	<b>54</b>
<b><u>Non-Depository Financial Services Organizations</u></b>				
Check Cashers	1,060	1,294	1,352	1,535
Check Casher Lenders	983	1,209	1,226	1,412
Credit Service Organizations	5	5	8	10
Insurance Premium Finance Lenders	52	51	57	55
Mortgage Brokers	2,021	2,107	2,107	2,155
Mortgage Broker Licensed Loan Officers	7,444	7,715	7,767	7,902
Mortgage Loan Registrants	2,435	2,428	2,471	2,797
Pawnbrokers	173	165	160	157
Precious Metals Dealers	21	20	23	22
Small Loan Licensees	80	83	49	50
<b>Total Non-Depository Licensees</b>	<b>14,274</b>	<b>15,077</b>	<b>15,220</b>	<b>16,095</b>
<b>Total Regulated</b>	<b>14,730</b>	<b>15,524</b>	<b>15,655</b>	<b>16,508</b>

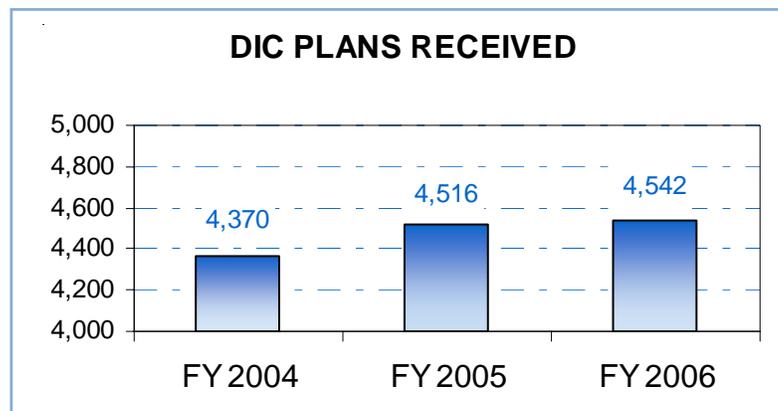
The Division of Industrial Compliance (DIC) reviews and approves the building plans for the construction and renovation of commercial and public building projects. The Division also provides regulatory certification and inspection of boiler and elevator systems essential to public welfare and safety. DIC staff members conduct inspections of plumbing, electrical and structural systems; elevators; boilers; bedding and upholstered products. DIC provides testing, certification, licensing and continuing education services for numerous skilled trades in Ohio's building industry. During Fiscal Year 2006, DIC implemented organizational and technological initiatives to improve efficiency and customer service in providing these regulatory services.

## Improving Customer Service

To improve customer service, the Bureau of Building Code Compliance (BCC) initiated a new procedure to bring together BCC inspectors and contractors at the beginning of a construction project. The contractors, owners, designers, and BCC inspectors meet in the pre-construction stage to discuss the scope of work and necessary details involved in the project. They also set the timelines, procedures, and general expectations for future inspections. The new procedure has enabled everyone involved to get first-hand information. Project owners have provided feedback on how smoothly projects were completed.



*A Building Code Compliance employee working with customers on a project.*



## Increasing Efficiency through Technology

The Boiler Section of the Bureau of Operations & Maintenance started using laptop computers to report the results of boiler inspections through the Department's electronic interface program. The program markedly reduced the time needed to receive and enter inspection results. It eliminated the need for inspectors to fax daily their inspection results, as well as support staff's subsequent data entry to create the certificate invoices.

