



THE SUPREME COURT *of* OHIO



ATTORNEY SERVICES FUND
ANNUAL REPORT



THE SUPREME COURT *of* OHIO

ATTORNEY SERVICES FUND ANNUAL REPORT

Summary of Activity for Fiscal Year 2011
and Report on Allocations for Fiscal Year 2012

OCTOBER 2011



PRESENTED TO:

MAUREEN O'CONNOR

CHIEF JUSTICE

PAUL E. PFEIFER

EVELYN LUNDBERG STRATTON

TERRENCE O'DONNELL

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ROBERT R. CUPP

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JUSTICES

PRESENTED BY:

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ADMINISTRATIVE DIRECTOR

SUSAN B. CHRISTOFF

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THE SUPREME COURT *of* OHIO

To: Chief Justice Maureen O'Connor and Justices
Members of the Ohio Bar
Members of the Public

This annual report on the Attorney Services Fund provides a summary of the activity of the Attorney Services Fund for Fiscal Year 2011 (July 1, 2010 – June 30, 2011), and sets out budget allocations from the fund as approved by the Court for Fiscal Year 2012 (July 1, 2011 – June 30, 2012).

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 the regular biennial audit of the Supreme Court of Ohio.

Respectfully submitted,



Steven C. Hollon, Esq.
Administrative Director



Susan B. Christoff, Esq.
Director of Attorney Services



I. Attorney Services Fund; Registration Requirements and Fees

Article IV of the Ohio Constitution vests plenary authority with the Supreme Court of Ohio to regulate all aspects of the practice of law in Ohio, including the discipline of persons admitted to the practice of law. In furtherance of this responsibility and in order to maintain an independent and self-funded regulatory system, the Supreme Court assesses and collects various fees and other moneys pursuant to the Supreme Court Rules for the Government of the Bar of Ohio. All moneys collected pursuant to those rules, other than those related to the bar admissions process, are deposited in the Attorney Services Fund.

Biennial Registration Requirements and Fees

Rule VI of the Supreme Court Rules for the Government of the Bar of Ohio (Gov. Bar R. VI) 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 on inactive or retired status, and each non-Ohio attorney registered for corporate status 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 registered for corporate status is required to pay a \$350 registration fee at the time of his or her biennial registration. Registration fees are reduced or waived for attorneys who are admitted to practice in the second year of the registration biennium. Revenues from attorney registration fees are significantly lower in odd-numbered fiscal years because attorneys are required to register with the Supreme Court during even-numbered fiscal years.

The Supreme Court imposes monetary sanctions on attorneys who fail to register timely with the Court. Gov. Bar R. VI imposes a late registration fee of \$50 on any attorney who fails to register with the Court by the due date. An attorney who remains unregistered more than 60 days after the due date is summarily suspended from the practice of law and must register, pay all outstanding registration fees, and pay a \$300 reinstatement fee to be reinstated to the practice of law.

Attorney Services Fund

All registration, late registration and reinstatement fees are paid into the fund. The fund also receives revenue from a variety of other sources pursuant to the Rules for the Government of the Bar, including cost reimbursements from disciplined attorneys, civil penalties and costs assessed against persons who are found to have engaged in the unauthorized practice of law, and income from the investment of moneys deposited in the fund. Beginning January 1, 2011, registration fees collected pursuant to newly adopted Gov. Bar R. XII, "Pro Hac Vice Admission," are also deposited in the Attorney Services Fund.

Pursuant to Gov. Bar R. VI, Section 7(A), the moneys in the fund are used (1) to fund the disciplinary process; (2) to support the activities of the Clients' Security Fund, the Commission on Continuing Legal Education, and the Board on the Unauthorized Practice of Law; (3) to fund any activity considered necessary by the Supreme Court for the government of the bar and the judiciary of Ohio; and (4) to fund any activities related to the administration of justice considered necessary by the Supreme Court.

Schedule 1 (*see page 7*) of this report contains a summary of fund expenditures for Fiscal Years 2010 and 2011 and allocations for Fiscal Year 2012.¹

II. Summary of Fund Activity in Fiscal Year 2011

In Fiscal Year 2011, \$8,409,294 was expended from the Attorney Services Fund.

