

# The Supreme Court of Ohio

65 SOUTH FRONT STREET, COLUMBUS, OH 43215-3431

CHIEF JUSTICE  
THOMAS J. MOYER

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JUDITH ANN LANZINGER

TELEPHONE 614.387.9010  
TOLL FREE 800.826.9010  
FACSIMILE 614.387.9019  
[www.sconet.state.oh.us](http://www.sconet.state.oh.us)

October 21, 2005

Members of the Ohio Bar:

The Attorney Registration Fund is established by Gov. Bar R. VI, Section 7 and consists of attorney registration fees and penalties collected by the Supreme Court of Ohio from the more than 37,000 attorneys practicing law in Ohio. The Attorney Registration Fund supports the operation of the various offices and bar associations involved in the attorney and judicial discipline process, the Clients' Security Fund, and other entities and organizations that assist the Court in the governance of the bar and the administration of justice.

The enclosed Annual Report on the Attorney Registration Fund provides a comprehensive exposition of the Fund and its activity, projections, and investment policy. This Annual Report is issued to advise members of the Ohio Bar and the public of the allocation and expenditure of the biennial registration fee paid by all judges and practicing lawyers.

Any questions or comments regarding this annual report should be directed to Steven C. Hollon, Administrative Director, or Richard A. Dove, Director of Attorney Services, Supreme Court of Ohio, 65 South Front Street, Columbus, Ohio 43215-3431.

Sincerely,



THOMAS J. MOYER  
Chief Justice

Enclosure

# The Supreme Court of Ohio

## **ANNUAL REPORT ON THE ATTORNEY REGISTRATION FUND**

**Summary of Fund Activity for Fiscal Year 2005**

**and**

**Report on Allocations for Fiscal Year 2006**

**October 2005**

# The Supreme Court of Ohio

To: Chief Justice Thomas J. Moyer and Justices  
Members of the Ohio Bar  
Members of the Public

This Annual Report on the Attorney Registration Fund provides a summary of the activity of the Attorney Registration Fund for Fiscal Year 2005, and sets out budget allocations from the Fund as approved by the Court for Fiscal Year 2006.

The report includes a review of the Fund's balance and projections, audit information, and investment policy. This information is provided for informational purposes only and is not to be considered a final or complete audit or financial statement of Fund activity during the period covered in the report. The Auditor of State conducts an audit of the Fund as part of her regular audit of the Supreme Court of Ohio.

Respectfully submitted,

Steven C. Hollon, Esq.  
Administrative Director

Richard A. Dove, Esq.  
Director of Attorney Services

## **I. Attorney Registration Requirements and Fees**

Rule VI of the Supreme Court Rules for the Government of the Bar of Ohio imposes a biennial registration requirement on each attorney practicing law in the state of Ohio. Each attorney licensed to practice law in the state, except for attorneys who are granted retired status, and each non-Ohio attorney working fulltime in Ohio for a nongovernmental Ohio employer must register with the Court on or before the first day of September in each odd-numbered year. Each active attorney and each non-Ohio attorney working for a nongovernmental Ohio employer is required to pay a fee at the time of his or her registration.

In April 2005, the Supreme Court approved a nine percent increase in the biennial registration fee from \$275 to \$300 for the 2005-2007 registration period. This increase was the fourth since the Court first imposed a \$100 registration fee in 1983.

Also in 2005, the Supreme Court amended Gov. Bar R. VI to impose penalties on attorneys who fail to timely register with the Court. A \$50 late registration fee, in addition to any applicable biennial registration fee, is imposed on an attorney who fails to register on or before the September 1 deadline. If an attorney remains unregistered as of December 1, the attorney is summarily suspended from the practice of law. The summary suspension remains in effect until the attorney satisfies the registration requirement, pays any applicable registration fees and a \$200 reinstatement fee, and is reinstated by the Attorney Registration Section.

All registration fees, as well as any late registration and reinstatement fees, are paid into the Fund. Pursuant to Gov. Bar R. VI, Section 7(A), the moneys in the Fund are used for the following purposes: (1) to fund the disciplinary process; (2) to support the activities of the Clients' Security Fund and the Commission on Continuing Legal Education; (3) any activity considered necessary by the Supreme Court for the government of the bar and the judiciary; and (4) any activities related to the administration of justice.