### **New Residential Code of Ohio**

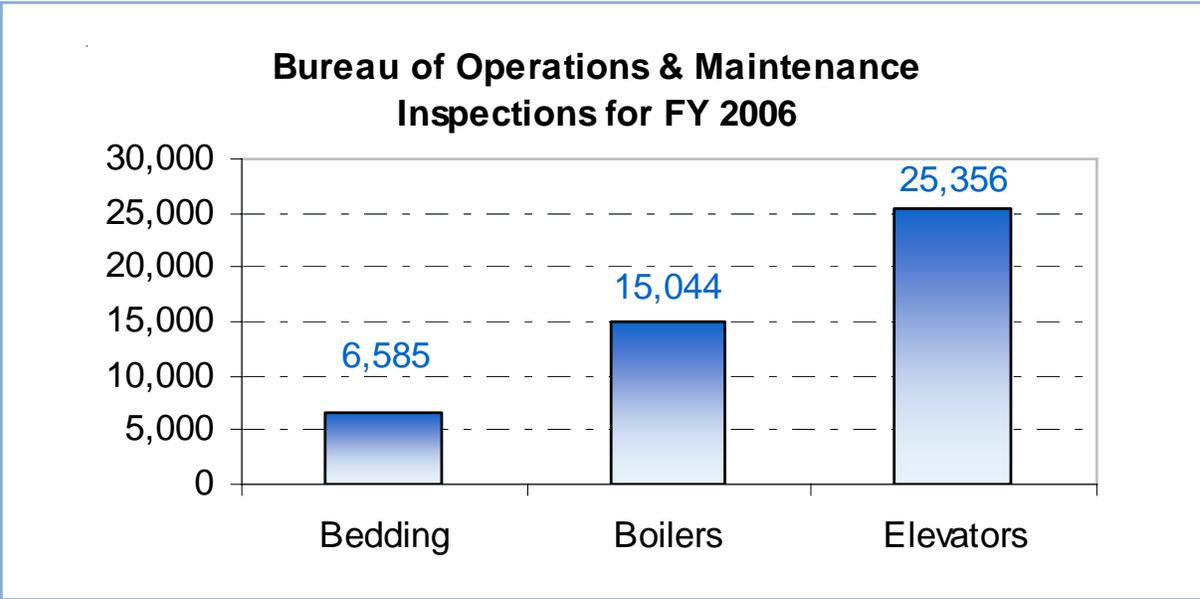
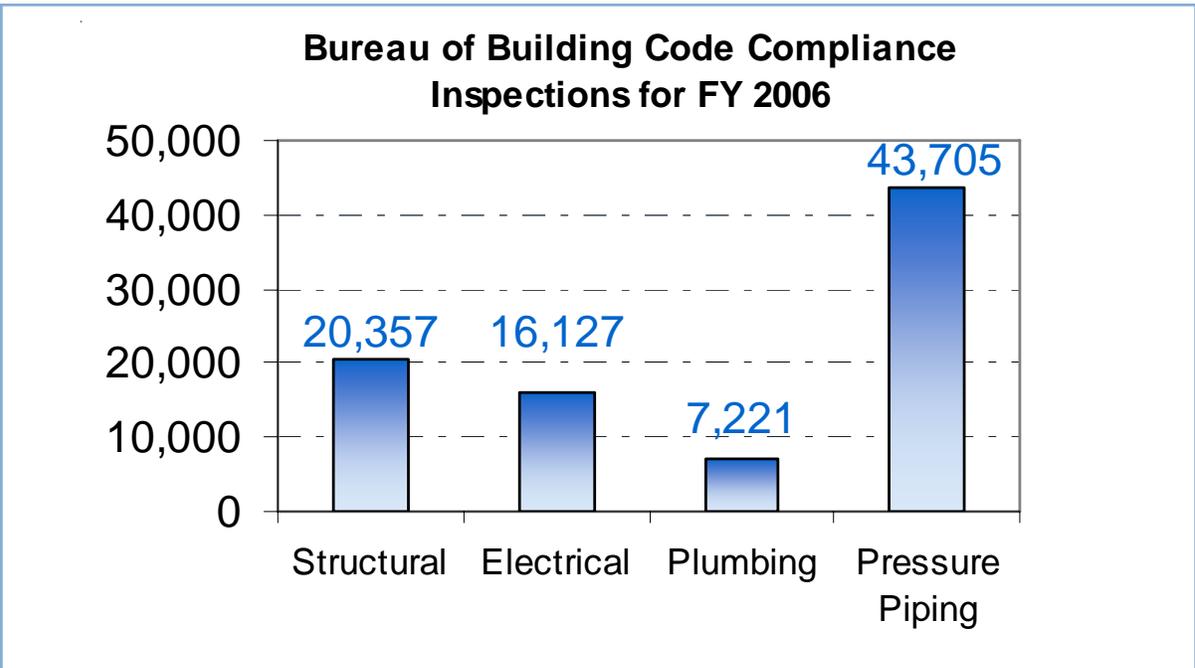
The Ohio Board of Building Standards (OBBS) began the adoption of a new Residential Code of Ohio (RCO) as mandated by the Ohio General Assembly with the passage of Am. House Bill 175. The new law calls for the creation of a uniform, statewide residential building code based on the 2003 International Residential Code, which applies to one, two and three family dwellings. The law also mandated the creation of a certification process for local residential building departments and their residential code personnel. It also established the Residential Construction Advisory Committee to make recommendations to the OBBS on the adoption of rules related to the creation, implementation and administration of the RCO. The RCO took effect on May 27, 2006.



*Bedding Laboratory employees Bill Hunsaker (left) and Thelma Cross check the sample board.*

### **Relocation, Expanded Testing Capabilities for Bedding Lab**

To provide for expanded staffing and testing capabilities, the Division relocated its Bedding Laboratory from the city of Cambridge to the Division's east office in Columbus. The laboratory purchased state-of-the-art testing equipment and hired two new chemists to increase testing capability and facilitate faster turnaround of product samples. The new chemists received specialized bedding materials training and are fully qualified to conduct a wide variety of tests required to identify the hidden filling materials in bedding, upholstered furniture and stuffed toy articles.



The Division of Labor & Worker Safety administers and enforces Ohio's prevailing wage, minimum wage, overtime and minor labor laws. Ohio's prevailing wage law requires public authorities to pay the local prevailing rate of wages for work performed under public construction contracts. Ohio's overtime law requires employers to pay 1 ½ times their regular rate of pay for all hours worked over 40 hours in a work week. Ohio's minimum wage law sets state minimum wage rates for employers. During Fiscal Year 2006 and effective June 28, 2006, the minimum wage was raised from \$3.35 an hour for employers whose gross dollar volume was under \$500,000 and \$4.25 an hour for employers whose gross dollar volume was over \$500,000 to \$5.15 an hour for all employers. The Division's field staff conducts routine inspections of workplaces throughout the state. The Division educates employers and employees about their rights and responsibilities, administers labor laws with emphasis on employer compliance, investigates complaints and consults with both employers and employees.

## Wage & Hour Activities FY 2006

ENFORCEMENT ACTION	EMPLOYEES AFFECTED	DOLLAR AMOUNT
Prevailing wage determinations	649	\$1,572,620.40
Prevailing wage collections	1,461	\$942,280.96
Minimum wage determinations	191	\$135,181.13
Minimum wage collections	309	\$97,025.03
Penalty fund collections	165	\$10,473.32



The Division of Liquor Control is responsible for controlling the manufacture, distribution and sale of all alcoholic beverages in Ohio. The Division is the state's sole purchaser and distributor of spirituous liquor (intoxicating liquor containing more than 21 percent alcohol by volume). Spirituous liquor is sold through more than 425 private businesses, known as contract liquor agencies, which contract with the Division to serve as its sales agents. Revenues are used to help fund a variety of programs offered by various state agencies. Regulatory functions include the issuance of permits to the state's approximately 24,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. The Division also regulates industry compliance with the laws pertaining to the manufacture, importation and distribution of beer, wine and mixed beverages containing 21 percent or less alcohol by volume.