Disciplinary-Related Expenses

In Fiscal Year 2011, \$5,136,882 (61.1 percent of total fund expenditures) was used to fund the disciplinary process established by the Court in Gov. Bar R. V. Of this amount, \$2,514,862 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office. A total of \$983,910 was expended by the Board of Commissioners on Grievances & Discipline to fund the operation of the board. An additional \$1,597,999 was expended by the board to reimburse local bar association certified grievance committees for disciplinary related activities. Further, \$1,125 was expended for costs related to appointment of special disciplinary counsel. The Supreme Court reporter of decisions expended \$38,986 to publish legal notices in newspapers of general circulation upon the Court's issuance of a disciplinary order, as required by Gov. Bar R. V, Section 8(D)(2).

Clients' Security Fund

Since 1985, the Supreme Court has allocated moneys from the Attorney Services Fund to compensate clients who are victims of theft, embezzlement, or misappropriation by dishonest attorneys. The Clients' Security Fund is established in Gov. Bar R. VIII and is administered by an independent board of commissioners appointed by the Court. By rule, the board may award a client up to \$75,000 to reimburse the client financial losses incurred as a result of the misconduct of his or her attorney. In Fiscal Year 2011, \$351,508 was expended by the Board of Commissioners of the Clients' Security Fund for its operation. In addition, the Supreme Court allocated \$1,053,330 to the Clients' Security Fund Trust Fund to replenish that fund. Together, these amounts represent 16.7 percent of Attorney Services Fund expenditures.

In Fiscal Year 2011, the board expended a total of \$1,259,463 from the trust fund to reimburse 136 eligible claimants. As of June 30, 2011, there were 416 claims pending representing a potential liability to the fund of \$2,750,437. For more information regarding claims against the Clients' Security Fund, see the most recent annual report prepared by the Board of Commissioners of the Clients' Security Fund.

¹The budget allocation for Fiscal Year 2011 was restated to accommodate an increase in the operations budget for the Office of the Reporter of Decisions due to higher than planned expenses. Further, the budget allocation for Fiscal Year 2011 was restated to account for the transfer of \$250,000 to the Admissions Fund to cover operating expenses for the Office of Bar Admissions.

Attorney Services Administration

The Attorney Services Division of the Supreme Court comprises the Office of Bar Admissions and the Office of Attorney Services. These two offices are charged with assisting the Court in the exercise of its constitutional responsibility to regulate the practice of law in Ohio. The offices' responsibilities include administering the biannual bar examination, reviewing applications for admission to the practice of law, conducting character and fitness investigations of persons seeking admission to the practice of law, registering attorneys each biennium, and maintaining attorney and judge continuing legal education records. A total of \$882,574 was expended for the Attorney Services Division in Fiscal Year 2011. These moneys, which represent 10.5 percent of total fund expenditures, supported the operations of the Office of Attorney Services (\$540,810), the Commission on Certification of Attorneys as Specialists (\$9,513), the Commission on Professionalism (\$19,181), and the Board on the Unauthorized Practice of Law (\$6,982). Further, \$56,088 was expended on reimbursement of expenses related to investigation and prosecution of unauthorized practice of law matters. Finally, \$250,000 was allocated to the Office of Bar Admissions to support its operations.

Discretionary Grants

The remaining \$985,000 in expenditures from the fund 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 2011, the Court awarded grants of \$330,000 to the Ohio Legal Assistance Foundation and \$655,000 to the Ohio Lawyers Assistance Program. These grants represent 3.9 percent and 7.8 percent respectively, of the expenditures from the fund.

The Ohio Legal Assistance Foundation is established pursuant to statutory authority and has, as its primary responsibility, the duty of administering and allocating various funds for Ohio's legal aid programs. These programs provide direct civil legal assistance to low-income Ohioans who qualify for services. The moneys contributed from the fund to the foundation are used for pro bono development and enhancement, technology enhancement and support, and performance assessments of legal aid programs.

The Ohio Lawyers Assistance Program provides intervention and monitoring assistance to Ohio lawyers, judges, and law students who are suffering from alcoholism, substance abuse, or mental illness. In addition to moneys allocated from the fund, the program receives contributions from the Ohio State Bar Association, the Ohio Bar Liability Insurance Company and other entities.