A Summary of Fund Expenditures for Fiscal Years 2005 and 2006, as well as Allocations for Fiscal Year 2006, is provided in Schedule 1.

## II. Summary of Fund Activity in Fiscal Year 2005

In Fiscal Year 2005, \$8,035,599 was expended from the Fund. Of this total, \$4,546,648 (56.58% of total Fund expenditures) was utilized in the disciplinary process. Of this amount, \$1,946,203 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office; \$811,225 was expended by the Board of Commissioners on Grievances and Discipline to fund its operation; \$1,766,111 was expended by the Board of Commissioners on Grievances and Discipline to reimburse certified local grievance committees for disciplinary related activities; and \$23,109 was expended by the Reporter of Decisions to publish legal notices in newspapers of general circulation upon the Court's issuance of a disciplinary order, pursuant to Gov. Bar R. V, Section 8(D)(2).

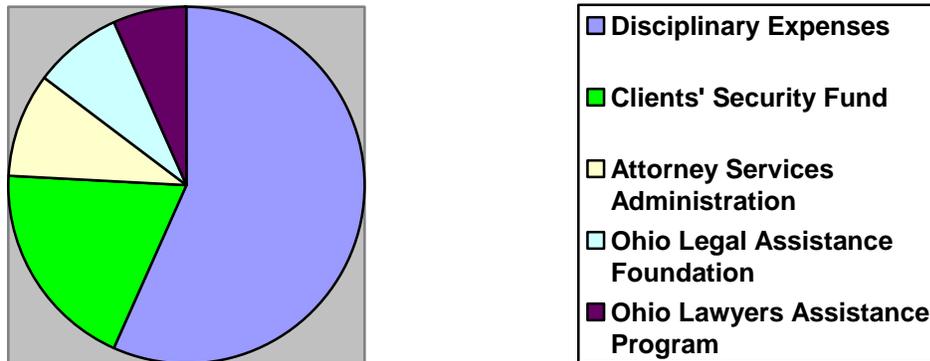
The Clients' Security Fund reimburses clients for losses caused by defalcating members of the bar. In Fiscal Year 2005, \$302,742 was expended by the Clients' Security Fund for its operation. In addition, \$1,250,000 was allocated to the Clients' Security Fund Trust Fund to pay clients who suffer losses. Together, these amounts represented 19.32% of Fund expenditures.

A total of \$761,209 was expended for the Attorney Services Division, which is responsible for administering programs and services for the legal profession and the public. These moneys, which represent 9.47% of total Fund expenditures, support the Office of Attorney Services, the Attorney Registration Section, the Commission on Continuing Legal Education, the Commission on Certification of Attorneys as Specialists, the Commission on Professionalism, and the Board on the Unauthorized Practice of Law.

The remaining \$1,175,000 in expenditures represented grants to two nonprofit organizations that assist the Supreme Court in providing oversight of the Ohio bench and bar and in the administration of justice. In fiscal year, 2005, the Court awarded grants of \$650,000 to the Ohio Legal Assistance Foundation and \$525,000 to the Ohio Lawyers Assistance Program. The Ohio Legal Assistance Foundation, as created by an act of the Ohio General Assembly in 1994, is charged with the responsibility of administering various funds for Ohio's legal aid societies, which in turn provide civil legal assistance to meet the needs of Ohio's poor. The moneys contributed from the Fund to the foundation are for *pro bono* development and enhancement, and technology enhancement and support. Meanwhile, the Ohio Lawyers Assistance Program provides intervention and monitoring assistance involving alcohol and substance abuse, and mental illness

issues for attorneys and judges. It receives significant funding from the Fund, but also receives contributions from the Ohio State Bar Association and the Ohio Bar Liability Insurance Company. These grants represent 8.09% and 6.54%, respectively, of the expenditures from the Fund.

**Table 1--FY 2005 Expenditures**



The Fund realized income of \$576,485 in Fiscal Year 2005, and had an estimated average monthly cash and investment balance of \$8,119,773.

### **III. Report on Allocations for Fiscal Year 2006**

In June 2005, the Supreme Court allocated \$8,714,550 from the Fund for Fiscal Year 2006. The allocations are made to twelve entities representing fifteen separate funds or programs.