### Record High Dollar Sales

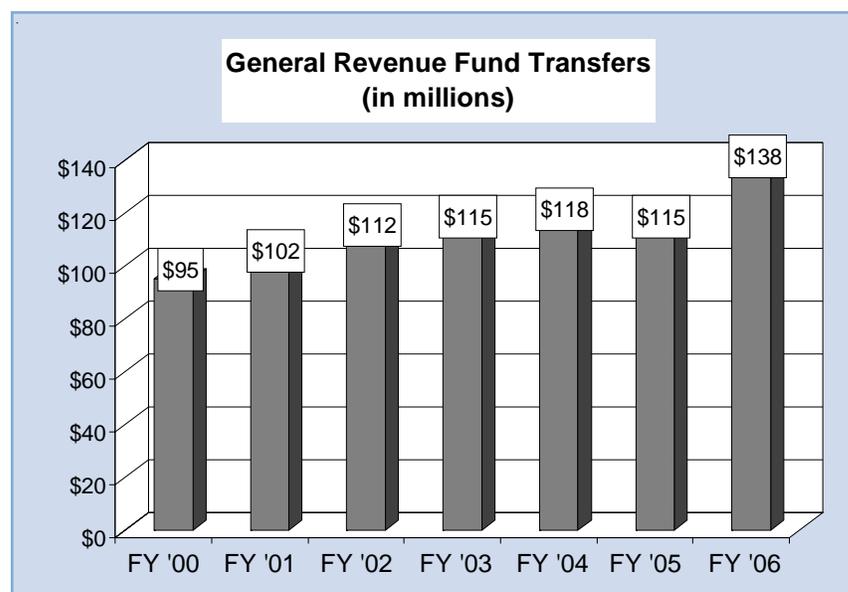
Spirituous liquor sales reached a record \$638.8 million in FY 2006. This was an increase of \$51.3 million, or 8.72 percent, compared to sales in FY 2005. The increase in liquor dollar sales continues to benefit from increases in product prices, the reduction of the wholesale discount, and a rise in the level of consumption.

Gallonage sales of spirituous liquor in FY 2006 totalled 9.9 million gallons, an increase of 362,304 gallons, or 3.8 percent, compared to FY 2005.

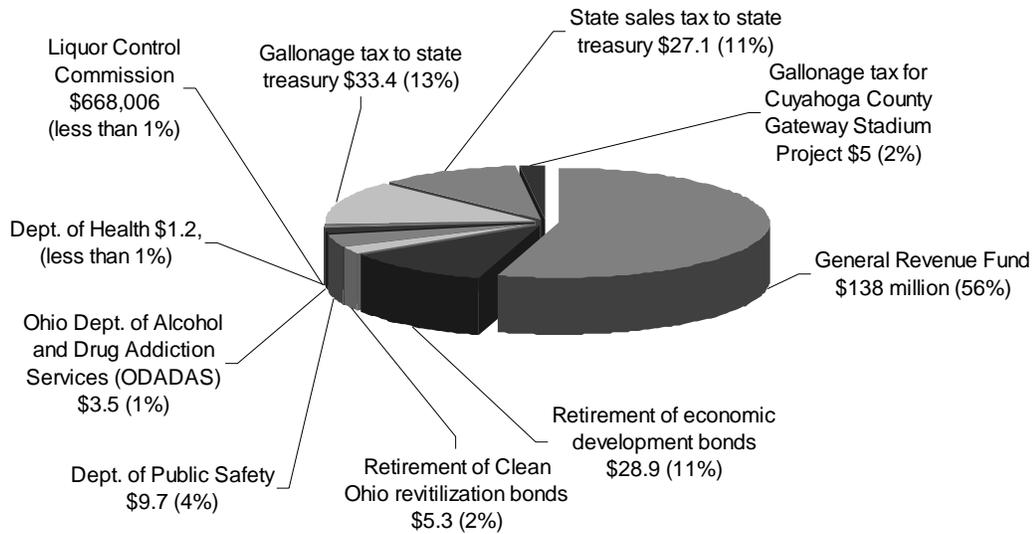
Fiscal Year	Dollar Sales	Gallons Sold
2000	\$455.9 million	8.5 million
2001	\$482.4 million	8.6 million
2002	\$498.6 million	8.6 million
2003	\$518.5 million	8.8 million
2004	\$552.8 million	9.2 million
2005	\$587.5 million	9.6 million
2006	\$638.8 million	9.9 million

### General Revenue Fund Transfer

The main financial goal of the Division is to maintain profitability of liquor sales through efficient management and operations. In FY 2006, the Division exceeded its goal by contributing \$138 million to the state's General Revenue Fund (GRF). This year's GRF transfer was \$23 million more than last year's transfer.



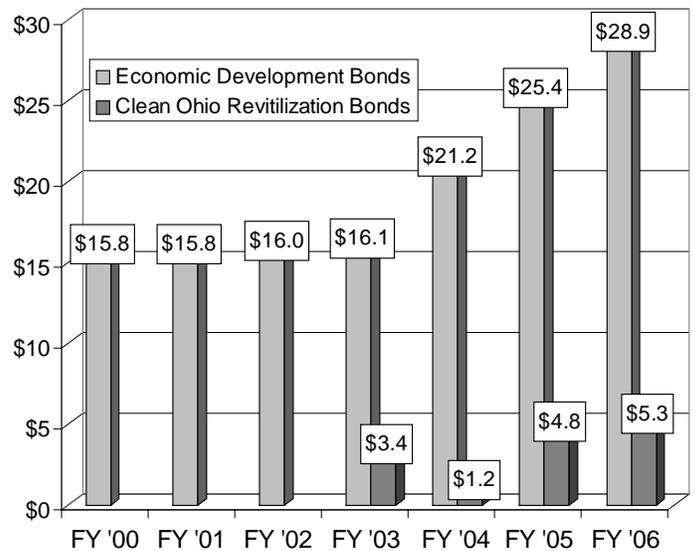
**Liquor Sales Revenue Distribution  
Fiscal Year 2006  
(in millions)**