FIGURE 1: Fiscal Year 2011 Expenditures



Fund Income and Balance

The fund realized income and revenue of \$1,091,507 in Fiscal Year 2011 from the following sources: (1) biennial registration fees, including late fees, reinstatement fees, and fees collected pursuant to Gov. Bar R. XIV (“Certification of Attorneys as Specialists”) (\$399,425); (2) reimbursement of costs (\$159,835); (3) net investment income (\$12,069); (4) revenue collected pursuant to Gov. Bar R. X (“Attorney Continuing Legal Education”) (\$455,278); and (5) revenue collected pursuant to Gov. Bar R. XII (“Pro Hac Vice Admission”) (\$64,900). The fund had an estimated average monthly cash and investment balance of \$9,926,663.

III. Report on Allocations for Fiscal Year 2012

The Supreme Court allocated \$9,283,517 from the fund for the fiscal year beginning July 1, 2011. The allocations are made to 11 entities representing 14 separate funds or activities.

Disciplinary-Related Expenses

The Court allocated \$5,345,247 (57.6 percent of total fund allocations) to support the operation of the disciplinary process. This figure includes separate allocations of \$2,627,742 to fund the Office of Disciplinary Counsel; \$976,505 to fund the operation of the Board of Commissioners on Grievances & Discipline; \$1,700,000 to reimburse certified local grievance committees for their work in investigating and prosecuting disciplinary matters; and \$41,000 to the reporter of decisions for publication of disciplinary orders issued by the Supreme Court.

Clients' Security Fund

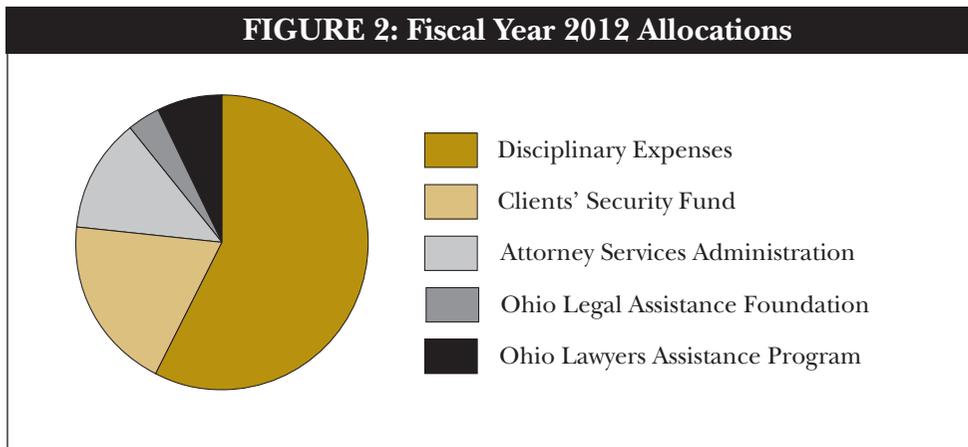
The operation of the Clients' Security Fund is funded by an allocation of \$393,121. An additional \$1,400,000 is allocated to replenish that entity's trust fund and ensure a sufficient fund balance. These allocations represent 19.3 percent of the total fund allocations.

Attorney Services Administration

A total of \$1,160,149 (12.5 percent of total fund allocations) was allocated to fund the activities of the Attorney Services Division of the Supreme Court. This allocation includes: (1) \$671,849 to the Office of Attorney Services; (2) \$23,750 to support the operation of the Board on the Unauthorized Practice of Law and an additional \$130,000 to reimburse bar associations for costs incurred in investigating and prosecuting allegations of the unauthorized practice of law; (3) \$59,000 to support the activities of the Commission on Professionalism; (4) \$25,550 to support the activities of the Commission on Certification of Attorneys as Specialists; and (5) \$250,000 to supplement the Admissions Fund for support of the operations in the Office of Bar Admissions if admissions fees are not increased.

Discretionary Grants

The Court approved a grant of \$330,000 to the Ohio Legal Assistance Foundation for its work in supporting the delivery of civil legal services to indigent persons. The Court also awarded a grant of \$655,000 to the Ohio Lawyers Assistance Program for alcohol, substance abuse and mental health intervention programs. Together, these grants represent 3.5 percent and 7.1 percent respectively, of the fund allocations for Fiscal Year 2012.



IV. Fund Balance and Projections

On June 30, 2011, the fund had a balance of \$6,893,379. In Fiscal Year 2012, the fund is projected to realize income of \$15,778,425 (including fees, reimbursements, and interest income) and expend an estimated \$9,283,517. On June 30, 2012, the fund will have an estimated balance of \$13,368,287.