The Court allocated \$4,721,687 (54.18% of total Fund allocations) for the operation of the disciplinary process. This figure includes separate allocations of \$2,131,662 to fund the Office of Disciplinary Counsel; \$858,025 to fund the operation of the Board of Commissioners on Grievances and Discipline; \$1,700,000 to reimburse certified local grievance committees for their work in investigating and pursuing disciplinary matters; and \$32,000 to the Reporter of Decisions for publication of legal notice of orders issued by the Supreme Court in disciplinary matters.

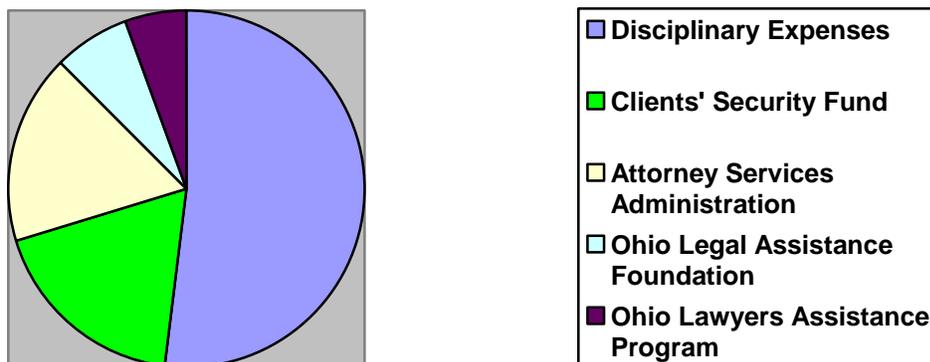
An additional \$330,287 is allocated to fund the operation of the Clients' Security Fund and \$1,350,000 to replenish that entity's trust fund to maintain a sufficient fund balance. These allocations represent 19.28% of the total Fund allocations. In Fiscal Year 2005 claims totaling \$1,494,200 were expended from

the Clients' Security Fund Trust Fund to reimburse 101 eligible claimants. As of June 30, 2005 there were 251 claims pending representing a potential liability to the fund of \$3,498,245.

A total of \$1,554,504 (17.84% of total Fund allocations) was allocated to fund the activities of the Attorney Services Division of the Supreme Court. This allocation includes: (1) \$132,628 for the Office of Attorney Services; (2) \$391,928 to the Attorney Registration Section; (3) a total of \$246,474 to the Board on the Unauthorized Practice of Law, including \$153,474 to operate the Board and \$93,000 to reimburse local bar associations for costs incurred in investigating and prosecuting allegations of the unauthorized practice of law; (4) \$155,676 to support the Commission on Professionalism; (5) \$149,350 to support the Commission on Continuing Legal Education; and (6) \$86,520 to support the work of the Commission on Certification of Attorneys as Specialists. The increased allocations for Fiscal Year 2006 represent costs incurred every two years to conduct the biennial registration of Ohio attorneys and a greater commitment to addressing the unauthorized practice of law and promoting lawyer professionalism.

In other areas, the Court approved a grant of \$650,000 to the Ohio Legal Assistance Foundation for its work in providing legal services to indigent litigants in civil matters. The Court also awarded a grant of \$500,000 to the Ohio Lawyers Assistance Program for alcohol and substance abuse intervention programs, and for mental health intervention programs. Together, these grants represent 13.20% of the Fund allocations for Fiscal Year 2006.

**Table 2--FY 2006 Allocations**



#### **IV. Fund Balance and Projections**

On June 30, 2005 the Fund had a balance of \$4,101,165. In Fiscal Year 2006, the Fund is projected to realize income of \$11,483,733 (including fees, cost reimbursements, and interest revenue) and expend an estimated \$8,714,550. On June 30, 2006, the Fund will have an estimated balance of \$6,870,348.

#### **V. Audit**

As noted previously, the Auditor of State conducts a complete audit of the Fund on a biennial basis. The audit of the Fund occurs at the same time as the audit of other funds that are appropriated to or collected by the Supreme Court. The most recent audit of the Court was for the biennial period ending June 30, 2003. No material noncompliance or reportable conditions in internal control were reported involving any funds of the Court, including the Fund.

The next audit of the Fund will be in conjunction with the end of the 2004 and 2005 fiscal biennium, and cover the two years from July 1, 2003 through June 30, 2005. It is anticipated that the audit will be conducted in the Spring of 2006.

#### **VI. Investment Policy**

All attorney registration fees are deposited directly into a bank lockbox maintained by Fifth Third Bank where they are invested in financial instruments. Fifth Third Bank was selected to maintain the Fund's lockbox through a competitive bid process.