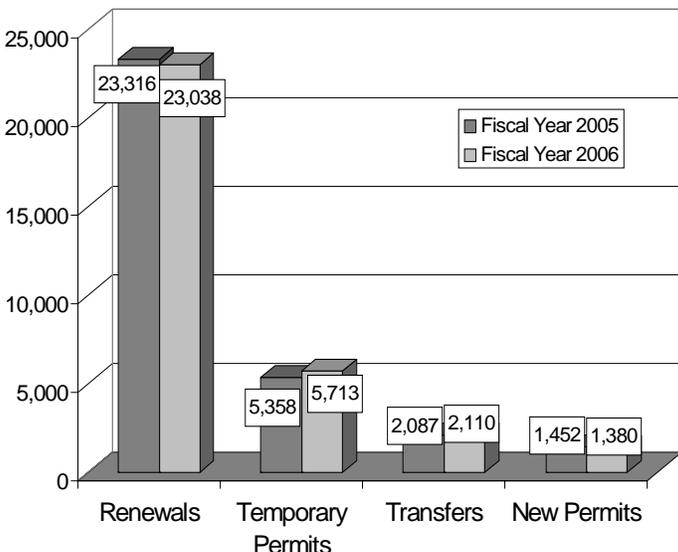
**Revenue Distribution**

In addition to the GRF transfer, liquor revenues are also earmarked for the following other state services: The Ohio Department of Development for the retirement of economic development bonds and Clean Ohio revitalization bonds; the Ohio Department of Public Safety for state liquor law enforcement; the Ohio Department of Alcohol and Drug Addiction Services to fund alcoholism treatment, education and prevention programs statewide; the Ohio Department of Health to fund the Alcohol Testing Program; and the Ohio Liquor Control Commission to fund its operations.

**Revenue Distributed for Retirement of Bonds  
(in millions)**



**Liquor Permit Activity**

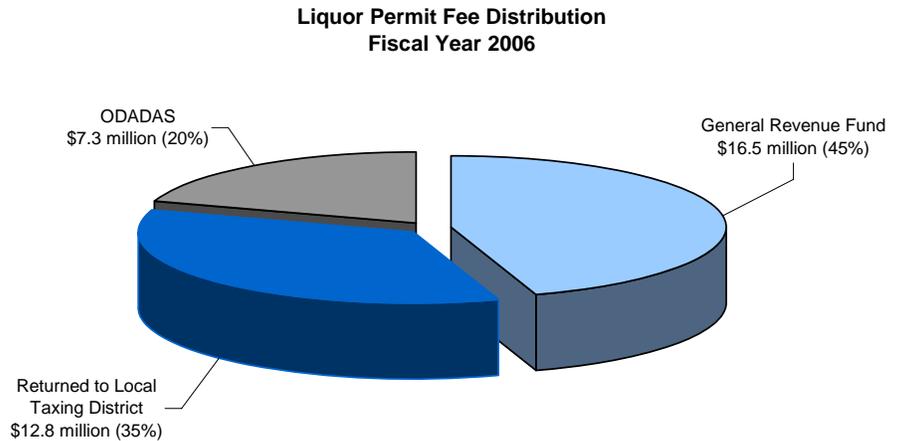


**Liquor Permit Activity**

In FY 2006, the Division's Licensing Section was responsible for licensing the operations of more than 24,000 privately owned and operated manufacturers, distributors and retailers of alcoholic beverages. This includes the issuance of new permits, permit renewals and transfers, and the investigative and hearing requirements associated with permit issuance. In FY 2006, this section issued 1,380 new permits and 5,713 temporary permits, and transferred 2,110 permits. In addition, 23,038 permits were renewed.

### Permit Fee Distribution

The Division distributed \$36.6 million from liquor permit fees in FY 2006. This was an increase of \$234,050 over FY 2005. Out of this total, \$12.8 million was returned to the local taxing districts for liquor law enforcement, \$16.5 million was deposited in the state’s GRF, and \$7.3 million was allocated to the Ohio Department of Alcohol and Drug Addiction Services to fund treatment and education efforts statewide.



### Objection Hearing Statistics Fiscal Year 2006

Objection hearings set	290
Applications cancelled	21
Objections withdrawn	98
Decisions made	143
Objections overruled	123
Objections sustained	20
Hearings continued	15
Decisions pending	13

### Objection Hearings

In the granting of liquor permits, the Division considers the safety and welfare of Ohio’s citizens as first priority. At the same time, the Division is guided and restricted by statutes, rules, and legal cases in making a decision on a permit’s issuance, renewal, or denial. The table to the left shows the objection hearing activity conducted by the Division’s Legal Section in FY 2006.

### Social Responsibility

The Division is proud to work with others in the industry on social responsibility issues. In FY 2006, the Division again partnered with The Century Council and Glazer’s of Ohio to help educate the public and promote efforts to prevent alcohol sales to underage persons. One such effort was the Division’s participation in *Brandon Tells His Story*, a presentation to high school students about making the right choices. Also, as in the past few years, the Division participated in the displaying of the Crown Royal IROC and NASCAR “Social Responsibility” show cars, and in several media events at contract liquor agency locations throughout Ohio. This kind of partnership is an invaluable tool in helping ensure safe and responsible sales and consumption in Ohio.



*Gahanna Lincoln High School hosted Brandon and Tony Silveria for the presentation of “Brandon Tells His Story.” Pictured with Brandon Silveria (center) are Gahanna Lincoln High staff, and representatives of Glaziers of Ohio, and the Ohio Division of Liquor Control.*

## Division of Liquor Control Profit and Loss Statement

<u>SPIRITUOUS LIQUOR SALES</u>	<u>Fiscal 2005</u>	<u>Fiscal 2006</u>
Retail Sales	\$376,659,580	\$403,499,329
Wholesale Sales	\$241,007,921	\$250,323,983
<b>GROSS SALES</b>	<b>\$617,667,501</b>	<b>\$653,823,312</b>
Less Wholesale Discount**	\$30,125,990	\$15,019,439
<b>TOTAL SALES</b>	<b>\$587,541,511</b>	<b>\$638,803,873</b>
Less Cost of Goods Sold	\$344,608,925	\$364,399,267
State Gallonage Tax	\$32,309,912	\$33,534,499
<b>TOTAL COST OF GOODS</b>	<b>\$376,918,837</b>	<b>\$397,933,766</b>
<b>GROSS PROFIT</b>	<b>\$210,622,674</b>	<b>\$240,870,107</b>
<b>Percentage of Gross Profit</b>	<b>34.10%</b>	<b>36.84%</b>
<b>OPERATING EXPENSES</b>		
Less Operating Expenses - Agencies	\$31,826,656	\$34,401,355
Less Operating Expenses - General	\$14,021,619	\$14,879,191
<b>TOTAL OPERATING EXPENSES</b>	<b>\$45,848,275</b>	<b>\$49,280,546</b>
<b>NET PROFIT BEFORE OTHER INCOME AND OTHER DEDUCTIONS</b>	<b>\$164,774,399</b>	<b>\$191,589,561</b>
<b>PERCENT NET PROFIT TO GROSS SALES</b>	<b>26.68%</b>	<b>29.30%</b>