V. Audit

The Auditor of State conducts a complete audit of the Attorney Services Fund on a regular basis. The audit 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, 2010. No material

noncompliance or reportable conditions in internal control were reported involving any funds of the Court, including the Attorney Services Fund. The next audit of the Attorney Services Fund has not been scheduled as of the date of this report.

VI. Investment Policy

Attorney registration fees are deposited directly into a lockbox maintained by U.S. Bank where they are invested in financial instruments. U.S. Bank was selected to maintain the lockbox through a competitive bid process for moneys deposited and collected in FY 2010 and 2011.

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 such as Commercial Paper and chosen because they carry higher interest repayment rates than bonds and avoid high insurance bank charges. Investment income is net of fees charged and does not include earnings credit for balances held to offset fees. Interest income was lower as compared with the previous fiscal year, due in large part to the current economic climate. The fund continues to seek more optimal investment options, as permitted by statute.

VII. Summary

The Attorney Services Fund allows the Supreme Court to maintain an effective and efficient system for regulating post-admission aspects of the practice of law, consistent with its responsibility under the Ohio Constitution. The fund also provides important financial resources to organizations that aid in the provision of legal services to the poor and assist lawyers who are suffering from alcoholism, substance abuse, or mental illness. All activities supported by the fund are invaluable in ensuring the public's continued 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 2012.

VIII. Comments and Inquiries

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

SCHEDULE I

	FY 2010 Expenditures	FY 2011 Allocations	FY 2011 Expenditures	% of FY 2011 Allocations Expended	FY 2012 Allocations	% of Total FY 2012 Allocations
Office, Board, Commission						
Office of Disciplinary Counsel						
-Operations Budget (Total)	\$2,533,882	\$2,570,681	\$2,514,862	97.83%	\$2,627,742	28.31%
Board of Commissioners on Grievances and Discipline						
-Operations Budget (Total)	\$865,779	\$1,060,528	\$983,910	92.78%	\$976,505	10.52%
-Reimbursement of Certified Local Grievance Committees	\$1,624,476	\$1,850,000	\$1,597,999	86.38%	\$1,700,000	18.31%
Clients Security Fund						
-Operations Budget (Total)	\$347,143	\$351,873	\$351,508	99.90%	\$393,121	4.23%
-Trust Fund	\$250,000	\$1,053,330	\$1,053,330	100.00%	\$1,400,000	15.08%
Office of Reporter of Decisions*						
-Publication of Legal Notice in Discipline Cases	\$30,986	\$41,000	\$38,986	95.09%	\$41,000	0.44%
Office of Attorney Services						
-Operations Budget (Total)	\$611,750	\$684,294	\$540,810	79.03%	\$671,849	7.24%
Board on the Unauthorized Practice of Law						
-Operations Budget (Total)	\$8,094	\$28,250	\$6,982	24.72%	\$23,750	0.26%
-Reimbursement of Expenses	\$78,811	\$160,000	\$56,088	35.06%	\$130,000	1.40%
Commission on Professionalism						
-Operations Budget (Total)	\$22,943	\$67,160	\$19,181	28.56%	\$59,000	0.64%
Commission on Certification of Attorneys as Specialists						
-Operations Budget	\$14,605	\$29,286	\$9,513	32.48%	\$25,550	0.28%
Ohio Legal Assistance Foundation						
-Grant	\$200,000	\$330,000	\$330,000	100.00%	\$330,000	3.55%
Ohio Lawyers Assistance Program						
-Grant	\$655,000	\$655,000	\$655,000	100.00%	\$655,000	7.06%
General/Miscellaneous						
Supplement Admissions Fund**	\$0	\$250,000	\$250,000	100.00%	\$250,000	2.69%
Special Disciplinary Counsel***	\$0	\$0	\$1,125	0.00%	\$0	
TOTAL	\$7,243,469	\$9,131,402	\$8,409,294	92.09%	\$9,283,517	100%

*Allocation for Office of Reporter of Decisions for Fiscal Year 2011 was restated from \$31,000 to \$41,000.

**Allocation of \$250,000 for Fiscal Year 2011 was made to support the operations of the Office of Bar Admissions.

***\$1,125 was spent for Special Disciplinary Counsel in Fiscal Year 2011.





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