The Fund's moneys are managed in a conservative risk-adverse manner through investments made in compliance with the Uniform Depository Act, as set forth in Ohio Revised Code Chapter 135, and amended by the Investment Reform Act of 1996. These and other state and federal laws require that the Fund's moneys not be placed at risk in the marketplace through investments in derivatives, reverse purchase agreements, or any method of leveraging. The Fund's investments are primarily in federal money market accounts and other United States government obligations such as treasury bills, notes, and bonds; the Federal Home Loan Mortgage Corporation; the Federal National Mortgage Association; and the Government National Mortgage Association.

The daily annualized yield on the Fund's investment equaled 1.48% as of June 30, 2005.

## **VII. Summary**

The Fund provides important financial resources to various organizations involved in the disciplinary and educational functions of the Court. It also helps provide much needed civil legal assistance to the poor. All of these activities are invaluable in improving the public's trust and confidence in our legal system.

The Fund is in a solid financial position and it is expected that it will maintain that position throughout Fiscal Year 2006.

## **VIII. Comments and Inquiries**

Any comments and inquiries regarding this report or the Fund may be directed to Steven C. Hollon, Administrative Director, or Richard A. Dove, Director of Attorney Services, Supreme Court of Ohio, 65 South Front Street, Columbus, Ohio 43215-3431.

**SCHEDULE 1**

<b>Office, Board, Commission</b>	<b>FY 2004 Expenditures</b>	<b>FY 2005 Appropriations</b>	<b>FY 2005 Expenditures</b>	<b>% of FY 2005 Appropriations Expended</b>	<b>FY 2006 Appropriations</b>	<b>% of Total FY 2006 Appropriations</b>
<b>Office of Disciplinary Counsel</b>						
-Operations Budget (Total)	\$1,942,685	\$2,069,173	\$1,946,203	94.06%	\$2,131,662	24.46%
<b>Board of Commissioners on Grievances and Discipline</b>						
-Operations Budget (Total)	\$751,791	\$831,007	\$811,225	97.62%	\$858,025	9.85%
-Reimbursement of Certified Local Grievance Committees	\$1,206,123	\$1,495,000	\$1,766,111	118.13%	\$1,700,000	19.51%
<b>Clients Security Fund</b>						
-Operations Budget (Total)	\$321,183	\$325,181	\$302,742	93.10%	\$330,287	3.79%
-Trust Fund	\$1,250,000	\$1,250,000	\$1,250,000	100.00%	\$1,350,000	15.49%
<b>Office of Reporter of Decisions</b>						
-Publication of Legal Notice in Discipline Cases	\$23,278	\$35,000	\$23,109	66.03%	\$32,000	0.37%
<b>Office of Attorney Services</b>						
-Operations Budget (Total)	\$98,728	\$224,259	\$224,259	100.00%	\$132,628	1.52%
<b>Attorney Registration Section</b>						
-Operations Budget (Total)	\$261,334	\$329,210	\$191,816	58.27%	\$391,928	4.50%
<b>Board of Commissioners on the Unauthorized Practice of Law</b>						
-Operations Budget (Total)	\$72,083	\$242,269	\$114,567	47.29%	\$153,474	1.76%
-Reimbursement of Expenses					\$93,000	1.07%
<b>Commission on Professionalism</b>	\$0	\$0	\$0	\$0	\$155,676	1.79%
-Operations Budget (Total)						
<b>Commission on Continuing Legal Ed.</b>						
-Operations Budget (Supplement)	\$140,000	\$145,000	\$145,000	100.00%	\$149,350	1.71%
<b>Commission on Certification of Attorneys as Specialists</b>						
-Reimbursement of Expenses	\$56,747	\$84,000	\$85,567	101.87%	\$86,520	0.99%
<b>Ohio Legal Assistance Foundation</b>						
-Grant	\$810,000	\$650,000	\$650,000	100.00%	\$650,000	7.46%
<b>Ohio Lawyers Assistance Program</b>						
-Grant	\$410,565	\$525,000	\$525,000	100.00%	\$500,000	5.74%
<b>TOTAL</b>	<b>\$7,344,517</b>	<b>\$8,205,099</b>	<b>\$8,035,599</b>	<b>97.93%</b>	<b>\$8,714,550</b>	<b>100.00%</b>