**\*\* Note: Wholesale discount reduced from 12.5% to 6% effective July 1, 2005**

The Division of Real Estate and Professional Licensing licenses real estate brokers and salespersons. In addition, the Division licenses and certifies general and residential appraisers and registers appraiser assistants. Applicants are screened by Division staff to ensure that legal qualifications for licensure are met prior to approval for examination. After licensure, the Division conducts audits to ensure compliance with Ohio law. When allegations of misconduct, fraud or unlicensed activity are made against licensees or registrants, the Division is charged with investigating such allegations, holding hearings, and imposing discipline as determined by the Ohio Real Estate Commission and the Ohio Real Estate Appraiser Board when warranted. The Division also supports the Ohio Cemetery Dispute Resolution Commission by registering all active cemeteries in Ohio and investigating complaints or disputes involving registered cemeteries.

### Real Estate License Three Year Staggered Renewal

During FY 2006, the Division transitioned to a three-year staggered renewal for real estate brokers and salespersons. By January 2007, license renewal for every real estate broker and salesperson will align with the licensee’s birth date, and continuing education due date.

### Real Estate License Processing Improvements

The Division significantly improved the processing time for real estate license applications during FY 2006. Applications that previously took 10 to 15 days to process are now completed in three days or less. This achievement was the result of the Division’s emphasis on cross-training and tracking data.

### Number of Licensees (FY 2001 - FY 2006)

NUMBER OF LICENSEES	2001 COUNT	2002 COUNT	2003 COUNT	2004 COUNT	2005 COUNT	2006 COUNT
REAL ESTATE APPRAISERS	3,016	3,135	3,216	3,522	3,577	4,345
ACTIVE REAL ESTATE BROKERS	6,741	7,495	6,038	5,965	5,749	5,626
ACTIVE REAL ESTATE SALESPERSONS	31,261	36,465	31,765	33,198	35,239	35,317
CEMETERY REGISTRATIONS	3,370	3,365	3,360	3,354	3,356	3,382

### Online Computer Upgrades

On November 1, 2005, the Division went live with a new, web-based database system that contains additional customer service features. The new system enables continuing education course providers to electronically submit a course roster of licensees who have successfully completed each course. It also expanded licensees’ ability to view information related to licenses and to update information to the Division. The next phase of this upgrade will allow licensees to review and track their continuing education progress online.



### **Real Estate Consumer Protection**

Real estate license law was updated to help consumers understand the duties real estate licensees must provide and those that are waived when hiring a less than full-service broker.

### **New Law to Combat Predatory Lending**

The Division provided background information and testimony in support of the Homebuyers' Protection Act (Senate Bill 185), which will provide greater protection for consumers and toughen enforcement against predatory lending practices. Effective January 1, 2007, the new law requires that appraisals completed for mortgage loans be performed by a state licensed or certified appraiser. The law will also make it a fifth-degree felony to improperly influence an appraiser's assessment of a property's value.

### **Strengthening Appraiser Investigative Staff**

The Division made dramatic progress in reducing a backlog of appraiser cases by increasing the number of investigators and hiring an attorney who is also a certified appraiser. To further collaboration among the investigators and legal staff, the enforcement staff was consolidated in the Columbus office.

### **Temporary Practice Permits Compliant with Federal Mandates**

Legislative action resulted in the state's process for issuing temporary practice permits being deemed compliant with Title XI of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA).

### **Implementation of 2008 Appraiser Qualifications Criteria**

The Ohio Real Estate Appraiser Board adopted its policy for implementing the criteria required to become licensed or certified as an appraiser. The changes are federally mandated by the Appraiser Qualifications Board (AQB) and will be in effect on January 1, 2008. To educate Ohio appraisers on the upcoming mandatory changes, the Division held a seminar featuring Sandra Guilfoil, the 2005 and 2006 Chair of the AQB.

### **Cemetery Dispute Resolution Commission**

As a result of complaints heard by the Ohio Cemetery Dispute Resolution Commission in FY 2006, five complainants received refunds totaling almost \$7,400 and four complainants received goods or services at no charge. The Ohio Cemetery Dispute Resolution Commission was successful in resolving other disputes regarding the practices and procedures of Ohio cemeteries.

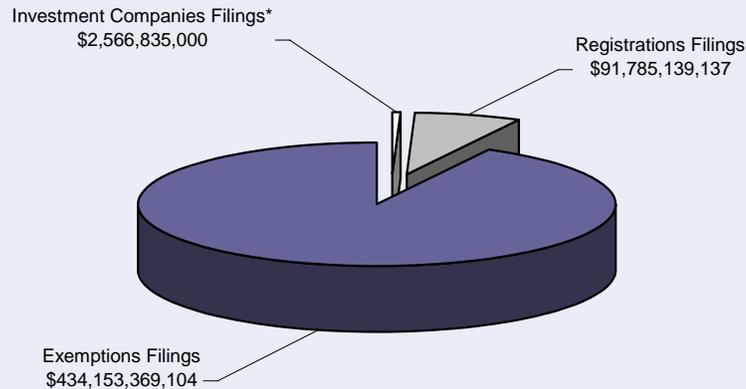
The mission of the Division of Securities is to maintain a balance between enhancing capital formation and providing investor protection. This balance is achieved by administering and enforcing the Ohio Securities Act. The Act requires the licensing of those who sell securities or give advice about investing in securities; provides for the registration or exemption of securities sold; and prohibits certain conduct in connection with the sale of securities and the giving of advice about investing in securities.

### Investor Education and Outreach

The Division strengthened its educational program to inform Ohioans about investing and provided tips on how to avoid investment fraud. During FY 2006, Division staff presented financial literacy programs at 120 schools, reaching more than 3,240 Ohio students from kindergarten to high school seniors.

The Division also continued to take its message to senior citizens, who are increasingly targeted by scam artists. Staff visited more than 30 senior centers and organizations to make presentations to more than 1,470 Ohioans. Topics included investment fraud; risky investment products; how to verify that an investment adviser or securities salesperson is properly licensed; and how to determine whether the investment product is properly registered.

### Dollar Amount of Securities Sold or to Be Sold in Ohio Pursuant to Filings Made with the Division in FY 06 (\$494,713,825,178)



*\*Investment companies may seek to sell an indefinite amount of securities by submitting maximum fees. These indefinite filings (2,052) were assigned \$1,000,000 each for the capital formation totals.*

### Ohio Securities Conference

The Division joined the University of Toledo College of Law's Cyber-securities Law Institute to present the 2005 Ohio Securities Conference for attorneys, accountants, and members of the securities industry. Panel topics included securities litigation; venture capital and Ohio's Third Frontier; the SEC's new offering rules; and Division enforcement proceedings.

### Investor Protection Through Enforcement

The Division’s Enforcement Section referred eight cases for criminal prosecution during FY 2006. These referrals and the Division’s involvement in other criminal investigations led to 15 indictments on 687 felony counts. Division referrals also led to four criminal convictions. The Section is continuing its work on pending criminal cases involving 20 individuals.

### Other Enforcement Highlights

During FY 2006, the Section’s work also resulted in:

- An injunction and court-appointed Receiver in a case involving an Ohio real estate company
- More than 70 Division enforcement orders against companies and individuals, including orders to cease and desist illegal activity, suspending the right to sell securities in Ohio and suspending investment company registration
- The return of at least \$9.1 million to school district pension funds for teachers primarily in northeastern Ohio in a criminal case scheduled for trial in early 2007
- An injunction and court-appointed Receiver in a case involving the sale of promissory notes to hundreds of Ohio investors, which is expected to recoup a significant portion of \$26 million in investor funds as a result of the Division’s investigation.

Enforcements	FY 06
Injunctions	1
Criminal Referrals	8
Indictments	15
Convictions	4

The Division’s Enforcement Section is continuing its role as a member of the State and Federal Task Force investigating alleged misconduct and other improprieties at the Bureau of Workers’ Compensation (BWC). The task force’s work led to the criminal conviction in June 2006 of the bureau’s former chief financial officer.

Licensing Statistics	FY 05	FY 06
Securities Dealers	2,399	2,408
Securities Salespersons	126,196	133,193
Investment Advisers	553	570
Investment Adviser Representatives	10,960	12,526
Notice Filers	1,286	1,396

### New BWC Licensing Authority

The Division’s licensing authority over the BWC’s chief investment officer became effective this year. This action follows last year’s addition of licensure authority for investment officers in the state retirement system, each of whom must meet detailed education and experience requirements, attain a specific professional designation or pass a recognized securities examination.

The State Fire Marshal's Office (SFM) is the oldest established office of its kind in the United States. It consists of eight bureaus and one unit: Administration, Fire & Explosion Investigations, Forensic Laboratory, Bureau of Underground Storage Tank Regulation (BUSTR), Fire Prevention, Code Enforcement, Testing and Registration, Ohio Fire Academy, and the Pyrotechnics and Explosives Unit. Responsibilities include modernizing and enforcing the Ohio Fire Code; designing and presenting fire prevention programs; analyzing fire-related criminal evidence; investigating the cause and origin of fires and explosions; training firefighters; providing fire-safety education to business, industry and the general public; regulating underground storage tanks; testing and training; and licensing and certification support services.

## **Expanded, Improved Facilities**

Work began on a \$10 million expansion and renovation project at the 26-year-old Ohio Fire Academy in Reynoldsburg in October 2005. The project, on schedule for completion in April 2007, will provide state-of-the-art classrooms for firefighter training and a new, 76-bed student dormitory. New teaching areas will include a multi-purpose room to accommodate large groups for National Fire Academy and Homeland Security training programs. The project also will provide new or remodeled office space on the 71-acre site for the SFM's bureaus of Fire Prevention; Fire & Explosion Investigations; Underground Storage Tank Regulations; and Testing & Registration.

## **New Ohio Fire Code**

Code Enforcement Bureau staff worked to revise the Ohio Fire Code, a collaborative effort involving the Division of State Fire Marshal, Ohio's fire service, and various industry and state agency representatives. The new 2005 Ohio Fire Code (OFC) took effect on September 1, 2005, giving state and local fire officials updated and comprehensive rules addressing all aspects of fire safety in the state. The OFC is based on the International Code Council's model International Fire Code. Ohio is the 37<sup>th</sup> state to adopt a fire code based on this standard. The OFC is designed to be integrated with Ohio's Building Code to allow for a more efficient construction process while improving building safety.



*One of several seminars conducted statewide by the SFM Code Enforcement Bureau to roll out the provisions of the new Ohio Fire Code.*

### Improving Customer Service with Technology

The Bureau of Testing & Registration continued to implement its online registration process for underground storage tanks – an initiative aimed at providing a business-friendly environment while meeting expectations for public safety. The online process has expedited registration. Customers can obtain a certificate of compliance within days using the online system, compared to weeks under the old paper method.

The Division also completed its online “One Stop Tank Shop,” located at <http://www.com.state.oh.us/sfm/fmtr/OneStopTankShop.aspx>. Customers visiting the site can obtain a permit and register. They can also amend or change information regarding their tanks or site. These additions to the State Fire Marshal website are efficiently enhancing regulatory oversight, while improving customer service.

The Ohio Fire Academy launched a new, on-line Direct Delivery catalog, listing Academy-certified instructors by county and providing course information on the Academy’s website at <http://www.com.state.oh.us/sfm/fmac/>.

### Bureau of Testing & Registration Data

Registration Period	UST Registered Facilities Received	Paper-mailed Submitted UST Registrations	Electronically submitted UST Registrations	Percentage Registrations On-Line
2005 - 2006	7,763	5,166	2,597	32%
2006 - 2007	7,648	3,616	4,032	53%

### Fire & Explosion Investigation Bureau

The Fire & Explosion Investigation Bureau added two accelerant canines trained by the Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF), bringing the total number of canines in the program to three. The Bureau also forged an agreement with ATF outlining procedures for handling complex investigations in Ohio. In addition, it joined forces with the Middle Atlantic-Great Lakes Organized Crime Law Enforcement Network to provide better information sharing, electronic and surveillance devices, and training to investigators. The Bureau’s Post Blast Team completed specialized training for dealing with improvised explosive devices and post blast incidents. The training was designed to strengthen the team’s preparedness for preventing and handling criminal activity involving such devices.



*Fire cadets in training on the Academy grounds*

### **Training Opportunities for First Responders**

The Ohio Fire Academy (OFA) expanded training and course offerings for first responders. OFA led the way in developing a Hazardous Materials and Weapons of Mass Destruction Operations training program, which has been approved by the State of Ohio Security Task Force and the Federal Office of Domestic Preparedness. The Academy also worked with the National Association of State Fire Marshals to start a Pipeline Emergency train-the-trainer program. To enable safe and effective response to a pipeline incident, the program provides emergency responders with vital information on how pipelines operate, common products transported, and tactical response guidelines.

### **Fireworks and Explosives Unit**

The Fireworks and Explosives Unit provided educational sessions throughout the state to protect Ohioans from fireworks hazards. Almost 1,200 representatives from the safety forces and fireworks industry attended the sessions, which focused on National Fire Protection Association, Ohio Fire Code and Ohio Revised Code regulations covering all requirements for a safe fireworks exhibition.

### **Fire Prevention in a Healthcare Setting**

The Fire Prevention Bureau focused on educating the public about fire safety in healthcare facilities – a prevention message aimed at saving lives and highlighting state requirements for fire protection systems in all healthcare facilities. Fire safety personnel presented education programs at healthcare facilities across the state.



*Arcanum Fire Department's 1885 Ahrens pumper in action at the 2006 Fire Expo & Muster*

### **2006 Fire Expo & Muster**

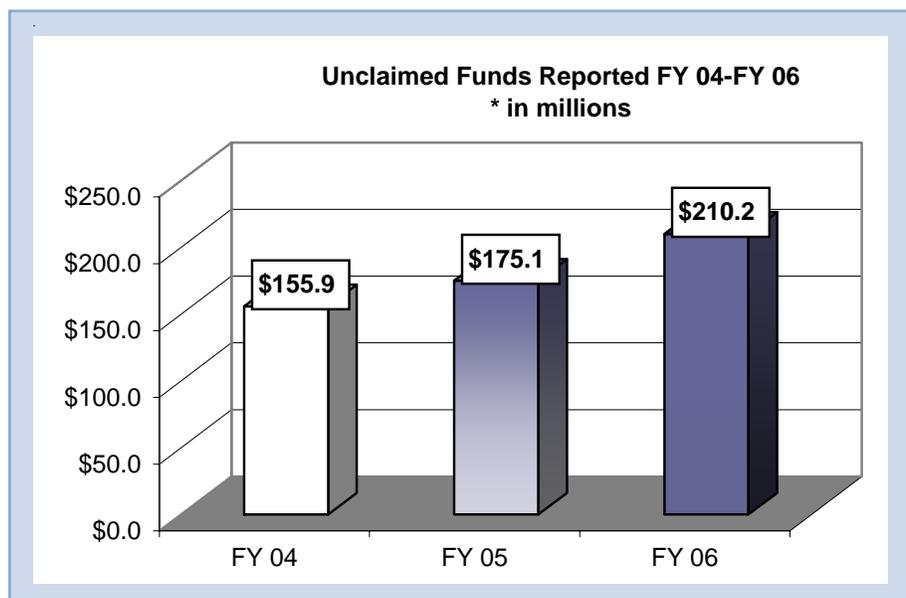
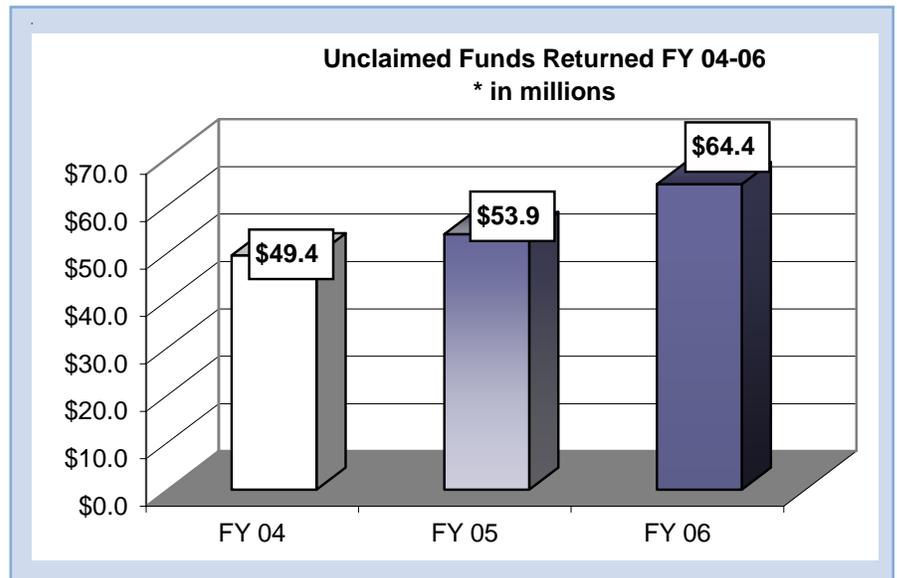
More than 4,000 people attended the 2006 Fire Expo & Muster, featuring fire equipment and apparatus from throughout United States and Canada. Visitors enjoyed rides on horse-drawn equipment and a variety of displays and activities, including a fire combat challenge for children.

# Unclaimed Funds

The Division of Unclaimed Funds is responsible for the safekeeping and return of monies designated as "unclaimed." Each year, due to death, inadvertence or forgetfulness, thousands of people and organizations lose track of monies and intangible personal property in Ohio. Common examples of unclaimed funds are: dormant checking and savings accounts, forgotten rent and utility deposits, uncashed checks, undelivered stock certificates, and uncashed insurance policies.

## Record Year for the Division

The Division paid a record \$64.4 million in unclaimed funds to current or former Ohioans during FY 2006 - a 19.4 percent increase over the previous fiscal year's payment of \$53.9 million. The Division also paid a record 43,714 claims, a 6.7 percent increase. The average size of the payments rose to a record \$1,473, an increase of \$157. In FY 2006, the Division also collected its highest total of funds with \$210.2 million reported, a more than 20 percent increase over the previous year.



## Online Treasure Hunt

The Division's Online Treasure Hunt at [www.unclaimedfundstreasurehunt.ohio.gov](http://www.unclaimedfundstreasurehunt.ohio.gov) is the most popular way for current or former Ohioans to check for unclaimed funds and initiate the claims payment process. The site is available for the public's convenience, 24 hours a day, seven days a week. In FY 2006, 75.3 percent of the claims paid were initiated through the Online Treasure Hunt.



*A visitor to the 2006 Ohio State Fair gets assistance as he searches for unclaimed funds at the Department of Commerce State Fair booth.*

## Improvements through Technology and the Ohio Business Gateway

The Division kicked off the Ohio Business Gateway project in the Spring of 2006, permitting the holders of unclaimed funds to submit reports showing they held no unclaimed funds ("None Reports"). To date, over 10,000 holders have submitted their None Reports through the Business Gateway. Computer programming has begun to allow Business Gateway users to electronically report that they are holding unclaimed funds ("Some Reports") - an innovation scheduled to begin in January 2007. Receiving "None Reports" electronically has significantly reduced the volume of mail coming into the Division for sorting and processing by staff. Saving staff time is increasing efficiency by enabling personnel to work on other critical duties.

The following boards and commissions are associated with the Ohio Department of Commerce:

## Division of Financial Institutions

**Banking Commission** - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Banks on any matters submitted to it by the Division and confirms the annual schedule of assessments.

**Credit Union Council** - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Credit Unions on any matters submitted to it by the Division related to credit union laws and rules, and confirms the annual schedule of assessments.

**Savings and Loan Associations and Savings Banks Board** - Advises the Superintendent of Financial Institutions and the Deputy Superintendent for Savings and Loan Associations and Savings Banks on any matters submitted to it by the Division and confirms the annual schedule of assessments.

## Division of Industrial Compliance

**Board of Building Appeals** - Reviews appeals made to adjudication orders issued by the Division of Industrial Compliance's bureaus of Building Code Compliance and Operations and Maintenance, or any certified local or county enforcement agency and also reviews appeals made to fire citations issued by the State Fire Marshal or any local fire department with a certified fire safety inspector.

**Board of Building Standards** - Formulates and adopts rules governing the Ohio Building Code. The Board also certifies municipal corporations, county, and township building departments to enforce the Ohio Building Code.

**Electrical Safety Inspector Advisory Committee** - Reviews the National Electrical Code for the compatibility with the Board of Building Standards' other rules. The Committee reviews rules relating to the certification of electrical safety inspectors and receives input from the electrical industry, contractors and inspectors.

**Ohio Construction Industry Licensing Board (OCILB)** - Issues licenses to qualified electrical, Heating Ventilating and Air Conditioning (HVAC), plumbing, hydronics and refrigeration contractors who successfully pass the International Code Council (ICC) licensing examination.

**Ohio Historic Boiler Licensing Board** - Oversees the testing, licensing and inspection of historic boiler operators and equipment.

**Residential Construction Advisory Committee** - Conducts research and makes recommendations in developing a new model residential construction building code.

**Ski Tramway Board** - Oversees the registration and inspection of ski/tram systems.

## Liquor Control

**Liquor Control Commission** - Ensures compliance with Ohio's liquor laws and regulations, working with both the Division of Liquor Control and the Ohio Department of Public Safety's Investigative Unit. Conducts hearings and issues orders on the state's liquor laws and regulations.

## **Real Estate & Professional Licensing**

**The Ohio Real Estate Commission** - Reviews hearing examiner reports each month regarding alleged real estate license law violations and its consideration of licensee appeals on licensure issues. If a licensee is found to have violated licensing law, the Commission can revoke or suspend a license, assess a fine or order additional continuing education. The Commission also hears cases against persons without a license performing activities that require a license.

**The Real Estate Appraiser Board** - Oversees the operation of Ohio's real estate appraiser licensure and certification program. If a licensed or certified appraiser is found to have violated appraiser law, the Board can revoke or suspend a license or certification, assess a fine or order additional continuing education.

**The Cemetery Dispute Resolution Commission** - Assists in resolving complaints against registered cemeteries by using informal techniques of mediation, conciliation and persuasion. The Commission hears complaints brought by individuals who are experiencing a problem with a cemetery.

## **State Fire Marshal**

**The State Fire Commission** - Conducts research and publishes reports on fire safety. The Commission makes recommendations to the Governor, the General Assembly and other state agencies of any needed changes in laws, rules or administrative policies relating to fire safety. The Commission also may recommend revision of the rules in the State Fire Code adopted by the State Fire Marshal.

**Petroleum Underground Storage Tank Release Compensation Board** - Administers the Ohio Financial Assurance Fund, created in response to federal regulations mandating that all owners and operators of petroleum underground storage tanks (USTs) demonstrate the financial ability to pay for potential damages caused by releases from their USTs.



## **Vision Statement**

*Enhancing Ohio's future by providing fair, consistent regulation that balances maximum benefit for the public with minimal intrusion on business.*

## **Mission Statement**

*To fulfill our legal obligations to safeguard the public, while striving to regulate commerce in a reasonable, fair and efficient manner.*



*The Department of Commerce is an equal opportunity employer and service provider.*